Resources, Social Network Competence and Youth Entrepreneur Success: A Proposed Framework

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ABSTRACT
Becoming self-employed among youth is increasingly more relevant in the future. As Malaysia is a small country, youth can no longer rely on job opportunities. From that, the issues of unemployment in the local economy have led to the need for youths to find opportunities in self-employment. Although it is proven that there is a huge potential in current market and despite considerable government support and assistance in terms of grants, funding, provisions of training and consultative services, but many businesses operate by youth still fail and the failure rate remains high. Studies have found that every ten (10) entrepreneurs, only two (2) of them survive and successful every year. In a multi-ethnic country like Malaysia, lack of exposure in term of managing and utilising resources from various sources like from their own resources, from cultural orientation, economic conditions and political linkages are often cited as factors that depict their different behaviours and hinder certain ethnic group ventures or growth into entrepreneurship. On the other hand, the present study will also explore the role of social network in enhancing their businesses. The researchers argue that the entrepreneurs’ resources orchestration is insufficient to contribute to the youth entrepreneurs’ success without the social network strategies. The present study therefore aims to develop entrepreneur’s success model based on the combination of various resources for development of resource orchestration based on resource-based theory and the role of social network competence based on sociological theory in achieving successful business performance. The outcome of this research will give impact on both practical and theoretical implications as well as guiding the youth entrepreneur for their business growth.

Key words: Resource orchestration, social network competence, youth entrepreneur success.
1. Introduction

Study on entrepreneurship has been long discussed as early as the 18th century or 19th, as mentioned in Western literature (Najim & Loay, 2013). Accordingly, the demand for the study of entrepreneurship is increasing and also the topics that are usually debated in many countries. In Malaysia, entrepreneurship activity has become another economic growth and it has the potential to become a significant industry. From that, the government has organized a lot of development program for entrepreneurs in cooperation with the private and non-private organizations (Fatimah, Aznarahayu, & Nasina, 2014). Becoming self-employed among youth is increasingly more relevant in the future. As Malaysia is a small country, youth can no longer rely on job opportunities. More jobs will become irrelevant in the future, thus making it tougher for people to secure jobs (Chan, Selvadurai, & Bahiyah, 2009). For example, based on Labour Force Statistics Malaysia in January 2015, the unemployment rate rose to 3.1% compared with 3.0% in December 2014 despite more jobs being created (Amran, 2015). This was due mainly to an increase total of labour entered the marketplace. With that, Malaysian’s government also has been long trying to increase the number of successful youth entrepreneurs nationwide and provide them with all the necessary support such as improvement of new and old products, improved technologies and existence of government authorized agents such as MARA, MARDI, FRIM and etc. (Kamal, Azimi, Samah, Ismi, & D’Silva, 2013).

Some researchers used various factors and theories in determining the success especially among young generation. Those factors and theories had been debated from time to time. From that, youth who wishes to become an entrepreneur has to review and evaluate his or her own decision and readiness to venture into business. Understanding their entrepreneurial drives is doubly important and some external factors such as financing, training, and economics conditions are also the critical factors in achieving business success (Haron, 2010). It is because, the development of internal and external resources or factors will leads to business growth and successful in advanced and emerging nations includes Malaysia (Sefiani, 2013). Studied by Hitt, Ireland, Sirmon, & Trahms (2011) identified that the most important part for entrepreneurs to survival or growth their business are resources. Manages resources effectively from various sources is crucial for business not only for financial wealth, but also for others outcome like fulfilment of personal needs, and society acceptable probability of having similar interests or better. Followed with that, youth need to bring contact to strengthen their business performance. Thus, supported study by Sheikh Ghazali (2014) proved that managing the resources well and able to conduct business relation can impart legitimacy on business growth as well as create new ventures (Nowiński & Rialp, 2015).

1.1 Problem Statement

The issues of unemployment in the local economy have led to the need for youths to find opportunities in self-employment. Although it is proven that there is a huge potential in current market and despite considerable government support and assistance in terms of grants, funding, provisions of training and consultative services, but many businesses operate by youth still fail and the failure rate remains high. As report by Central Bank of Malaysia (2016), the
average number of bankruptcies among companies in Malaysia from 1998 until 2015 were 1,250 companies. Based on that cases, there were 107,306 cases of bankruptcies among entrepreneurs in Malaysia between January to April 2015, where 948 of them are youth (The Star Online, 2015). Haron (2010) found that every ten (10) entrepreneurs, only two (2) of them survive and successful every year. From that, the success rates among youth entrepreneurs in Malaysia are still at a low level, and do not reach the target. In reality, youths must depend on their own resources and rely on others environment resources for business success.

In a multi-ethnic country like Malaysia, lack of exposure in term of managing and utilising resources from various sources like from their own resources, from cultural orientation, economic conditions and political linkages are often cited as factors that depict their different behaviours and hinder certain ethnic group ventures or growth into entrepreneurship (De Hoyos-Ruperto, Romaguera, Carlsson, & Lyytinen, 2013; Haron, 2010; Sefiani, 2013; Zimmerman & Chu, 2013). They are still lack of study youth success related to managing resources in Malaysia context. To success, Amran et al. (2015) also stressed that, youth entrepreneurs need to structure, bundling and leveraging the resources (or called resource orchestration) in identifying and seizing new opportunities and renew the existing market base. Meanwhile, Zain & Ng (2006) stressed that young entrepreneurs need to noticed that it necessity for them to links with environment in order to strengthen access to markets and resources management. It is because, not all of them have the capabilities and adequate sources to get the opportunity given. As example, the study by Sheikh Ghazali (2014) found that many of them can only survive in a short period due to their young age where they face difficulties in terms of access to resources, start a business with lower levels of initial capital, low business market, still not able to grow the business, and also does not have a network of industrial cooperation with experienced people. This is the main challenge faced by youth entrepreneurs in Malaysia where the government and society should take action to ensure the success of youth in entrepreneurship (Ghazali, 2014).

The present study therefore aims to develop entrepreneur’s success model based on the combination of various resources for development of resource orchestration and social network competence in achieving superior performance among youth entrepreneurs in Malaysia.

1.2 Research Objectives & Questions

In accordance with the issue, present studies are trying to solve the objectives as follows: (1) to determine the level of resource orchestration among youth entrepreneurs in Malaysia; (2) to examine the influence of antecedent factors towards the development of resource orchestration among youth entrepreneurs in Malaysia; (3) to examine the relationship between resource orchestration and youth entrepreneurs’ success in Malaysia; and (4) to examine moderating influence of network competence in relationship among resource orchestration and success of youth entrepreneurs in Malaysia.

In relation, the research questions had been made to address the problem and objectives of this study as follows: (1) what is the level of resource orchestration among youth entrepreneur
in Malaysia? (2) Does the factor of survivability influence the development of resource orchestration among youth entrepreneurs in Malaysia? (3) Does the factor of cultural orientation influence the development of resource orchestration among youth entrepreneurs in Malaysia? (4) Does the factor of economic influence the development of resource orchestration among youth entrepreneurs in Malaysia? (5) Does the factor of political-legal influence the development of resource orchestration among youth entrepreneurs in Malaysia? (6) Does resource orchestration influence the success among youth entrepreneurs in Malaysia?, and (7) Does the moderating factor of social network competence enhance the relationship between resource orchestration and success?

1.3 Significance of the Study

Current study will significantly in contributing the new body of knowledge and useful in many ways. For example, the factors involve in this study can be used for youth entrepreneurs in managing resources effectively and increase their capabilities, thereby achieving a competitive advantage toward success. Besides, ability of entrepreneurs to develop networks also will help sustain in business market and achieve strong competitive advantage. The outcome of this study helps the government’s realization on entrepreneurial nation and help the practitioner understand the youth entrepreneurship success. Hence, government transformation program can be achieved through fulfilling the national key results areas related to entrepreneurship nation.

1.4 Development of Conceptual Framework and Hypotheses

The phenomenon of the success of an entrepreneur needs to be explored and examined in more depth. This is because, Fisher et al. (2014) pointed out that many of the terms used in evaluating the success of an entrepreneur include youth entrepreneurs. Many people want to succeed in business, and they are eager to learn how to achieve it. For the proposed conceptual framework of this study, the model will be developed based on initial model of “strategic entrepreneurship” introduced by Hitt et al. (2011) and Ireland et al. (2003) (the relationship between resource orchestration and entrepreneurs’ success). The independent variable was resource orchestration and the dependent variable will be referring to entrepreneurs’ success. The role of social network competence will act as moderating variable for this study (e.g.: Dyer & Singh, 1998; Tehseen et al., 2015; Ziggers & Henseler, 2009). Elements of survivability, cultural orientations, economic and political-legal resources will be taken as the antecedents of resource orchestration (Sefiani, 2013).
1.4.1 Impact of Survivability, Cultural orientation, economic and Political-legal on the Development of Resource Orchestration

There are many factors that can be used to evaluate the success of an entrepreneur. There are also researchers who feel that the combination of internal and external elements are able to produce successful entrepreneurs (e.g.: Guzmán & Javier Santos, 2001; Markman & Baron, 2003; McCline et al., 2000; Penrose, 1959). Accordingly, there is also a state that factors related to the internal and external is the main cause to increase business performance. For survivability, several studies by Bates & Nucci (1989) and Liedholm (2002) have revealed that “entrepreneurs characteristic such as intentions, risk-taker and motivation towards success could be related to business performance”. Suggested by Amran et al., (2015) and Ireland et al., (2003), the factor of survivability will impact on development of resource orchestration as well as contribute to success.

**H1: The survivability resources will lead to development of resource orchestration among youth entrepreneurs**

Review by Pearson & Chatterjee (2001) argued that cultural values is important on entrepreneurship performance. For example, certain researchers like Gürol & Atsan (2006), Halkos & Tzeremes (2011) and Noguera et al. (2012) found that youth entrepreneurs succeed in their business is because of their “family background, sources of business from the family business, and also the influence of religion and the lifestyles environment”. At the same time,
several scholars has stressed that culture can be classified as a one of the important resource that can help contribute to the success of young entrepreneur in Malaysia (Abdul Rashid & Ho, 2003; Tehseen et al., 2015). Below show the development of the hypothesis;

**H2:** The cultural orientations resources will lead to development of resource orchestration among youth entrepreneurs

According to Sefiani & Bown (2012), financial resources and tax is a major source of economic factors. It is one of the factors contributing to business performance as well as success of entrepreneurs (Beck et al., 2006; Benzing, Chu, & Kara, 2009; Chu et al., 2007). From that, the argument on the development of resource orchestration because of economic condition had been widely discussed by different scholars (Hitt et al., 2011; Inyang & Enuoh, 2009) where the impact of economic will “contribute to development of resource orchestration”. Therefore, the hypotheses are as below;

**H3:** The economic resources will lead to development of resource orchestration among youth entrepreneurs

Based on studied by Sefiani (2013), political-legal resources had been identified as factors which can lead to success (e.g.: Jasra et al., 2011; Yusuf, 1995). Besides, government support, which is a source of, has proved to be a factor contributing to success. Kitching (2006) also discover the understanding of the impact of regulation on small business performance. Thus, it is proved that government support and regulation will impact on development of resource orchestration which will contribute to success (Sefiani & Bown, 2013; Van Stel, Storey, & Thurik, 2007). Because of that, the following hypotheses had been identified;

**H4:** The political-legal resources will lead to development of resource orchestration among youth entrepreneurs

1.4.2 Impact of Resource Orchestration towards Youth Entrepreneur’s Success

Related to the variables involved in this study, the role of resource orchestration are based on resource-based entrepreneurship theory which is supported by Barney & Arikan (2001). In support, Sirmon, Gove, & Hitt (2008) showed not only that leaders’ context specific resource bundling and deployment actions affect performance, but that the importance of their actions increases as rivals’ resource portfolios approach parity. Studies have attempted to examine entrepreneurs with respect to their resource endowments and resource acquisition strategies. A useful starting point for this discussion is the literature on the resource-based theory of the firm (e.g.: Penrose, 1959). The resource-based entrepreneurship theory posits that “a firm’s success is largely driven from resources that possess certain special characteristics, where it is built upon the theory that a firm’s success is largely determined by the resources it owns and controls” (Ummi Salwa, 2001).

According to Sirmon, Hitt, Ireland, & Gilbert (2011), the growing of theoretical and empirical literature related to resource orchestration incorporates both entrepreneur’s resources and actions. Because of that, one of the organizational actions called resource orchestration, which is refer to structuring resource portfolio, bundling resources into capabilities, and leveraging capabilities for business beneficial and values (Sirmon, Hitt, & Ireland, 2007). Based on that,
resource orchestration can influence the success of entrepreneur only to the extent that an organization can adequately leverage them (Chirico, Sirmon, Sciascia, & Mazzola, 2011). Combining all the different resources will lead or contribute to success and also can develop economic performance of the country (A. Amran et al., 2015) Thus, the following hypotheses can be developed in this regard,

**H5:** There is a significant relationship between resource orchestration and youth entrepreneur’s success.

### 1.4.3 The Moderating Impact of Social Network Competence

The role of social network competence are grounded from sociological entrepreneurship theory, where the essential part is building social connections and bonds that promote trust and not opportunism (Reynolds, 1991). The literature on this theory shows that, “stronger social ties to resource providers facilitate the acquisition of resources and enhance the probability of opportunity exploitation”, which had been stressed by Aldrich & Zimmer (1986). Other researchers have suggested that, it is imperative for beginning authors to have entry to business people in their informal community, as the capability these individuals have speaks to a sort of social capital that early ventures can attract upon in order to detect opportunities (e.g.: Aldrich & Cliff, 2003; Gartner, 2004; Kim et al., 2006).

Several researchers have investigated the relationship between networking and firm performance. For instance, according to Tehseen et al. (2015), the firm’s performance can be fully understood by examining its network relationships. Networking or network relationships lead to superior firm performance (Ritter & Gemünden, 2004). Previous studies found that networks competence help the small business in accessing difficult to imitate resources and in achieving innovativeness (Ahuja, 2000), for superior performance, survival and growth by assisting firms to enter new markets more quickly (Lee, Tsang, & Hom, 2001). The hypotheses are as below:

**H6:** The role of social network competence will enhance the relationship between resource orchestration and entrepreneur’s success among youth entrepreneurs. Therefore, the stronger the network competence will strengthen the relationship between the resource orchestration and youth entrepreneur’s success.

### 1.5 Discussion and Conclusion

The growing of theoretical and empirical literature related to resources orchestration incorporates both resources and actions (Sirmon et al., 2011). The resource-based entrepreneurship theory provides the theoretical underpinnings for understanding when resources support an organization’s competitive advantage and, ultimately, its performance (Chirico et al., 2011). Competitive advantage is supported by resources that are valuable, rare, inimitable, and non-substitute (Barney & Arikan, 2001). However, possessing such resources alone does not guarantee superior performance; instead, entrepreneurs need to orchestrate their resources to realize any potential (Morrow, Sirmon, Hitt, & Holcomb, 2007; Sirmon et al.,
Based on sociological theory, the role of social network competence will help in mobilizing business growth, where, the focus is on “building social relationships and bonds that promote trust” (Reynolds, 1991; Stam, Arzlanian, & Elfring, 2014). Therefore, through social network, youth entrepreneurs especially in Malaysia can get benefit of “support, knowledge, trust, innovation and access to distribution channels for effectively manage of their resources” to achieve superior performance, continue to thrive and growth.

As a conclusion, many have argued that entrepreneurial activity is a major contributor to economic development and growth, creating new jobs and enhanced market valuations (Baumol & Strom, 2007). Some have argued that entrepreneur’s activities targeting areas of social need could lead to a marketization of non-profit organizations in ways that do not truly satisfy societal needs (Eikenberry & Kluver, 2004). Moreover, entrepreneur activity can help to build new economic, social, institutional, and cultural environments and thereby provide significant benefits to individual, organizations and as well as to society (Rindova, Barry, & Ketchen, 2009).

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