

Educational Background and its Role in Entrepreneurial Success of Startup Entrepreneurs: An Empirical Study

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Abstract

Entrepreneurship is now a crucial driver of economic growth in present day's dynamic business landscape. As the number of startups continues to proliferate, understanding the factors that contribute to entrepreneurial success becomes imperative for entrepreneurs, policymakers, and educators. Among these factors, the educational background of startup entrepreneurs has garnered significant attention. Education can provide individuals with a diverse set of skills, knowledge, and competencies that are valuable in the entrepreneurial journey. Academic qualifications, specialized training, and exposure to relevant industry practices can equip entrepreneurs with the necessary tools to navigate the challenges of starting and scaling a business. But it is also to be recognised that entrepreneurship is a complex and multifaceted endeavour, nuanced by a wide array of factors beyond formal education. This paper explores the connection between educational background and the entrepreneurial success of startup entrepreneurs. The study highlights the importance of a holistic approach to education that combines academic learning with practical exposure and skill development. It highlights the significance of education as a foundation for entrepreneurship. The findings aim to stimulate further research and inform policymakers, educators, and aspiring entrepreneurs on the potential benefits of educational experiences in fostering successful startup ventures. Researcher had considered 239 entrepreneurs to conduct the study survey and know the factors that determines the role of educational background in entrepreneurial success of startup entrepreneurs and found that identifying an opportunity, Developing Business Plan, Managing the Enterprise and Skills and Resources are the factors that determines the role of educational background in entrepreneurial success of startup entrepreneurs.

Introduction

Start-up firms have a significant economic influence, but their failure rate remains high. Peña, (2002) analyzed the association between intellectual capital (IC) assets and the survival and growth of new firms and found that the "human capital" of the entrepreneur along with

"organizational capital", such as adaptability and successful strategies, and relational capital, including productive networks and access to stakeholders, positively affect venture performance. Enhancing IC in start-ups is crucial for their success, as these institutions have a vital role in the commercial world. Entrepreneurs should recognize the value of intangible assets, while policymakers should support the development of IC in new organizations.

The impact of founders' backgrounds on the survival of start-up firms in their early years is examined by Baptista et al. (2011) by investigating how the experiences and abilities of entrepreneurs, considered indications of "entrepreneurial human capital", contribute to the initial success of new businesses. The study focused on two important phenomena: spin-offs (start-ups founded by individuals previously employed in the same industry) and habitual entrepreneurship and the findings reveal that particular human capital, often found in spin-off founders, has a crucial part in enriching the chances of survival. Specifically, industry experience, managerial experience, and resources deployed by portfolio entrepreneurs contribute to the early success of nascent businesses.

Community-level cultural norms indirectly affect the success of new entrepreneurs in the creation of functional sectors. Cultural norms shape new entrepreneurs' start-up motivation and beliefs in their own entrepreneurial abilities, which ultimately determine their success in establishing operational ventures (Hopp & Stephan, 2012). Personal traits and cultural background generally contribute to impulsive entrepreneurial intention (IEI), representing an individual's eagerness or aspiration to establish a new business in the future. In contrast, impulsive entrepreneurial intention (DEI) is influenced by various prior experiences and active engagement in social networks, enabling potential entrepreneurs to identify and arrange the necessary resources for their future entrepreneurial endeavors (Quan, 2012).

Literature Review

Honjo (2004) focused on exploring the factors influencing the growth and success of new start-up firms and they identified various determinants that impact the growth of start-ups. These determinants include characteristics specific to the firm, the entrepreneur, the industry, and the local environment. This shows that younger and smaller start-ups have better chances to experience growth. The age and educational background of the entrepreneur also influences

the growth of start-ups, with younger entrepreneurs (aged 30-39) showing a higher likelihood of growth, while middle-aged entrepreneurs are more likely to ensure survival. Highly educated entrepreneurs are more inclined towards achieving growth and diversification within a firm has a positive effect on its growth, while being specialized in a particular industry does not necessarily lead to growth.

Baptista et al. (2013) explored the influence of different factors on the survival and success of newly established firms, with a specific focus on the influence of the founders' backgrounds and they found that those who left their previous jobs to start a new venture benefit from both general and specific human capital had significantly enhanced their chances of survival in the crucial initial years. But, for unemployment-driven entrepreneurs, their previous experience in entrepreneurship plays a more significant role in persevering through the early challenges. Spinout founders and portfolio entrepreneurs possess better skills for evaluating and exploiting opportunities, while unemployment-driven entrepreneurs are less likely to actively search for and assess opportunities, relying instead on their previous entrepreneurial knowledge to navigate the early years of their startups.

Universities are striving to embrace entrepreneurship to remain competitive, generate additional revenue, and adhere to government policies. Students are a valuable resource for universities to promote entrepreneurship, but there is no established theory on how to encourage them to become entrepreneurs. Jansen et al. (2015) explored the entrepreneurial initiatives implemented at MIT, IIIT, and Utrecht University through case studies and the findings shed light on how student entrepreneurship programs influence career choices. The growth of the entrepreneurial university concept positively impacts the innovation capabilities of universities and facilitates the implementation of laboratory inventions. Universities have a unique opportunity to influence students towards entrepreneurship during this pivotal stage of their lives. As entrepreneurship gains recognition in academic curricula, it becomes a fundamental component alongside other subjects like innovation management, sustainability, and research methods. The balance between general education and specialization should be defined by society to ensure students' effectiveness in the labor market.

The decision to start a business is positively influenced by proactiveness and risk-taking, as well as the age of the lead entrepreneur. But, education negatively affects the start-up decision

while innovativeness does not play a role in this decision. Risk-taking and proactiveness are of high importance in establishing a new venture, while innovativeness is not a defining factor. Older people are more probable to initiate a new business, challenging the assumption that they are risk-averse. In developing countries, higher education levels may discourage individuals from starting businesses, possibly due to limited opportunities or priorities (Kropp et al., 2008).

Lynskey (2004) found that "technological capability", "internal funds", "venture capital", and "university-industry linkages" are crucial company-level factors for innovativeness. The CEO's education and networks with academicians play a significant role as managerial characteristics. Despite institutional differences between Japan and Western countries, the factors supporting technology-based start-ups are similar.

PHAN et al. (2002) examined the dimensions of students as precursors to entrepreneurial ventures, including their background, experience, faiths about institutions, and attitudes toward entrepreneurship. and suggests that background and attitudes can predict the inclination towards entrepreneurship, while beliefs can mediate the relationship between attitudes and the initiative to start a new business. Longer formal education reduces the inclination for starting businesses. Attitudes towards entrepreneurship play a crucial role in explaining new business start-ups.

The diversity of educational backgrounds plays a crucial role in explaining the variations in entrepreneurial intentions among Chinese university students. To cater to students with different educational backgrounds, higher educational institutions should adopt more adaptable approaches. Students do not consider academic performance when assessing their ability to control their behavior. Despite academic achievement being commonly seen as a measure of students' capability, entrepreneurship education should be accessible to all university students, regardless of their academic achievements (Wu & Wu, 2008).

Zhang et al. (2013) found that perceived desirability significantly influences EI, while perceived feasibility does not have a significant impact. "Prior entrepreneurial exposure" has a prominent negative impact, while "entrepreneurship education" has a prominent affirmative impact on EI.

Objective

To determine the factors affecting role of educational background in entrepreneurial success of startup entrepreneurs.

Methodology

Researchers considered 239 entrepreneurs to conduct the study survey and know the factors that determine the role of educational background in entrepreneurial success of startup entrepreneurs. The data of this study was collected through “convenient sampling method” and analyzed by Exploratory Factor Analysis to get the results.

Findings

“KMO and Bartlett's Test”

“Kaiser-Meyer-Olkin Measure of Sampling Adequacy”		.879
“Bartlett's Test of Sphericity”	“Approx. Chi-Square”	2374.785
	“df”	120
	“Sig.”	.000

In table above “KMO and Bartlett's Test” above, KMO value found is .879.

“Total Variance Explained”

“Component”	“Initial Eigenvalues”			“Rotation Sums of Squared Loadings”		
	“Total”	“% Of Variance”	“Cumulative %”	“Total”	“% Of Variance”	“Cumulative %”
1	6.757	42.230	42.230	6.757	42.230	42.230
2	2.011	12.567	54.797	2.011	12.567	54.797
3	1.781	11.132	65.929	1.781	11.132	65.929
4	1.110	6.936	72.865	1.110	6.936	72.865
5	.656	4.102	76.967			

6	.563	3.520	80.488			
7	.539	3.367	83.855			
8	.514	3.211	87.066			
9	.440	2.749	89.815			
10	.361	2.255	92.070			
11	.283	1.767	93.837			
12	.223	1.396	95.233			
13	.214	1.338	96.570			
14	.202	1.263	97.833			
15	.186	1.164	98.997			
16	.161	1.003	100.000			

All the 4 factors explain total 72% of the variance. The variance explained by first factor is 42.230% followed by the second Factor with 12.567%, third Factor having 11.132% and fourth factor explains 6.936% of variance.

Factors and Variables

S. No.	Statements	“Factor Loading”	“Factor Reliability”
	Identifying an opportunity		.883
1.	Education help to select the favourable situation for business	.780	
2.	Help to examine and assess present needs, demand and market trend	.777	
3.	Determines the risk and opportunities in new business	.775	
4.	Identify the reason behind the gap between the business and its customers	.710	
	Developing Business Plan		.885
5.	Education equips entrepreneurs with the necessary tools to navigate the challenges of starting a business	.883	
6.	Education is important to meet market competition	.859	
7.	Create new ideas to establish new ventures	.848	

8.	Plan the business to get better opportunities in future	.724	
	Managing the Enterprise		.834
9.	Highly educated entrepreneurs are more inclined towards achieving growth and diversification within a firm	.808	
10.	Directs and manage the business for future success	.800	
11.	Help to improve human capital	.780	
12.	Help to implement the business in the way it is planned	.701	
	Skills and Resources		.844
13.	Education help to identify the resources required for business	.875	
14.	Helps to secure financial and non-financial resources of business	.807	
15.	Education and networks with academicians play a significant role as managerial characteristics	.679	
16.	Help to develop skills and abilities	.614	

Development of the factors

First factor is named as Identifying an opportunity which includes the variables like Education help to select the favorable situation for business, help to examine and assess present needs, demand and market trend, Determines the risk and opportunities in new business and identify the reason behind the gap between the business and its customers. Second factor is Developing Business Plan and its associated variables are Education equips entrepreneurs with the necessary tools to navigate the challenges of starting a business, Education is important to meet market competition, create new ideas to establish new ventures and plan the business to get better opportunities in future. Third factor is Managing the Enterprise which includes the variables like Highly educated entrepreneurs are more inclined towards achieving growth and diversification within a firm, Directs and manage the business for future success, help to improve human capital and help to implement the business in the way it is planned. Fourth variable is Skills and Resources which includes the variables like Education help to identify the resources required for business, helps to secure financial and non-financial resources of business, Education and networks with academicians play a significant role as managerial characteristics and help to develop skills and abilities.

Conclusion

It becomes evident that individuals with higher levels of education possess a distinct advantage in their entrepreneurial endeavors. Their advanced degrees and specialized training equip them with valuable knowledge and skills that contribute to their success in navigating the challenges of the startup landscape. These findings underscore the importance of fostering comprehensive and accessible educational programs to empower aspiring entrepreneurs and promote innovation in the entrepreneurial ecosystem. Recognizing the value of education in entrepreneurship can lead to the development of effective support systems and strategies that facilitate the growth and prosperity of startups. This research adds valuable insights to the existing body of knowledge, contributing to both academic discourse and practical efforts aimed at nurturing a thriving startup culture. It is found through the study that Identifying an opportunity, Developing Business Plan, Managing the Enterprise and Skills and Resources are the factors that determines the role of educational background in entrepreneurial success of startup entrepreneurs.

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