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The Relationship between Competency and Entrepreneurial Success among Co-Operative Managers in East Malaysia: The Moderating Role of Sales Skills

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Abstract

Co-operative is crucial as a catalyst in generating economic development, especially for the poverty reduction among rural population. Despite their importance to the economy, the literature review however indicates that research emphasis on these organizations remains limited and neglected within the local context. This study attempted to investigate the moderating effect of sales skill on competency and entrepreneurial success. The data for the study was collected from 277 co-operatives by using questionnaire. The findings provide guidance for the co-operative to boost its performance in order to transform the nation to be the high financial gain.

Keywords: Sales Skills, Competency, Entrepreneurial Success, Co-Operative

Introduction

In Malaysia government played a significant role in supporting economic and the development of co-operative. The introduction of National Co-operatives Policy 2011-2020 has in many ways accelerated the formation of various co-operatives in Malaysia. Currently, there are 14417 co-operatives establishments throughout the nation with 6,046,031 active memberships (Cooperative Commission of Malaysia, 2019). The National Co-operatives Policy focuses on accelerating the performance of the co-operatives through the advance within the co-operatives efficiencies in terms of effective management and human capital development, consumer confidence and effective governance. However, it was reported that only several co-operatives that has been successful and the performance of co-operative is still low (Yusman et al., 2008; Othman et al., 2014).

The successes of co-operative depend on how good management practices by its members (Bond, 2009). Gill and Biger (2012) mentioned that competency and skill would lead to successful organization. Hashim and Fawzi (2015) stated that co-operative boards play a major function in linking the managers' actions to the interests of their members and customers. They supported and strengthen the operation of co-operative to become more effective and efficient. In order to survive in a dynamic environment, manager is requiring adapting to changes and continuously improving to meet the needs and expectations of

customers. Their capabilities to sell any products will also influence co-operative performance. Selling is always a key business skill but, in the current challenging economic climate, it is important for manager to have sales skills especially selling skills to have a better understanding and knowledge about their product and customer. These issues have a bearing on the sort of sales skills that are needed in today's rapidly changing commercial world. It is importance for manager to learn how to meet the needs of customers. Manager with ability to create relationships with customers and persuade them to make purchases will help the organization successful. Therefore, this research is conducted to investigate the moderating effect of sales skills on competency and entrepreneurial success cooperative in East Malaysia. The objective of this research is to investigate the relationship between competency and entrepreneurial success and to investigate the moderating effect of selling skills on the relationship between competency and entrepreneurial success

Literature Review

Entrepreneurial success can define as one of the indicators to measure the outcome after individual has been through is challenges in the business activities (Eddleston and Powell, 2008). It is elements involve processes, indicators or elements of a business that are important for the business to be profitable and competitive in the market for the organization (Katz and Green, 2009). Entrepreneurial success has been defined in many ways and most of entrepreneurial success has been determined through revenue or a firm's growth, personal wealth creation, profitability, sustainability, turnover (Perren, 2000; Amit, Crimmon, Zietsma and Oesch, 2000). Every successful co-operative has key entrepreneurship that make co-operative well perform. According to Alstete (2008) being currently involving in entrepreneurship and loving with the present of what they doing which will make them become more independence, freedom and high job satisfaction also can be include as indicates for are entrepreneurial success. Gorgievski et al (2014) mentioned that psychological approach also important in asses entrepreneurial success.

Tregear (2005) also support that the values of an individual are affiliated to fundamental sources of satisfaction, as well as the perceptions of the intentions of the individual, such as his or her goals and desired results. These values influence the amount of effort and resources that individual will assign to certain business activities in order to achieve success. Hodgetts and Kuratko (1992) mentioned that characteristics like being creative like having good interpersonal and technical skills contribute to successful. Being knowledgeable can foster individual to be innovative and generate a new ideas that enables individual to grasp opportunities from their surroundings. Other scholar like Lee and Wong (2004) highlight that successful individual have a high desire of independence a primary motive to start and focus their business and they are like to be responsible, decide on strategy, and decide methods working to keep success. Knox (2002) mentioned that it is necessary to organization to adopt and innovative thinking in their decision making in order to achieve customer value. Innovative products may create demand and thus facilitate cooperative growth.

Apart from the attributes discussed above, sales skills are also another pertinent factor that contributes significantly to business success. Sales skills refer to the individual's learned proficiency at performing the required sales tasks, and it includes learned abilities like interpersonal skills, technical skills, salesmanship skills (Churchill et al., 2000). To face unstable environment of business, it is important to co-operative to have are skillful manager to ensure the performance of co-operative. Sales jobs draw special attention because of their importance to the success of organizations (Vinchur et al., 1998). Field sales positions are

especially demanding, because the customer must to be identified and sought out (Blickle et al., 2012). No matter how good the product and services it, it still depends on the individual skills to promote it to customers. Most of people fail because they cannot sales their product or services. Governments played are central role as central development for skills and abilities. In 2010 they establish are Human Capital Development (Pembangunan Modal Insan) program which involve many agency participate to improve the individual skills. Agency like Malaysian External Trade Development Corporation (MATRADE) conduct Going Export (GoEx) Programme in 2015 which help the individual enhance their skills especially on sales skills and provide them with necessary knowledge on export capacity (MATRADE, 2019). Yet, there has been no empirical research conducted that use sales skills as are moderator to examine the relationship between the entrepreneurship and entrepreneurial success. Thus, study is conducted to examine the competency and skills and entrepreneurial success specifically manager to become success.

Methodology and Hypothesis Development

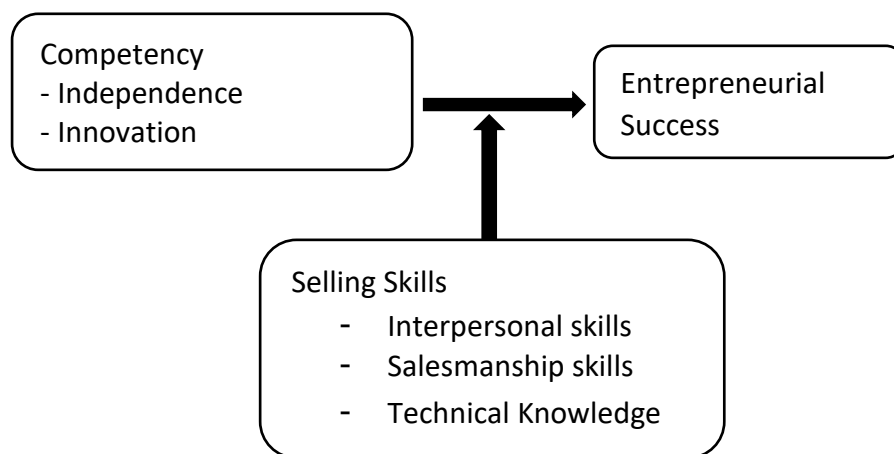


Figure 1.0: The relationship between Competency and Entrepreneurial Success among Co-operative Managers in East Malaysia: The Moderating Role of Sales Skills.

Independence

Kirkley (2016) stated that independence as a belief that emerging in individual to let it become motivator of entrepreneurial behavior, explicitly if carried by high levels of confidence or self-efficacy in one's abilities to get things done. Douglas and Fitzsimmons (2013) also pointed out that self-efficacy is correlated to both of entrepreneurial and individual intentions while independence is associated to entrepreneurial intentions. Braga *et al* (2014) studies also found that independence has correlated significantly to the entrepreneurial motivations. Based on the above statement, it can be say that manager tends to be happy when they can work without any barriers. Manager able to make own independent decision and flexible own their work. Therefore

H1: There are positive relationship between manager independence and co-operative entrepreneurial success in East Malaysia.

Innovation

Amabile (1988) argues that innovation in a corporation is significantly influenced by the extent of creativity-relevant skills possessed by employees. In addition, creativity from both

organization mechanisms and from individuals has a stronger association with innovation performance (Chen and Yang, 2009). The ideas and the creativity manager will lead to successful results. According to Braga *et al* (2014) individual that innovative are able to grab a challenge and develop an idea with are creativity solution. They found that the successful innovator is not significant towards the innovation. Therefore, the manager needs to be innovative and be more creative to become success

H2: There are positive relationship between manager innovation and co-operative entrepreneurial success in East Malaysia.

Selling Skills

All businesses require some type of selling platform. However, selling in person or over the phone is one of the most complicated methods. When customers come into or call a business, having someone on hand who has natural or learned selling skills is important. According to Rentz, Shepherd, Tashchian, Dobholkar and Ladd (2002) theoretically derived and empirically validated a perspective that marries three distinct components of overall selling skill: (i) interpersonal skills, (ii) salesmanship skills (iii) technical skills. Therefore

a) Interpersonal Skills

According to Renz *et al* (2002) interpersonal skills are related to sales performance and longer term of success. Therefore

H1 (a): The positive relationship between independence and entrepreneurial success will be stronger when interpersonal skill is high.

H2 (b): The positive relationship between innovation and entrepreneurial success will be stronger when interpersonal skill is high.

b) Salesmanship skills

According to Renz *et al* (2002) salesmanship skills are related to sales performance and longer term of success. Therefore

H1 (a): The positive relationship between independence and entrepreneurial success will be stronger when salesmanship skill is high.

H2 (b): The positive relationship between innovation and entrepreneurial success will be stronger when salesmanship skill is high.

c) Technical Skills

According to Renz *et al* (2002) technical skills are related to sales performance and longer term of success. Therefore

H1 (a): The positive relationship between independence and entrepreneurial success will be stronger when technical skill is high.

H2 (b): The positive relationship between innovation and entrepreneurial success will be stronger when technical skill is high.

Result and Analysis

A structure equation modeling (SEM) using PLS software was used in this study with initial stage for investigating the reflective measurement of the model assessment. According to Wong (2013) it is important to ensure the reliability and validity of the variables to complete the assessment of the structural model. Based on the finding, majority of the respondents are

(78.3%) are male and only 60 (21.7%) of the respondent were female. The results shown that 35.7 percent of respondents are ages around 41 to 50, 30.7 percent are ages around 51 years old and above, 20.9 percent respondents age from 31 to 40 years old and 12.6 percent respondent 21 years old to 30 years old. Majority respondents have one year to five years' experiences which is contributed 70.4 percent for 195 respondents. Six to ten years 18.8 percent which is contribute by 52 respondents and respondents have experience more than 10 years contribute 7.6 percent from 21 respondents. Meanwhile, only 3.2 percent have one-year experience is for nine respondents.

Measurement of the Internal Consistency Reliability

Table below shown the measurement model analysis for this study.

Table 1.1

Measurement of the Internal Consistency Reliability

| | Composite Reliability |
|----------------------|-----------------------|
| Independence | 0.804 |
| Innovative | 0.821 |
| Interpersonal Skills | 0.839 |
| Salesman Skills | 0.921 |
| Success | 0.865 |
| Technical Knowledge | 0.89 |

The Convergent Validity

Hair et al (2014) defined convergent validity as the degree to which a latent construct explains the variance of its indicator (p. 114). AVE values shall be larger and acceptable at 0.5, then the value of authenticity is confirmed (Wong, 2013). Convergent Validity scale items evaluated using three criteria first use factor loading for each item. Also, each constructs must be greater than 0.50. Second, the reliability of composite for each constructs must exceed 0.70. Finally, Average Variant extracted (AVE) should be above that recommended IE stood at 0.50 and more (Hair et al., 2014). Therefore, AVE must be 50 percent of the assigned indicators' variance for achieving the adequate convergence validity. In this study, AVE for model constructs range 0.511 to 0.701. Even though there are few items are below the measurement of loading it did not affect the AVE. These shows all construct achieve adequate convergent validity.

Table 1.2

Measurement of Factor loading for Each Variable and AVE

| Construct | Item | Loading | CR | AVE |
|-----------------------------|------|---------|-------|-------|
| Innovation | IN1 | 0.724 | 0.821 | 0.537 |
| | IN2 | 0.834 | | |
| | IN3 | 0.744 | | |
| | IN4 | 0.613 | | |
| Independence | IP1 | 0.735 | 0.804 | 0.511 |
| | IP2 | 0.784 | | |
| | IP3 | 0.784 | | |
| | IP4 | 0.525 | | |
| Interpersonal Skills | IS1 | 0.792 | 0.839 | 0.568 |
| | IS2 | 0.694 | | |
| | IS3 | 0.856 | | |
| | IS4 | 0.656 | | |
| Success | SF1 | 0.564 | 0.865 | 0.521 |
| | SF3 | 0.744 | | |
| | SF4 | 0.806 | | |
| | SF5 | 0.724 | | |
| | SF6 | 0.798 | | |
| | SF7 | 0.665 | | |
| | SF7 | 0.665 | | |
| Salesman Skills | SS1 | 0.837 | 0.921 | 0.745 |
| | SS2 | 0.917 | | |
| | SS3 | 0.875 | | |
| | SS4 | 0.821 | | |
| Technical Knowledge | TK1 | 0.865 | 0.89 | 0.671 |
| | TK2 | 0.697 | | |
| | TK3 | 0.868 | | |
| | TK4 | 0.835 | | |

Next, Fornell and Larcker Criterion analysis was presented in table 1.3 below. In this analysis the Discriminant Validity in value by using the cross loading and calculate the square root of the difference the average taken ($\sqrt{\text{AVE}}$) for each of the constructs. Square root of the difference the average taken ($\sqrt{\text{AVE}}$) to all factors must be greater than all correlation between the constructs and other constructs. The value of the square root of AVE ($\sqrt{\text{AVE}}$) each constructs are compared with other constructs each correlation. If the value of the square root of AVE ($\sqrt{\text{AVE}}$) each constructs are greater than the value of the correlation between the constructs in the model, then is said to have the validity of discriminant (Discriminant Validity) good (Hair et al., 2014). From the table of figure below shows all values correlation is lower than the power source AVE ($\sqrt{\text{AVE}}$). After analyzing the Fornell and Larcker Criterion, next method to assess the discriminant validity was by Heterotrait-Monotrait (HTMT) Criterion. After analysis, all values were found to be lower than 0.85 and 0.90. Therefore, the discriminant validity of this study was established.

Table 1.3

Summary of Fornell-Larcker Criterion

| Construct | 1 | 2 | 3 | 4 | 5 | 6 |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Independence | 0.715 | | | | | |
| Innovation | 0.627 | 0.733 | | | | |
| Interpersonal Skills | 0.44 | 0.498 | 0.754 | | | |
| Salesman Skills | 0.632 | 0.552 | 0.397 | 0.863 | | |
| Success | 0.194 | 0.363 | 0.532 | 0.205 | 0.721 | |
| Technical Knowledge | 0.611 | 0.477 | 0.388 | 0.525 | 0.221 | 0.819 |

Assess the Effect Size f^2

The effect of size was employed to measure the relative impact of a predictor construct on an endogenous construct. Based on rules of thumb by Cohen (1988), the effect of size of more than 0.35 is considered as large, 0.15 for medium, and 0.02 small. Table 1.4 shows the results of the hypothesis testing.

Table 1.4

Hypothesis Testing Results

| Hypothesis | Relationship | Std. Beta | Std. Error | t-value | P Values | Result |
|------------|-----------------|-----------|------------|---------|----------|---------------|
| H1 | Inde -> Success | -0.035 | 0.071 | 0.501 | 0.308 | Not Supported |
| H2 | Inno -> Success | 0.146 | 0.073 | 2.01 | 0.022 | Supported |

Note: ** $p > 0.01$ (one-tailed) T value < 1.645

Moderator Analysis

The test of significant independent variables to the dependent variable effected with bootstrapping t-statistics are used to find out if the relationship between variables positive or significant supported or not supported. Interpersonal skills towards independence variable show all the relationship are not significant to one another. The result show H1a with t values 0.17 [LLCI= -0.126, ULCI= 0.096], H2b with t values 1.195 [LLCI= -0.031, ULCI= 0.158]. Technical knowledge as moderate effect towards independence variable show only H1a is supported with t value of 1.675 [LLCI= 0.008, ULCI= 0.245]. Hence, H1a is admitted. This study found that salesmanship and innovation is moderated by entrepreneurial success with t value of 1.817 [LLCI= 0.004, ULCI= 0.24]. This finding is consistent with previous study which demonstrated that salesmanship significantly entrepreneurial success (Ingram et al., 2004; Futrell, 2006). The communication skills of manager to interact with customer will contribute to success. As a manager, your ability to influence people is the most important skill in their toolbox. Furthermore, as a manager their job is to deliver business value and get things done without direct authority over anyone (Rural Business and Cooperative Service, 1994). Therefore, salesmanship skill plays critical influence of manager performance in increase the potential of close sale.

Discussion

This paper investigates the relationship between the moderating effect of sales skills on competency and entrepreneurial success cooperative in East Malaysia. The study reveals that competency of manager like innovation and passion drives of the success of the cooperatives. All these characteristics are needed, especially within competitive global market, which

involves many competitors. Based on the result showed significant relationship positive between innovations to entrepreneurial success. Schumpeter (1942) innovation has been associated with entrepreneurial success, growth and profit. According to Braga *et al* (2014) innovative individual will do things differently and it shows that innovation has a positive related become success. This shows that innovations are related to entrepreneurial success as well creativity will help the ideas towards manager. Innovative and creativity will create positive impact towards company. The results shows that adaptive selling and innovation is moderated by entrepreneurial success. Plouffe *et al* (2009) mentioned that successful individual readily acknowledge that variety approaches for fulfill customer need and wants. Generally, to enhance the performance outcomes, manager need to have adaptive selling strategy and innovation to become entrepreneurial success.

Conclusion

In conclusion, this study has successfully assessed the moderating effect of sales skills on competency and entrepreneurial success among co-operative manager in Sabah and Sarawak. In the case of Sabah and Sarawak, passion and innovation influence entrepreneurial success among the manager in East Malaysia. Recognizing the important competency and skill is important to enhance the performance of co-operative. In terms, of managerial implications, the findings of the study are beneficial to co-operatives organization. These studies will contribution to our understanding of the performance and also the characteristics of co-operatives that are successful across various sizes and functions. In an exceedingly broader context, this study could provide valuable input to the regulatory, the board members and also the managers involved within the management of co-operatives because the findings would provide them the background to evaluate the performance of individual co-operative. Studying co-operatives will assist in differentiating between entrepreneurial and non-entrepreneurial manager which may lack the knowledge and experience in not only entrepreneurship but also strategic management as well as business activities that may have limited impact not only on the co-operatives but also the economy. Correspondingly, identification to better factors could assist co-operative to focus their efforts on building the necessary capacity and competency to achieve success. There some limitation of this study, the response rate for participants to answer is low. The survey conducted during this research take an extended time to urge response from participant to answer the questionnaire. For the future research, this study suggested to cover Peninsular Malaysia as well to know the more dynamic of co-operative. Researcher also suggested to using mixed method to gain in breadth and depth of understanding on the issues.

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