Knowledge Management, Entrepreneurial Skills and Innovation towards Informal Entrepreneurs (Food Services) Success in Malaysia

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Abstract

The purpose of this research is to investigate the relationships between knowledge management, entrepreneurial skills, and innovation toward informal entrepreneur success. About 180 questionnaires were distributed randomly to micro and small food business owner within Klang Valley, and 150 questionnaires returned (83.33% response rate). The finding shows that innovation, knowledge management, and entrepreneurial skills have direct influence towards informal entrepreneur success in Klang Valley, Malaysia. The limitations of the finding only can be generalized to micro and small food business owner within Klang Valley, Malaysia. The findings are useful for future micro and small food entrepreneur or informal entrepreneur to be successful in their business. More training on knowledge management, entrepreneurial skills, and innovation should be in place to ensure micro and small food business success in the future. The most interesting finding from this research shows that the most important factor for informal food entrepreneur success is innovation followed by knowledge management, and finally, entrepreneur skills.

Keywords: informal entrepreneurs, knowledge management, entrepreneurial skill, innovation, food business owner, Klang Valley, Malaysia.

1. Introduction

In creating high income country status, Malaysia has made a drastic change for economic development and Government had set up the New Economic Model (NEM) for Malaysian from a middle income to radical nation by 2020 (Malaysia Economic Report, 2012). Bhowmik (2005) mentioned that people who are not having high skill and good education migrated from the village to urban area looking for better job opportunities however their skills incompatible with the formal sector that resulted them to join informal sector for survival.

The improvement of food industry also parallel with the modernization, which is supported by entrepreneur’s by not giving up in the entrepreneurial (Nor Aini and Siwar, 2003). The examples of informal business in the informal economy in Malaysia are known as hawkers. In Malaysia, majority of the informal traders can be found either in the day at ‘PasarTani’ or at night at ‘PasarMalam’. In fact, the Ministry of Women (2014) has identified most women entrepreneur are involved in the informal business sector such as tailoring, cake sellers, on-line businesses, and others.

Yet, to date, studies on knowledge management, entrepreneurial skill, and innovation involving Malaysian informal business sector is still limited. This research is carried out with the aim to examine to the effects of the relationship between the knowledge management, entrepreneurial skills, and innovation on the informal business sector success, particularly within the context of informal entrepreneurs in Malaysia.
2. Literature Review

There are few studies specifically to identify the effects of knowledge management, entrepreneurial skill and innovation towards informal entrepreneur’s success in Malaysia. There are a few researches conducted within Malaysian context by previous scholars such as Yi and Jayasingam, (2012) has studied on the factors influencing knowledge creation among private sector organizations. Other studies on Malaysian informal entrepreneur includes examining the factors which motivate women’s informal micro-entrepreneurs in Malaysia (Anja, 2012), and examined the organizational learning as a mediator in the relationship between knowledge management, and innovation (Kambiz & Aslan, 2014).

2.1 Knowledge Management

Beijerse (2000) has described knowledge as the foundation of knowledge management and its primary to something that makes both data and information manageable. The knowledge management may include the entirety of systems of which the information within an organization can be managed and extracted easily. The key factor for entrepreneurs to be successful in global economy is due to knowledge management that considers people skills as the most important assets in business. The intangible resources the company can offer, the higher the possibility in creating competitive advantage for the business (Tanoira, & Valencia, 2014). Egbu and Ranukappa (2005) highlighted that knowledge generated in SMEs is tacit in nature due to various reasons, and some elements of knowledge management in informal business are practiced in an ‘ad hoc’ manner.

2.2 Entrepreneurship Skills

Entrepreneurship skills can be defined as identification of customer needs, technical or market opportunities, and pursuing business opportunities (Hayton, 2015). McLarty and Dousios (2006) defined skill as competence, proficiency, attributes, and the ability to do something well in relation to knowledge, expertise, and capability. Exposure of entrepreneurs into new ideas and approaches is one of the factors associated with developing entrepreneurship skills, both at a local and international level (Rodriguez-Pose & Hardy, 2015). In short, the leadership skills and entrepreneurship skills is a mixed between the development of strategy formalization and responsiveness. This is the factors that are positively associated with performance and growth.

2.3 Innovation

Innovation is defined as the ability to introduce a new process, product or idea in the company (Hurley &Hult, 1998). According to Maravelakis and Moustakis (2006), they measured firm’s innovation based on the product, process and administrative innovation. Innovation as a term is not only related to products and processes, but it is also related to marketing and management (Gunday, Ulusoy, Kilic, &Alpkan, 2011). Schumpeter (1989) had described an innovation as bringing new products, introducing new methods of production, new sources of supply, the exploitation of new markets, and new ways to organize business in industry.

2.4 Entrepreneur Success

The success of entrepreneurs is measured by either financial or non-financial such as the ability to operate more than three years continuously in trading activities (Abdul Manaf& Yee, 2012; Powell &Eddleston, 2012). Steffens and Fitzsimmons, (2012), agreed that the entrepreneurial success is also variously measured by using the criteria such as growth, and profitability that is categorized as financial success, whereas survival goal, and lifestyle success can be categorized as non-financial success.

2.5 The Relationship between Knowledge Management, Entrepreneurship Skills, and Innovation with Entrepreneur’s Success

This conceptual framework is developed based on knowledge management theory (Darroch, 2005), entrepreneurial skills (Morales, 2013), and innovation theory (Price, Stoica, & Boncella, 2013). Figure 1 illustrates the framework that underpins this study, and preceding paragraphs forwarded hypotheses for this study.

2.5.1 Knowledge Management and Informal Entrepreneur Success

Knowledge management puts the best practices through transferring appropriate knowledge as well as aiding the decision makers in many ways in organizations by dealing with different resources (Hartono and Halim, 2014). Darroch (2005) stated that knowledge management has direct influence on innovation and firm performance. Yazhou and Jian (2013) found that the best practices through transferring appropriate knowledge can benefit organizations for sustainable competitiveness. Thus, the empirical studies by scholars have proven that there are positive relationships between the variables, as this hypothesis is forwarded:
H1: There is a significant and positive relationship between knowledge management practices towards informal entrepreneur’s success

2.5.2 Entrepreneurial Skills and Informal Entrepreneur Success

Entrepreneurial skills are about supporting entrepreneurs to success, the generation of new ideas and the exploitation of the company thinking power (Cooney, 2012). Entrepreneurial competencies are strong predictors of successful entrepreneurial activities (Ahmad & Kummerow, 2010), hence it can be assumed that entrepreneurial skills are believed to have direct influence on informal business success. Thus, the second hypothesis is forwarded:

H2: There is a significant influence and positive relationship between entrepreneurial skills towards informal entrepreneur’s success.

2.5.3 Innovation and Informal Entrepreneur Success

Hernández-Espallardo and Delgado-Ballester (2009) had found that innovation can improve the business performance. There is a relationship between innovation and firm performance that includes introduction of products, processes, and market innovations towards firm growth (Atalay & Sarvanc, 2013; Murat Ar and Baki (2011). According to the above theories and substantial evidences, the third hypothesis is forwarded:

H3: There is a significant and positive relationship between innovations towards informal entrepreneur’s success.

3. Methodology

Creswell (2009) recommended three types of research design in analyzing data, namely qualitative, quantitative and mixed methods. The author also justified that quantitative method is for testing objective theories by examining the relationship among the variables. A structured questionnaire was developed to obtain the responses from informal entrepreneurs about their opinions on various research variables.

3.1 Sample

In the study, word sample of population refers to the entire group of people, ideas, variables or other phenomena possessing common traits (Sekaran & Roger, 2013). Hillebrandt (2000), most economists used the word “firm” to refer to the business unit. Target samples are informal entrepreneurs at Kuala Lumpur urban area, age between 21 to 65 years old and their education backgrounds are varies. The sampling method that was adopted in this study for data collection was convenience sampling method through a questionnaire survey with 180 respondents for sample size.

3.2 Questionnaire Design

The questionnaire in this study consists of three sections, namely section A, B, and C. The last section consists of demographic questions whilst the rest consist of items relating to the constructs. These constructs were assessed on a seven-point Likert scale from 1 being ‘strongly disagree’ to 7 being ‘strongly agree’, where the Likert type scale is a common approach used to measure a wide variety of latent constructs (Kent, 2001). The survey questionnaire in this research consisted of validated measurement that was adapted from the previous literatures. Section A involves requesting the respondents to provide information on knowledge management practices. Section B aims to obtain some information on their entrepreneurial skills. Section C is about the implementation on business innovation and section D is to examine the respondents on business success. Last section E, request for demographic profile such as gender and their family entrepreneurship background. Table 1 shows the main construct, total of scale items used and sources of the items to measure each construct.
Table 1: Factors

<table>
<thead>
<tr>
<th>Factors</th>
<th>Number of Items</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge Management</td>
<td>15 items</td>
<td>Abdullah &amp; Egbu, 2010; Chen &amp; Mohamed, 2010; Donate &amp; Canales, 2012; Gunday, et. al., 2011; Mohd Rosli &amp; Syamsuriana, 2013; Muhammad Saqib &amp; Sadia, 2014.</td>
</tr>
<tr>
<td>Entrepreneurial Skills</td>
<td>9 items</td>
<td>Morales &amp; Marqu, 2013</td>
</tr>
<tr>
<td>Innovation</td>
<td>15 items</td>
<td>Atalay &amp; Sarvanc, 2013; Donate, 2012; Gunday, et. al., 2011; Muhammad Najib &amp; Azlina, 2010; Mohd Rosli &amp; Syamsuriana, 2013.</td>
</tr>
<tr>
<td>Entrepreneur Success</td>
<td>10 items</td>
<td>Gunday, et al., 2011; Zhang and Xia, 2010</td>
</tr>
</tbody>
</table>

3.3 Data Collection

According to Sekaran and Roger, (2013), 100 to 500 samples are large enough and appropriate upper limit for a sample size to generalize the population. Questionnaire distribution is an efficient data collection method because it provides opportunity for researcher to administer the distribution personally (Sekaran, 2003). Before testing the hypotheses in this study, the responses received were analyzed to determine the reliability of the questionnaires. Total of 180 questionnaires were distributed to all informal entrepreneurs within Klang Valley area and 150 surveys were returned equivalent to 83.33 percent response rate. Another of 30 questions was unreturned and the study continued the analysis with valid questionnaires total of 150 items using SPSS.

4. Analysis

This section presents the results of this study. Data collected from the survey was analyzed by the statistical software SPSS version 19.0.

4.1 Demographic Profile

As shown on Table 2, 47.3 % of the respondents are male and the remaining of the respondents are female (52.7%). The highest group of respondents with the aged of 41 until 50 years old is about 29.3%, 22% at the age of 21 to 30 years old, and 8% of the respondents at the age of 51 to 60 years old. The lowest number of respondents come from the aged range 61 years and above which comprises only 1.3%. Race, shows that Malay respondents comprise of 54.7%, Indian with 25.3% and Chinese was about 20.0% of the total respondents.

About 61.3% of the respondents are married, 24.7% are single, and 14% are divorcee. 70% of the respondent education level is at secondary level, 24.7% at either college or university level, and 5.3% at the primary level. The informal business has been in operation from 5 to 10 years about 45.3%, 30.1% for the last 10 to 15 years, less than 5 years at 15.30% and more than 15 years is about 9.3%. About 69.3% have worked in private sector, 14% in government sector, and 16.7% has never worked before.

Table 2: Demographic Characteristics

<table>
<thead>
<tr>
<th>Characteristics of Respondents</th>
<th>Frequency (N=150)</th>
<th>Percentage</th>
<th>Characteristics of Respondents</th>
<th>Frequency (N=150)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td>Marital Status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>71</td>
<td>47.30</td>
<td>Single</td>
<td>58</td>
<td>38.70</td>
</tr>
<tr>
<td>Female</td>
<td>79</td>
<td>52.70</td>
<td>Married</td>
<td>92</td>
<td>61.30</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>100</td>
<td>Total</td>
<td>150</td>
<td>100</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
<td>Age of Business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21-30 years old</td>
<td>33</td>
<td>22.00</td>
<td>Less than 5 years</td>
<td>23</td>
<td>15.30</td>
</tr>
<tr>
<td>31-40 years old</td>
<td>59</td>
<td>39.30</td>
<td>5-10 years</td>
<td>68</td>
<td>45.30</td>
</tr>
<tr>
<td>41-50 years old</td>
<td>44</td>
<td>29.30</td>
<td>11 – 15 years</td>
<td>45</td>
<td>30.10</td>
</tr>
<tr>
<td>51-60 years old</td>
<td>12</td>
<td>8.00</td>
<td>More than 15 years</td>
<td>14</td>
<td>9.30</td>
</tr>
<tr>
<td>Above 60 years old</td>
<td>2</td>
<td>1.30</td>
<td>Total</td>
<td>150</td>
<td>100</td>
</tr>
<tr>
<td>Race</td>
<td></td>
<td></td>
<td>Previous Employment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malay</td>
<td>82</td>
<td>54.70</td>
<td>Government</td>
<td>21</td>
<td>14.00</td>
</tr>
<tr>
<td>Chinese</td>
<td>30</td>
<td>25.30</td>
<td>Private Sector</td>
<td>104</td>
<td>69.30</td>
</tr>
<tr>
<td>Indian</td>
<td>38</td>
<td>20.00</td>
<td>Unemployed</td>
<td>25</td>
<td>16.70</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>100</td>
<td>Total</td>
<td>150</td>
<td>100</td>
</tr>
<tr>
<td>Education Level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary</td>
<td>8</td>
<td>5.30</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary</td>
<td>105</td>
<td>70.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University/College</td>
<td>37</td>
<td>24.70</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.2 Normality Test
Table 3 below has shown the Skewness and Kurtosis values, all the variables value is within the range (-2 to 2), hence the distribution of the data for the sample is considered normal (Chua, 2008). The Skewness values were negative for all variables, its means that the distribution is flatter than normal. The Kurtosis of a normal distribution is zero and the study shows almost of the variable’s Kurtosis values are negative. Therefore, the negative value shows that the distribution is flatter than a normal distribution. According to Hair and Sarstedt (2014), has stated that the value of Skewness and Kurtosis are within of +1.96 is indicates rejecting of the normality assumptions level of probability at 0.05. Therefore, the study cannot reject the normality of distribution because the data is considered as normally distributed.

Table 3: Test of Normality

<table>
<thead>
<tr>
<th>Measurement</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsive to knowledge</td>
<td>29.11</td>
<td>2.78</td>
<td>-0.34</td>
<td>0.36</td>
</tr>
<tr>
<td>Knowledge acquisition</td>
<td>29.26</td>
<td>2.46</td>
<td>-0.30</td>
<td>0.01</td>
</tr>
<tr>
<td>Knowledge dissemination</td>
<td>29.29</td>
<td>2.43</td>
<td>-0.17</td>
<td>0.03</td>
</tr>
<tr>
<td>Entrepreneur skill</td>
<td>53.53</td>
<td>4.35</td>
<td>-0.89</td>
<td>0.39</td>
</tr>
<tr>
<td>Product innovation</td>
<td>28.77</td>
<td>2.61</td>
<td>-0.26</td>
<td>0.52</td>
</tr>
<tr>
<td>Process innovation</td>
<td>28.99</td>
<td>2.21</td>
<td>-0.54</td>
<td>1.35</td>
</tr>
<tr>
<td>Marketing innovation</td>
<td>29.17</td>
<td>2.19</td>
<td>0.00</td>
<td>-0.23</td>
</tr>
<tr>
<td>Entrepreneur Success – Financial</td>
<td>23.67</td>
<td>1.86</td>
<td>0.27</td>
<td>0.72</td>
</tr>
<tr>
<td>Entrepreneur Success – Non-Financial</td>
<td>35.12</td>
<td>2.60</td>
<td>-0.24</td>
<td>0.61</td>
</tr>
</tbody>
</table>

4.3 Reliability
As shown on Table 4, all of the Cronbach’s alpha coefficients for the items scale were greater than 0.6, hence no items deleted. The Cronbach’s Alpha test was used as a reliability coefficient that indicates how well the terms in a set are positively correlated to one another. The results of this test show that all variables in this study are reliable being KM practices (0.883), Entrepreneur Skills (0.838), Innovation (0.856) and Informal entrepreneur's success (0.856).

Table 4: Reliability analysis

<table>
<thead>
<tr>
<th>Factors</th>
<th>Cronbach’s Alpha</th>
<th>Number of Item Deleted</th>
<th>Total Number of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge Management</td>
<td>0.893</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>Entrepreneurial Skills</td>
<td>0.850</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td>Innovation</td>
<td>0.866</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>Entrepreneur Success</td>
<td>0.764</td>
<td>0</td>
<td>10</td>
</tr>
</tbody>
</table>

4.4 Correlation Analysis of Entrepreneurial Factors and Entrepreneurial Success
Correlation measures the strength and the direction of relationship using Pearson correlation to measure the significance of linear bivariate between the independent and dependent variables thereby achieving the objective of this study as proposed by Sekaran (2003). The findings tabulated in table 5, shows the value of correlation coefficient, “r” is positive. Thus, the relationships between the variables are positive relationship with the r ranging value between 0.281 and 0.544. It is apparent that all entrepreneurial factors have a significant relationship with informal entrepreneurial success (p<0.01).

4.4.1 Knowledge Management
The Pearson Correlation Analysis shows that there is positive and significant relationship between, knowledge management with innovation (r=0.723), entrepreneurial skills (0.588) and informal entrepreneur success (0.525). Thus, it can be concluded that the higher the knowledge management being practiced by the informal entrepreneur the higher the innovation, and the entrepreneurial skills of the informal entrepreneur. In addition, knowledge management also has positive and significant relationship toward informal entrepreneur success.

4.4.2 Innovation
The Pearson Correlation Analysis shows that innovation has positive and significant relationship with knowledge management (r=0.723), informal entrepreneur success (r=0.544) and also entrepreneurial skills (r=0.530). Hence, it can be concluded that the higher the innovation in the business the higher the knowledge management, informal entrepreneur success, and also, entrepreneurial skills of an informal entrepreneur.
4.4.3 Entrepreneurial Skills
The Pearson Correlation Analysis shows that entrepreneurial skills have positive and direct relationship with knowledge management (r=0.588), innovation (r=0.530), and informal entrepreneur success (r=0.281). In short, it can be concluded that the higher the entrepreneurial skills of an informal entrepreneur the higher the knowledge management, innovation, and also entrepreneur success.

Table 5: Correlation Analysis

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Item</th>
<th>Knowledge Management</th>
<th>Innovation</th>
<th>Entrepreneurial Skills</th>
<th>Informal Entrepreneur Success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge Management</td>
<td>Pearson Correlation Significant (2-tail) N</td>
<td>1</td>
<td>.723**</td>
<td>.588**</td>
<td>.525**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>150</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Innovation</td>
<td>Pearson Correlation Significant (2-tail) N</td>
<td></td>
<td>1</td>
<td>.530**</td>
<td>.544**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>150</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Entrepreneurial Skills</td>
<td>Pearson Correlation Significant (2-tail) N</td>
<td></td>
<td></td>
<td>1</td>
<td>.281**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>150</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Informal Entrepreneur Success</td>
<td>Pearson Correlation Significant (2-tail) N</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>150</td>
<td>.000</td>
<td>.000</td>
<td>1</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2 tailed)
*Correlation is significant at the 0.05 level (2 tailed)

5. Discussion

5.1 Knowledge Management and Informal Entrepreneur Success
The result shows that knowledge management is an important factor towards informal entrepreneur’s success through sharing and utilizing of best practices, lesson learned, experiences, as well as creating new knowledge. The results are consistent with the previous studies (Hartono & Halim, 2014).

5.2 Innovation and Informal Entrepreneur Success
The finding reveals that the implementation of innovation is perceived to be the best factor influencing informal entrepreneur success as compared to others factors. This is conceptually supported the previous studies. The innovation includes in promotion, e-marketing and enlarging potential demand towards business success (Lau & Tang, 2010; Gunday et al., 2011).

5.3 Entrepreneurial Skills and Informal Entrepreneur Success
This study proved that entrepreneur skills effect the success of informal entrepreneurs. The chances of entrepreneurial success growing in the presence of personal characteristics and skills such as self-efficacy, ability to recognize opportunities, personal perseverance, human and social capital are increased (Hayton, 2015).

6.0 Recommendation for Future Study
For future study, a more detailed questionnaire with more specific questions could be more helpful to gain a better description of the stages of success of informal entrepreneurs.

7.0 Conclusion
Overall, the findings in this study provide useful insights on the effects of knowledge management, entrepreneurial skills, and innovation towards informal entrepreneur success in Klang Valley, Malaysia. Although, in earlier studies it shows that knowledge management is the key factors for entrepreneur success, however, in this study it shows that
innovation has more influence towards informal entrepreneur success in Klang Valley, Malaysia. Thus, in order for informal sector to be sustainable the informal entrepreneur has to be more innovative in promotion, e-marketing and enlarging potential demand towards business success.

8.0 References


