
An examination of entrepreneurial training, knowledge spillover and performance of Start-ups: A theoretical perspective

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Abstract:

The contribution start-ups and SMEs' makes towards the growth and development of any economy cannot be overlooked. Therefore the urgent need for policies and strategies that would enhance the performance and sustainability of firms. Despite the numerous studies on SMEs and the role entrepreneurial training plays in enriching firm's performance there has been limited study with a focus on entrepreneurial training as a network-continuous process between several actors that has a spillover effect on member within this ecosystem. This enhances the social capital available within the micro and macro environment of a business. The relatively low studies on this topic emanates from the fact there exist limited theoretical background to inform the direction of further empirical studies. In addressing this gap the studies formulated some preposition centered on the main theme of this study. These prepositions is formulated with the rationale that it influence researchers direction into the role entrepreneurial training and knowledge impacts firms performance.

Key words: entrepreneurial training, knowledge spillover, performance, Start-ups

INTRODUCTION

The role entrepreneurs' plays in any economy cannot be underestimated. The primary activities of entrepreneurs such as setting up new businesses and ventures results in the creations of several job needed to boost productivity in an economy. Evidently, the successes of these entrepreneurs have lead to radical innovation and further enrich the innovation cycle and the entire ecosystem. In addition, the more successful a country's entrepreneurial sector it enhance the gross domestic product/income of a nation (Turyakira, 2012; McMillan & Woodruff, 2000; Casper, 2007; DiGregorio & Shane, 2003).

The growth of these firms set up by entrepreneurs contributes significantly towards the development of a nation in both short and long run. Despite the substantive contribution this sector makes towards the development of economy most entrepreneurial firms does not survive in the long run. This is attributed to the several factors such including the characteristics of the size of such firms that happens to be relatively small both in capital and assets. In addition the inadequate financial resources hinders that sustainability of firm products in the market since the adoption ratio of new innovative products is low in early stages of commercialization. Further impacting negatively on firm's profitability leading to folding up of businesses (Rogers, 1965; Drucker, 1988; Coad, 2007).

One of the major challenges affecting new start-ups is the skills and knowledge capacity of entrepreneurs. And this evident from several studies that cites managerial skills and lack of financial management among several factors as main constraints affecting the survival rate of start-up including

small and medium enterprises (e.g Harorimana, 2009; Schifter & Weder, 1991). In this study we argue that entrepreneurial training would enhance the knowledge base and capacity of entrepreneurs leading to the establishment of successful firms in both the short and long run. Most studies acknowledge the significant of early entrepreneurial training towards the performance of start-ups and can be seen from the increase in entrepreneurship courses often by major academic and professional institutions across the global (Ghamkhar, 2009). In our study we consider entrepreneurial training as a cycle with a spillover effect that enrich an entrepreneur's capabilities. This would enable firms mitigate risk and uncertainties based on proactive decision making models and best practices. In addition the rationale behind this study arises from the fact that entrepreneur firms happens to be a large component of a national employment and industrial sector especially in emerging economies in sub-Saharan Africa. Despite some studies have examined the role entrepreneurial training plays in the development and sustainability of such firm, there is relatively limited study focusing on entrepreneurial training as a network-continuous process between several actors that has a spillover effect on member within this ecosystem. This enhances the social capital available within the micro and macro environment of a business. The relatively low studies on this topic emanates from the fact there exist limited theoretical background to inform the direction of further empirical studies and that is what this study seeks to fill. The remainder of this study is divided into the following sectors, section 2 focus on literature review, section 3 focus on theoretical background and prepositions and section 4 focus on conclusion and further research of the study.

LITERATURE REVIEW

The interaction between Entrepreneurial Training, Knowledge Spillover and Firm Performance

In recent time the need for new innovative job and revenue creation streams has given rise to the number of entrepreneurial training programs. It has become a major component of business leaders and academia alike. The rationale behind the integration of entrepreneurial training in both academic and professional training is to cultivate a culture of creativity at both individual and collective level. Entrepreneurial training is considered as a continuous learning process that is aimed at equipping business managers and founders with the needed knowledge and skills needed to survive in this ever-changing business environment (Revens, 1982; Lessera, 1984; Audretsch, 2014).

Entrepreneurial training takes the form of both theory and practice. Since the entrepreneurship ecosystem is a complex one with diverse actors including universities, firms and other entities. Universities turn to place much emphasis on theory aspect of developing new innovative products that can be commercialized by entrepreneurs to attract some form of income to both parties. The rationale is that universities and academic institutions possess wealth of knowledge and information that can boost the value of products and services offered by firms. Value added service or product will earn a particular firm or start-up a positive reputation in the market while gaining market shares. Further impacting on the revenue margin of such a firm (Ray, 2013; Etzkowitz, 2013).

The interaction between various actors during the entrepreneurial training process rises in the formation of both formal and information networks within the ecosystem. For instance participants of a training program or workshop turns to stay in contact with other individuals that share similar

goals in an industrial sector. The continuous interaction between various individual results in the formation of a clique sort of network within the ecosystem. One significant merit of such network is its high propensity to knowledge spillover. A spillover in knowledge and information arises from the continuous interaction between various individuals, enabling other members to gain relevant information on new emerging markets and technology. Enabling firms or start-ups' to position itself to catch emerging opportunities in its business ecosystem. In addition, the formation of a network among actors through its interaction at various training programs provides the platform for trust building. Mutual trust is essential if effective information, knowledge sharing and communication can be achieved. In addition, through trust, firms gain access to new resources because of the social capital that develops due to the interaction process between actors. The utilization of these resources and social capital increases the survival rate and performance of firms, especially start-ups' since firms might not possess all the needed resources in the initial stage of commercialization or establishment (e.g. Porter, 2000; Micheals, 2012; Ackah & He, 2016; Gulati, 2007; Burt, 1992; Lavie, 2006; Pensore, 1956; Bourdieu, 1986).

Theoretical Background and Propositions

Although small and medium enterprises contribute significantly towards the growth and development of any economy, it is faced with constant challenges that hinder the rapid growth and development of such firms. Most cases, firms fold up due to the globalization and ever-changing dynamics of the macro business environment. Therefore, the need for firms, especially start-ups' to be innovative so as to gain competitive advantage to survive the fierce competition. Innovation in terms of improved or new business processes, products or services is a key determinant of firm productivity and performance (Shumpeter, 1975). Innovation enables firms to improve on its

value to attract and retain its customer base (Ackah et al, 2013).

Despite the significance of innovation towards the survive and growth of start-ups, it can be seen that firms do not possess all the needed resource to sustain its innovation process. This arises the need to improve one's knowledge and skill base of a firm in order to create and delivery its value proposition. And entrepreneurial training present business leader and founder both new and seasoned to boost its individual knowledge richness. During the training sessions actors/entrepreneurs gain access to new pool of information and knowledge that enrich individual skills. An improved knowledge and information base has a positive impact on the decision making process of an entrepreneur whiles enhancing its creativity and innovation capabilities. A well-trained entrepreneur would be able to identify and cease opportunities in its business environment in a proactive manner. Furthermore enabling this individual to create value added products and service to satisfy a particular market niche. In addition it enables firms or small and medium enterprises to gain competitive advantage that is needed to survive the ever-changing business environment (Druker, 1998; Guth & Ginsberg, 1990; Dastbaz, 2004; Ghankhar, 2009; Hankel, 2007; Veugelers, 2008).

The knowledge and information that firms gain access to during this training process contributes immensely towards entrepreneurial intentions to create and sustain value in order to survive the ever-changing macroeconomics indicators, globalization coupled with rapid technological changes. Therefore entrepreneurial training cannot be underestimated if start-ups or small and medium enterprises would attain growth in the long run. Based on this the preposition below is proposed; *P1: the knowledge and information entrepreneurs gain during training sessions and programs enhance an individual's*

creativity and innovation capabilities and an impact on the survival of start-up enterprise.

The nature of entrepreneurial training enables actors to interact with diverse actors from different business sector in a specific location for a period of time. This interaction results in the mutual communication between the various actors or entrepreneurs. Mutual communication between various actors in an entrepreneurial training program facilitates both conscious and unconscious information and knowledge exchanges. Information and knowledge transfer process within this ecosystem provides entrepreneurs with the ability to improve its value proposition and entire business model. The information synergy that this environment breeds plays an essential role in a firm innovation process since innovative ideas comes from various backgrounds (e.g. Ackah & He, 2016; Gulati, 2007; Burt, 1992; Bourdieu, 1986).

In addition the interactive process that takes place during the training sessions enables the creation of an entrepreneurial network that is built on trust. The constant interaction breeds the grounds for trust among actors. Trust is an essential ingredient if actor will share relevant and accurate information with actors. Been part of this network result in knowledge and information spillover that firm can utilize to improve it firm performance. Due to the relationship between actors in such a network facilitate not only knowledge sharing and knowledge spillover but also open up firms to share resources in line with open innovation principles and concept. The open innovation concept advocates that firms' inability to posses all the needed resources to sustain its internal innovation process pushes firms to look outward to boost its own innovation processes. And entrepreneurial training sessions and programs happen to be a trophy ground for open innovation collaboration and activities (e.g Gulati, 2007; Lavie, 2006, Pensore, 1956; Chesborough, 2003). Based on the above the preposition 2 is stated;

P2: actor interaction in specific location breeds' mutual trust, mutual understanding and mutual communication resulting in a spillover effect that enrich firms' performance.

CONCLUSION

With no hesitation start-ups', small and medium enterprises plays a significant role in the development and growth of any economy. Through the creation of employments, new revenue streams for government taxations among others. Despite the enormous benefits that a nation's drive from start-ups and SMEs their growth and continuous existence is threaten by numerous factors. These includes both micro and macro economic factors coupled with the entrepreneurs inability to manager its business effectively, the lack of capital and institutional support among others. Although there have been several studies examining the challenges that faces these sector of firms, most of them focus on how to find innovative ways of financing for SMEs, improving managerial skill through the collaboration of business advisory service and other institutions. In doing so researchers placed less emphasis on the role entrepreneurs by themselves plays in the survival or failure of their own enterprises. Resulting in limited amount of studies that focus on entrepreneurial training as a network-continuous process between several actors that has a spillover effect on member within this ecosystem. This enhances the social capital available within the micro and macro environment of a business. The relatively low studies on this topic emanates from the fact there exist limited theoretical background to inform the direction of further empirical studies and that is what this study seeks to fill.

The study addresses this shortcoming by providing theoretical bases that form the bases for future empirical analysis. Therefore one significant contribution of this study is o provide a systematic direction that would inform future

empirical study. In arriving at our theoretical background that examines the interaction between entrepreneurial training, knowledge spillover and the performance of start-ups and SMEs.

Although this study makes some strides by providing theoretical bases for further study there happens to be some shortcomings as well. Therefore the need for further studies to examine the extent at which these factors affect firms' performance in both the short and long run.

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