

Entrepreneurship Knowledge, Networking and Toward Entrepreneurial Intention and the Impact to the Business Success of Students in Young Entrepreneurs Association (HIPMI-PT) East Java, Indonesia

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Abstract

This research explains the relationship between Entrepreneurship Knowledge, Networking and to Entrepreneurial Intention and the impact on the Business Success of students in Young Entrepreneurs Association (HIPMI-PT) East Java, Indonesia. Data was obtained from the sample of 130 students. There are seven findings. Firstly, Entrepreneurship Knowledge has no significant effect but positively directed toward Business Success of students in Young Entrepreneurs Association. Secondly, the Entrepreneurship Knowledge variable has no significant effect and negatively directed toward the Entrepreneurial intention. Thirdly, managerial skill variable significantly influenced with the positive direction toward Business Success of students In Young Entrepreneurs Association. Fourthly, Managerial skill variable significantly influenced with the positive direction toward the Entrepreneurial intention. Fifthly, networking variable has a significant effect with the positive direction toward the business success of students in Young Entrepreneurs Association. Sixthly, Networking variables significantly influenced the Entrepreneurial Intention positively and seventhly, Entrepreneurial intention variable has no significant effect and negative toward Business Success of students In Young Entrepreneurs.

Keywords: Entrepreneurship knowledge, Managerial Skill, Networking Skill, Entrepreneurial intention, Business Success

1. Introduction

Entrepreneurship is the control and deployment of resources to create an innovative economic organization to gain or grow under risky and uncertain conditions (Dollinger, 2008). The elements and characteristics embedded in many kinds of entrepreneurship definitions are creativity, innovation, resources identification, acquisition, economic organization, and opportunity for gain under risk and uncertainty (Dollinger, 2008). Fred Wilson (Barringer & Ireland, 2012) defined "Entrepreneurship" more simply, seeing entrepreneurship as the art of turning an idea into a business. This definition opens the limitation of being entrepreneurs, not only the mature and rich people with many experiences in doing business, but for everyone who has idea and eagerness to turn it into a business.

Among the active college/university students in East Java province, Indonesia, being entrepreneurs is not a new issue they're thinking of what they are going to take as a choice after graduation. Many universities in the province try to provide their students with programs to enhance and stimulate the students' intention to become entrepreneurs. The entrepreneurship education has been introduced since many years ago and goes beyond understanding, knowing and even talking about entrepreneurship itself, but requiring the application and actions and to support this, a study is proposed by introducing a practice-based pedagogies to teach entrepreneurship among college/university students (Neck & Greene, 2011).

Having materials in management knowledge is not enough to make the students intent to start up their business after graduation. Sari (2011), found that the business students in an entrepreneurship-based university considered to open a business if they get entrepreneurship support programs and industry ties that enabled them to have networks, and they were not interested to open a business if they were only given many credits in classroom and learning about theories how to start up the business.

Having declared its establishment on June 12, 2011, Indonesian Young Entrepreneurs Association (HIPMI) then declared as Indonesian Young Entrepreneurs Association of Higher Education (HIMPI PT), seeks to guide students in Higher Education to improve their entrepreneurial skills and became an organization to develop and empower entrepreneurship in universities.

This study is to examine whether the entrepreneurship knowledge that given in campus and as well as , networking skill that the college/university students, associated with HIPMI-PT, demonstrate in the association will influence the entrepreneurial intention and their future business success.

2. Literature Review

2.1 Entrepreneurship knowledge

According to Jack & Anderson (1999), entrepreneurial knowledge refers to an individual's appreciation of the concepts, skills and mentality expected of an entrepreneur (Tshikovhi and Shambare, 2015). The indicators can be

drawn to measure entrepreneurial knowledge are:

- a. Ability to recognize entrepreneurial opportunities which involves the discovery and evaluation of new venture opportunities which consists of ability to identify market and have the innovative ways to fulfil people's needs.
- b. Ability to exploit successfully the identified opportunity, which consists of ability to form and develop a profitable business or new venture.

2.2 Managerial Skill

There are many studies of entrepreneurs or start-up businessmen. Managerial skill is defined differently from either large business or small business. But in this study the relevant of small business. Because the knowledge of formulas of break-even analysis, economic order quantity and other will have no adequate data to apply them in small business (Olowu & Aliyu, 2015). There are many studies propose for small business, but this study uses the indicators from five components by Agbim (2013), those are:

1. Skills for planning and budgeting
2. Skills to act quickly on detecting changes in the environment
3. Skills for assessing sales problems
4. Skills to focus on product quality
5. Skills to attract and keep component employees

2.3 Networking Skill

Many previous studies about personal networking (Dubini & Aldrich, 1991; Aldrich & Zimmer, 1986) defined it as the management of relationships or alliances that the individual has with others in their society (Sirec & Bradac, 2009). Carson et al. (1995) in Sirec & Bradac (2009) is stated that networking in a small firm context could be defined as activities in which the entrepreneurially oriented SME owners build and manage personal relationships with particular individuals in their environment. The network could be characterized by many attributes and derived from Witt (2004) cited in Sirec & Bradac (2009), then the indicators of networking by entrepreneurs are:

- (1) Activities to build networks, such as amount of time an entrepreneur invest to create, preservation and enlargement his personal network; frequency of communication with partner in network for specific period.
- (2) Structure of network, such as the size of entrepreneur's personal network, heterogeneity of network, density of network
- (3) Acquired information by network partners that refers to benefit attained through entrepreneurial networking, measured by frequency of new information provided by other contributors, the supportive action from network contributors.

Shane (2003) in Kuehn (2008) noted that social connections were found to be important predictors of entrepreneurial activity because of better access to resources and information. Not only does research support these connections as being a significant influence on intentions toward launching a business, it also reveals that individuals with stronger social ties will have stronger performing ventures.

2.4 Entrepreneurial intention

According to the Theory of Planned Behavior (TPB) an entrepreneurial intention indicates the effort that the person will make to carry out that entrepreneurial behavior (Linan & Chen, 2009). The intention is based on three main motivational factors (Linan & Chen, 2009), those are Attitude toward start-up (Personal Attitude/PA) which refers to the personal liking or disliking towards becoming an entrepreneur, subjective norm (SN) refers to the perception that concerned people (family, peers) approve of the activity; and Perceived behavioral control (PBC) refers to the perception of the ease or difficulty of becoming an entrepreneur (Ismail, et al., 2015).

2.5 Business Success

Success, in general, relates to the achievement of goals and objectives in whatever sector of human life, and so is in business life that success is a key term in the field of management, although it is not always explicitly stated (Oyeku, et al., 2014). Paige and Littrell (2002) in Oyeku, et al (2014) defined business success as both intrinsic criteria (including, freedom and independence, controlling a person's own future, and being one's own boss) and extrinsic outcomes (including, increased financial returns, personal income, and wealth). The successful business should show the good performance. Performance can be characterized as the firm's ability to create acceptable outcomes and actions (Oyeku, et al., 2014).

The indicators of success in this study are based on some dimensions proposed in study of Oyeku et al (2014) and Lekovic & Maric (2015) with the definition changes to meet the purpose of this study, those are:

1. Profit, as the ability of business to bring significant revenue from the business operation.
2. Sales, the ability of business to sell products
3. Employment growth, the number of employees
4. Property Growth, the number of property that belongs to the entrepreneur

Hypotheses in this research are drawn as below:

- 1) Entrepreneurship knowledge variable has significant influence on business success of students in Young Entrepreneurs Association.
- 2) Entrepreneurship knowledge variable has significant influence on Entrepreneurial Intention.
- 3) Managerial Skill variable has significant influence on business success of students in Young Entrepreneurs Association
- 4) Managerial Skill variables has significant influence on Entrepreneurial Intention.
- 5) Networking variable has significant influence on business success of students in Young Entrepreneurs Association.
- 6) Networking variable has significant influence on Entrepreneurial Intention.
- 7) Entrepreneurial Intention Variable has significant influence on business success of students in Young Entrepreneurs Association.

3. Research Method

This research used explanatory with quantitative approach. The explanatory research according to Sugiyono (2006) is a study that explains the causal relationship between the variables that affect the hypothesis. For the purposes of discussion, data is processed and presented based on the principles of descriptive statistics, while for the purposes of hypothesis analysis and testing used inferential statistical approach. To answer the research questions and assess the model, the analysis technique will be used is Sturctural Equation Modeling (SEM) with Partial Least Square approach.

Target population in this study is all students of HIPMI university members in East Java. Hair et al. in Ferdinand, (2002: 48) suggested that the sample size depends on the number of indicators used in all latent variables. It is recommended that the minimum sample size is 5-10 observations for each parameter estimated. Thus, this research used the minimum sample size, which is $n = 5 \times$ number of indicators, where n is the minimum sample size. Indicators used in this study were as many as 26 indicators, so that it obtained the minimum sample size of 130 respondents.

Table 1. Operational Variables

No	Variable	Indicators	Scale
1	Entrepreneurial Knowledge (EK)	<ol style="list-style-type: none"> 1. Ability to identify market 2. Ability to find innovative ways to fulfill market's needs 3. Ability to form a venture 4. Ability to develop profitable business 	Likert 1-5 (1= very unimportant, 2= unimportant, 3= somewhat important, 4= important 5= very important)
2	Managerial Skills (MS)	<ol style="list-style-type: none"> 1. Having skills for planning and budgeting 2. Having skills to act quickly on detecting changes in the environment 3. Having skills for assessing sales problems 4. Having skills to focus on product quality 5. Having skills to attract and keep component employees 	Likert 1-5 (1= very unimportant, 2= unimportant, 3= somewhat important, 4= important 5= very important)
3	Networking Skill (NS)	<ol style="list-style-type: none"> 1. Having amount of time an entrepreneur invest to create network 2. Having amount of time an entrepreneur preserve to create network 3. Having amount of time an entrepreneur invest to enlarge network 4. The size of network 5. Heterogeneity of network 6. Density of network 7. New information provided 8. Supportive action by network contributors 	Likert 1-5 (1= very unimportant, 2= unimportant, 3= somewhat important, 4= important 5= very important)
4	Entrepreneurial Intention (EI)	<ol style="list-style-type: none"> 1. Having readiness to do everything to be an entrepreneur 2. Having professional objective for being an entrepreneur 3. Having Strong intention to start up the own business 4. Having serious thought of a plan in opening own business in the future 5. Having intention to start up the own business in future 	Likert 1-5 (1= never 2=seldom, 3= sometimes, 4= mostly 5= very often)
5	Business Performance (BP)	<ol style="list-style-type: none"> 1. Profit 2. Sales 3. Employment growth 4. Property growth 	Likert 1-5 (1= worst 2=bad, 3= neutral, 4= good 5= very good)

4. Results and Discussions

4.1 Model Measurement Test and Model Fit Test

The Measurement Test Model is part of the SEM model which consists of a latent variable and several manifest variables (indicator) that describes the latent variable while the fit of the model (goodness of fit) shows how good the model in testing the relationship between variables is.

Based on the calculation of Structural Equation Modeling (SEM) using Smart PLS Ver. 2.0 program, all AVE values > 0.5 and it indicates the latent variable can represent each indicator. The reliability value of the five composite variables which is greater than 0.6 means the internal consistency measurement for the 5 latent variables is above the standard values. The alpha value for the 5 variables is more than 0.7, this indicates that the variable has an ideal reliability (Sarwono, 2015: 49). The R Square value of 0.426 shows that 42,6% exogenous variables that consist of 3 variables are able to explain endogenous variable (Entrepreneurship Intention). The value of R Square is 0.407 for Business Success variable shows that 40.7% exogenous variables of 4 variables are able to explain these variables.

Table2 *Quality Criteria Test*

Variable	AVE	Composite Reliability	R Square	Cronbach's Alpha	Communality
Business Success	0.639	0.875	0.407	0.808	0.639
Ent. Knowledge	0.575	0.842		0.751	0.575
Ent. Intention	0.607	0.884	0.427	0.833	0.607
Managerial Skill	0.495	0.885		0.852	0.495
Networking	0.565	0.865		0.803	0.565

Source :*Output Smart PLS Ver. 2.0*

The result analysis is an evaluation of the structural model. This evaluation includes the significant value of each path coefficient indicating whether there is (significant) the influence of the hypothesized constructor not.

Table 3. Structural Model Evaluation

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
Ent. Knowledge → Business Success	0.173	0.180	0.089	0.089	1.941
Ent. Knowledge → Ent. Intention	-0.037	-0.030	0.109	0.109	0.341
Ent. Intention → Business Success	-0.001	-0.011	0.126	0.126	0.010
Managerial Skill → Business Success	0.285	0.276	0.122	0.122	2.345
Managerial Skill → Ent. Intention	0.255	0.251	0.100	0.100	2.537
Networking → Business Success	0.292	0.307	0.142	0.142	2.057
Networking → Ent.Intention	0.471	0.475	0.113	0.113	4.175

Source: *Output Smart PLS Ver. 2.0*

The conceptual model shown in Figure 3 shows firstly, Entrepreneurship Knowledge has no significant effect on the positive direction of the Business Success of students in Young Entrepreneurs Association. This can be seen from the positive marks coefficients of 0.173 with a statistic value of 1.941 <2.0. Thus the variable of Entrepreneurship Knowledge has no significant effect on Business Success of students in Young Entrepreneurs Association. These results do not provide support for the first hypothesis “Entrepreneurship Knowledge variables have a significant effect on Business Success of students in Young Entrepreneurs Association”.

Secondly, the Entrepreneurship Knowledge variable has no significant effect with negative direction toward Entrepreneurial Intention. This can be seen from the negative sign coefficients = -0.037 with a statistic t value of 0.341 < 2.0. Thus the variable Entrepreneurship Knowledge has no significant effect on Entrepreneurial Intention. These results do not provide support for the second hypothesis “Entrepreneurship Knowledge variables significantly influence Entrepreneurial Intention”.

Thirdly, Managerial Skill variable significantly influences the positive direction of the Business Success of students in Young Entrepreneurs Association. This can be seen from the positive sign coefficient of 0.285 with the value of t statistic 2.345 > 2.0. Thus variable Manage Skill significantly influence Business Success of students in Young Entrepreneurs Association. These results provide support for the third hypothesis that “Managerial Skill variables significantly influence the Business Success of students in Young Entrepreneurs Association”.

Fourthly, Manage Skill variables significantly influence Entrepreneurial Intention with the positive direction. This can be seen from the positive coefficient sign of 0.255 with the value of t statistic 2,537 > 2.0. Thus variable managerial skills significantly influence Entrepreneurial Intention. These results provide support for the fourth hypothesis “Managerial Skill variables significantly influence Entrepreneurial Intention”.

Fifthly, Networking variable significantly influences with the positive direction to Business Success of students in Young Entrepreneurs Association. This is seen from the coefficient of positive sign of 0.292 with the value of t statistic 2.057 > 2.0. Thus, Networking variables significantly affect the Business Success of students in

Young Entrepreneurs Association. These results provide support for the fifth hypothesis of Networking variables have a significant effect on Business Success of students in Young Entrepreneurs Association.

Sixthly, Networking variables significantly influence Entrepreneurial Intention with the positive direction towards. This is seen from the positive marked coefficient of 0.471 with the value of statistic $t\ 4.175 > 2.0$. Thus, networking variable significantly influences Entrepreneurial Intention. These results provide support for the sixth hypothesis that is variable Networking significant effect on Entrepreneurial Intention.

Seventh, Entrepreneurial Intention variable has an insignificant effect with negative direction toward Business Success of students in Young Entrepreneurs Association. This can be seen from the negative sign coefficient of -0.001 and the value of t statistic $0.010 < 2.0$. Thus the Entrepreneurial Intention variable has no significant effect on Business Success of students in Young Entrepreneurs Association. These results do not provide support for the seventh hypothesis “Entrepreneurial Intention variables significantly influence the Business Success of students in Young Entrepreneurs Association”.

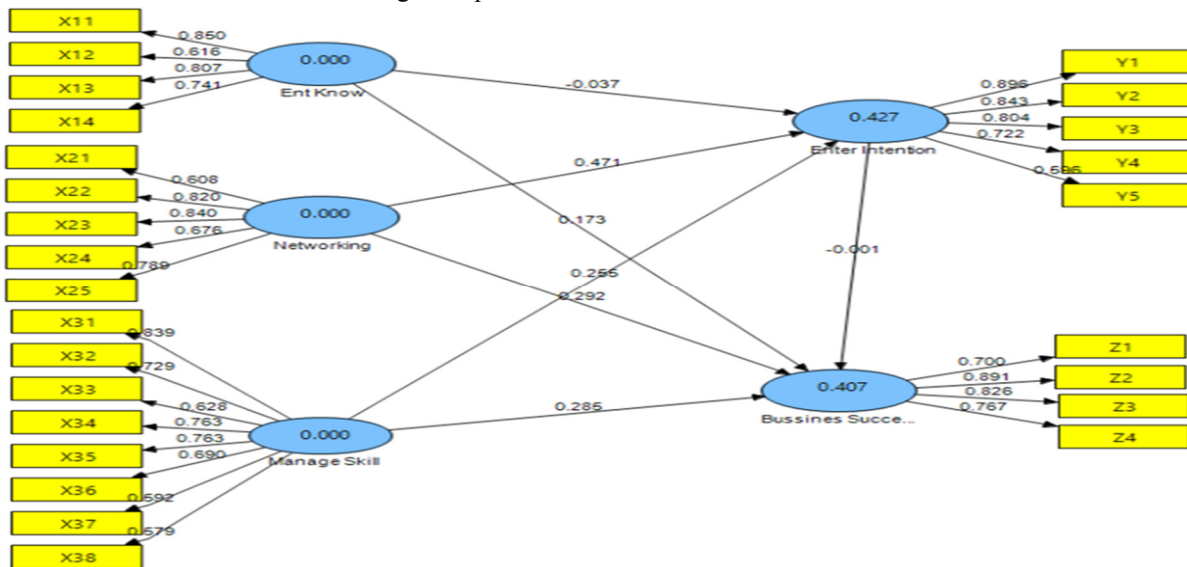


Figure 1. Conceptual Model
 Source : Output *Smart PLS* Ver 2.0

As the main objective of this study was to examine the influence of Entrepreneurship Knowledge, Networking and on Entrepreneurial Intention and its impact on the Business Success of students in Young Entrepreneurs Association (HIPMI-PT). The results of SEM show the following seven findings. Firstly, this study does not verify that Entrepreneurship Knowledge has a significant effect on Business Success of students in Young Entrepreneurs Association. The results of this study reject the theory of Jack & Anderson (1999) which states that the ability to recognize entrepreneurial opportunities involving the discovery and evaluation of new business opportunities which consists of the ability to identify markets and have innovative ways to meet the needs of society will impact on the success of doing business.

The second finding of this study did not confirm the assertion that Entrepreneurship Knowledge variables significantly influence Entrepreneurial Intention. The results of this study reject the theory of Tshikovhi & Shambare (2015) which states that ability to exploit identified opportunities consists of the ability to form and develop a profitable business or new business will impact on one's intention to entrepreneurship

The third finding of this study reinforces the assertion that Managerial Skill variables significantly affect the Business Success of students in Young Entrepreneurs Association. The results of this study support the theory of Olowu & Aliyu (2015) which states that the skills possessed by everyone who has access to increase the production of a business will impact on the success in business.

The fourth findings of this study reinforce the statement that Managerial Skill variables significantly influence Entrepreneurial Intention. The results of this study strengthen the theory of Agbim (2013) which states that the skills that required from an entrepreneur in leading the organization, the company and others will have an impact on one's intention to entrepreneurship.

The fifth findings of this study reinforces the assertion that Networking variables significantly affect the Business Success of students in Young Entrepreneurs Association. The results of this study strengthen the theory of Sirec & Bradac (2009) which states that the ability of one's networking will impact on the success in business.

The sixth findings of this study reinforce the assertion that Networking variables significantly influence Entrepreneurial Intention. The results of this study strengthen the theory of Shane (2003) which states that the ability of a person in building a network will affect the intention of someone to entrepreneurship.

The seventh findings of this study do not corroborate the assertion that Entrepreneurial Intention variables significantly influence the Business Success of Students in Young Entrepreneurs Association. The results of this study strengthen the theory of Linan & Chen (2009) which states that the intention of someone to entrepreneurship will impact on the success in business.

5. Conclusion and Suggestion

Based on the results of data analysis, hypothesis testing, and previous discussion, it can be drawn conclusions from this study as follows:

1. Entrepreneurship Knowledge has no significant effect on Business Success of students in Young Entrepreneurs Association and Entrepreneurial Intention because success in business is determined not only by theory, but also the extent to which the individual's involvement in each process.
2. Managerial Skill has significant effect to Business Success of students in Young Entrepreneurs Association and Entrepreneurial Intention because the skills that required from an entrepreneur in leading organizations, companies and others will greatly determine the interest and success of someone in business.
3. Networking has a significant effect on Business Success of students in Young Entrepreneurs Association and Entrepreneurial Intention because the ability of a person in building a network and connections will determine the interest and success of someone in business.
4. Entrepreneurial Intention has no significant effect on Business Success of students in Young Entrepreneurs Association because there are other factors that are dominant in shaping one's success in running the business.

Based on the results of research conducted, the researchers suggest several things as follows:

1. Entrepreneurship Knowledge has no significant effect on Business Success of students in Young Entrepreneurs Association and Entrepreneurial Intention because a success of one's business is expected to be more practical than theoretical.
2. Managerial Skill has significant effect to Business Success of students in Young Entrepreneurs Association and Entrepreneurial Intention therefore it is expected to be further improved to increase the interest and success of someone in business.
3. Networking has a significant effect on Business Success of students in Young Entrepreneurs Association and Entrepreneurial Intention so it is expected that someone needs to expand the network to be more interested and successful in business.

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