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Corresponding Author:

Hapzarizal M. Napi

Ph.D Student, Putra Business School,
Universiti Putra Malaysia, Malaysia.

Email: kpthap9697@gmail.com

The effect of conservation of resources on Veteran's entrepreneurial success in Malaysia

Hapzarizal M. Napi¹, Turiman Suandi², Rosli Salleh³

¹Ph.D Student, Putra Business School, Universiti Putra Malaysia, Malaysia.

²Professor, Department of Professional Development & Continuing Education,
Faculty of Educational Studies, Universiti Putra Malaysia, Malaysia.

³Associate Professor, Faculty of Entrepreneurship and Business,
Universiti Malaysia Kelantan, Malaysia.

Abstract:

Given the small number of studies, which have focused on entrepreneurial success of veteran entrepreneurs, this paper examined how veterans entrepreneurs cope with potential and actual resource loss and how it influence on entrepreneurial success. Specifically, this paper examined the effect of conservation of resources on veteran's entrepreneurial success with Conservation of Resources (COR) theory as the underpinnings theory. The data collected was primarily quantitative data and the information was sought from 360 successful veteran entrepreneurs, precisely owners of the businesses. Using SEM procedures, the analytical approach of this research consisted of the reliability and validity of the instruments, confirmatory factor analysis, measurement model and structural model. The result from this study showed that COR influenced the veteran's entrepreneurial success significantly. Since many studies in military focusing in readiness of military in preparing for war in term of resources, this paper proof the significantly of relationship between COR and entrepreneurial success.

Keywords: Veteran entrepreneur, entrepreneurship, entrepreneurial success, conservation of resources.

INTRODUCTION

There is a distinct gap in the current understanding of resources, and how resources are processed by individuals to create new business ventures. In the context of entrepreneurs, This paper examined which cognitive resources and mechanisms are important for understanding entrepreneurship, and how such mechanisms affect the process of entrepreneurship (Baron, 2007; Moroz & Hindle, 2011; Lavinich, 2013).

Meanwhile, many scholars have begun to decode this gap in understanding of resources through investigation of the actions, behaviors, and outcomes of individuals engaged in such processes. In turn, the entrepreneur has been identified as a catalyst to organization creation (Schumpeter, 1934; Shane, 2003), and entrepreneurship characterized as a process of recognizing, developing, and managing resources (Bhave, 1994; Moroz & Hindle, 2011). The COR theory provides a distinct and practical explanation for human behaviors basically associated with entrepreneurship. Recently, Stevan Hobfoll (2009, p.

95) distinctly and succinctly articulated the foundations of the COR theory, suggesting "that people are motivated to create, protect, foster, and nurture their resources. People build social, personal, material, and energy resources to sustain well-being and to protect against future resource loss". Based on the study by Hobfoll (2009), this study examined how veteran's entrepreneurs cope with potential and actual resource loss and how it influence on entrepreneurial success. Since many studies in military focusing in readiness of military in preparing for war in term of resources (Herspring, 2006; Cohen, 2011; Wombacher, 2012), it might also influenced the entrepreneurial success of veterans in COR constructs. In the other hand, this paper presents the concept of entrepreneurial success among veterans in Malaysia. Since the important of entrepreneurship is to enhance veterans socio-economic has been given much attention by the Malaysian government recently (PERHEBAT, 2013), hence, the study or research based on the

entrepreneurship among veterans would benefited scholars and policy makers respectively. For instance, according to Krumm (2009), suggested that military veterans possess better entrepreneurial personality characteristics than those who are non-veterans. In addition, a greater percentage of veterans have received training than non-veterans giving them a competitive advantage over their peers. These findings definitely support the argument that veterans have a competitive advantage simply based on being in the military before. In addition, another study by Hope *et al.* (2011), found that military service was highly correlated with self-employment. The study shown that veterans were more likely to be self-employed rather than to be employee. However, he did not find any evidence or proof in the military retiree samples or veteran that would suggest that it is military training, education, or culture that predisposes individuals toward entrepreneurship. Consistent with the statements, initially it makes sense and worth to study the development of veterans in entrepreneurship not specifically in western countries but in another country as well (Mid-Atlantic Research, 2004; Moutray, 2007; Haynes, 2007).

LITERATURE REVIEW

Conservation of Resources (COR)

The COR theory provides a distinct and practical explanation for human behaviors commonly related with entrepreneurship. Recently, Stevan Hobfoll (2009, p. 95) distinctly and succinctly articulated the foundations of the COR theory, suggesting “that people are motivated to create, protect, foster, and nurture their resources. People build social, personal, material, and energy resources to sustain well-being, and to protect against future resource loss. This follows because people are loss-sensitive and gain insensitive on biological (Cacioppo & Gardner, 1999), cognitive (Tversky & Kahneman, 1992) and social (Hobfoll, Freedy, Lane, & Geller, 1990) levels . . . Hence, the building and preserving of resources has a primary motivation in prevention of loss, because future, critical loss is inevitable.”

Not many people realize the real nature of resource loss like entrepreneurs. For these individuals, the consequences of losing resources can range from no effect to bankruptcy or dismemberment. It has been shown that situations with potential for resource loss can even affect entrepreneur persistence (Holland & Shepherd, 2011). Fortunately, researchers suggest that some entrepreneurs cope with resource loss, or potential resource loss (i.e., risk), better than others (Baron, Hmieleski, & Henry, 2012; Uy, Foo, & Song, 2012). Also, it is known that some entrepreneurs do succeed despite the effects of resource

loss. What we currently lack is a full explanation for why same way non-entrepreneurs might.

However, entrepreneurs often take on uncertainty throughout their entire process of venture business creation, putting them in many situations prone to resource loss (e.g., searching for markets or opportunities, risking equity, raising capital, managing uncharted markets). Contexts of uncertainty can also create unique additional draw on resources, which an entrepreneur must endure, including accounting for the multiple possible outcomes of their uncertain situations. COR theory explains how people endure, or cope with, resource loss. The resource-induced coping heuristic (RICH) embodies the COR theory behaviors (i.e., the behaviors of acquiring, protecting, and developing resources outlined in COR theory) for psychometric investigations (Lavinich, 2013).

According to Lavinich (2013), suggested here that conservation of COR and the resource-induced coping heuristic (RICH) are important tools for studying individuals and groups that create business organizations. Direct and incremental effects of the RICH on entrepreneurial success were demonstrated and corroborated by a sample of entrepreneurs. Also, the RICH was evidenced as a robust predictor of entrepreneurial success factors, including financial performance and perceived success.

Entrepreneurial Success (ES)

Knowing who can achieve entrepreneurial success has important implications for the efficient allocation of resources and minimising the costs of entrepreneurial failure (Caliendo *et al.*, 2008). A measure of entrepreneurial success would facilitate the identification of current and future successful business, and also improve public policies designed to improve the success rate of start-ups (Fried *et al.*, 2009). Despite much being known about economic, individual and environmental factors antecedent to entrepreneurial success, how success should be measured and what indicates the achievement of entrepreneurial success is not generally agreed in the literature. However, it has recently been observed that this is an issue for entrepreneurship scholars, and one that is worthy of detailed investigation (Baron *et al.*, 2011).

Ideally speaking, the aim of any entrepreneurial is to be successful, no matter how the concept of entrepreneurial success is defined. In order to define this, it is necessary to identify the most relevant success criteria, as perceived by entrepreneurs. The accurate measurement of success entrepreneur is by the success of the firm (Bosma *et al.*, 2000). Likewise, Bosma *et al.* (2000) suggest that it is equally important for all entrepreneurial success,

measures the amount of human capital for determining duration and profit, while financial capital is especially related to employment.

Consistent with argument by Bosma *et al.* (2000), Sarasvathy *et al.* (2013) stated that the firm successes and failures would determine the successes and failures of entrepreneurs accordingly. In fact, the previous study contends that entrepreneurs can utilize firms as instruments to increase the probabilities of their own success (Sarasvathy *et al.*, 2013).

Another study by Makbul (2011), suggested that the successful business definition is a venture that has been operating for at least 3 years (Vesper, 1990; Watson *et al.*, 1998; Taormina & Lao, 2007; Dafna, 2008). Additionally, according to Dafna (2008), suggest that the measure of success entrepreneurs is by measuring the success of his business longevity, turnover from sales and increase in number of employees.

In view of the above arguments, this present study opt the use of financial and the sustainability of business for more than 3 years as a measures of entrepreneurial success. The reason is because the data available that obtained from PERHEBAT is the list of entrepreneurs which are successful entrepreneurs in term of financial and they were running business more than 3 years.

Therefore, this paper examined how veteran's entrepreneurs cope with potential and actual resource loss and how it influence on entrepreneurial success. Since many studies in military focusing in readiness of military in preparing for war in term of resources (Herspring, 2006; Cohen, 2011; Wombacher, 2012), it might also influence the entrepreneurial success of veterans in preparing for COR accordingly.

Based on the foregoing argument, it is hypothesized that:
H1: There is a significant relationship between conservation of resources and entrepreneurial success.

METHODOLOGY

The sample size of this study was determined by general guidelines of structural equation modeling (SEM) procedures. Several literatures have suggested that a large sample is much better in conducting SEM and examining the model fit (Kelloway, 1998). If possible, the sample size should arrange from 150-400 samples (Hair *et al.*, 2006) to avoid any problems of misspecification. In addition, 200 samples are minimum requirement in processing the SEM data (Kelloway, 1998). The target sample sample will be based on some considerations such as the confidence level of 95 percent with 3 percent error (Zikmund, 2003). In fact, the collected sample size of 360 for this study statistically falls within the range of sample size that is said to be valid for analysis with instruments such as Structural

Equation Modeling (Byrne, 2010; Eid, 2007). The data collected was primarily quantitative data. The information was sought from 360 successful veteran entrepreneurs, precisely owners of the businesses. Structured questionnaire consisted of five-point Likert type scale was been used. Finally, the survey method was being applied.

For the instrument of this research, a self-completed structured questionnaire was utilized as primary means. The questionnaire serves as the primary data-gathering device for this research survey and has been developed according to the problems and objectives of the research. Questionnaires from bunch of previous studies are used to evaluate the entrepreneurial success among veteran entrepreneurs in Malaysia. Since many concepts and theories have been employed with good psychometric properties (i.e. reliability and validity), this study opted few measures from their reputation as 'good' measures. Consistent with Sekaran (2003), the study used the qualified instruments utilized by other researchers to measure the one independent variables and one dependent variable. The design of questionnaire was planned based on multiple-item measurement scales that has been validated and found reliable in the previous research by Lavinich (2013). The measure of 16-items was constructed on a five-point Likert type scale, anchored on the left by the statement *strongly disagrees*, and on the right by the statement *strongly agree*. The author reported a good reliability for each of the COR three dimensions, resource acquisition ($\alpha = .862$, $CR = .859$), resource protection ($\alpha = .881$, $CR = .883$), and resource development ($\alpha = .869$, $CR = .870$). Also, values for the COR across all 16 items represented a high degree of reliability in the measure ($\alpha = .888$, $CR = .953$).

RESULTS

CFA for Conservation of Resources

The first process of analysis is to test the CFA for conservation of resources construct for the model fit, AVE and CR to meet the validity and reliability of the instrument. There were 16 items of conservation of resources applied from previous study by Lavinich (2013) shows that 5 items out of 16 items were factor loadings more than 0.5 and meet the model fit assessment criteria. The result for the analysis is shown on Table 4.6.

Table 1.0 shows the current study result for factor Loadings, AVE and Construct Reliability of conservation of resources individual construct.

Items/Indicators	Factor Loading	AVE	CR
COR1-My real reaction to things I value is to make them my own	.52	.65	.76
COR4-Instinctively, I obtain things	.51		
	.77		
COR6-I am quick to protect the things I have	.72		
COR9-It is important to me that I retain the things I have	.74		
COR11-Without much thought, I find new ways to use my resources			

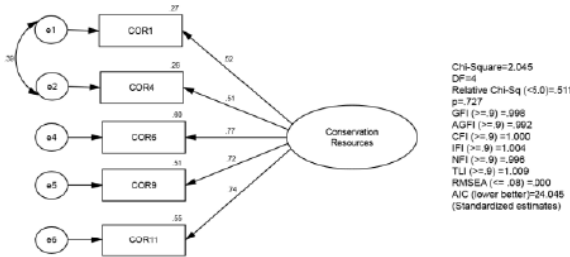


Figure 1.0 shows CFA for Entrepreneurial Conservation of Resources Construct

Based on Table 1.0, it shows that factor loading for conservation of resources construct were loading more than .50 to meet the model fit indices, AVE>.50 and CR>.70 to achieve the validity and made the instrument reliable. For analysis, the conservation of resources construct shows the AVE=.65 and CR=.76 based on model fit indices that comprises 5 indicators. It can be concluded that this instrument was valid and reliable. The path diagram of CFA for conservation of resources construct shows on Figure 1.0

CFA for Entrepreneurial Success

Another process of analysis is to test the CFA for entrepreneurial success construct for the model fit, AVE

and CR to meet the validity and reliability of the instrument. There were 14 items of entrepreneurial success applied from previous study by Chandler and Hanks (1993) shows that 5 items out of 14 items were factor loadings more than 0.5 and meet the model fit assessment criteria. The result for the analysis is shown on Table 1.1.

Table 1.1 shows the current study result for factor Loadings, AVE and Construct Reliability of entrepreneurial success individual construct.

Items/Indicators	Factor Loading	AVE	CR
ES1-My business profitability represent my entrepreneurial success	.74	.66	.88
	.76		
ES3-Sales turnover is characteristic of my entrepreneurial success	.72		
ES6-It is important for me to increase my business sales growth	.68		
ES8-High return of investment determine the level of my success in entrepreneurship	.73		
ES11-I consistently increase my number of employee			

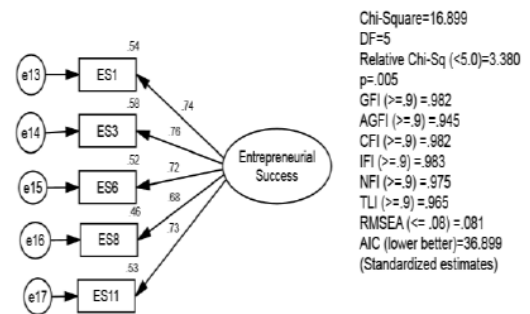


Figure 1.1 shows CFA for Entrepreneurial Success Construct

After the process of CFA for entrepreneurial success construct, 5 items or indicators out of 14 indicators were remaining in the model following the factor loading more than 0.5. Based on Table 1.1, it shows that factor loading for entrepreneurial success construct were loading more than .50 to meet the model fit indices, AVE>.50 and CR>.70 to achieve the validity and made the instrument reliable. For analysis, the entrepreneurial success

construct shows the AVE=.66 and CR=.88 based on model fit indices that comprises 5 indicators. It can be concluded that this instrument was valid and reliable. The path diagram of CFA for entrepreneurial success construct shows on Figure 1.1.

Measurement Model

Measurement model represent the second level in SEM analysis after CFA. In this model, all latent construct were entered without assignment to exogenous or endogenous. The purpose of measurement model: 1) To test for model fit; 2) Discriminant validity; 3) Normality; and 4) Outliers. Discriminant validity refers to the extent in which a construct is distinct from other constructs and involves relationship between a particular latent construct and other constructs of a similar nature (Brown, 2006). Discriminant validity can be accessed thru two methods which are correlation coefficient and AVE for the two construct against their squared correlation (Bryne, 2010). In the measurement model, the model fit indices are established based on Chi-Square more than 5.0, RMSEA less than 0.08, and one of GFI, AGFI, CFI or TLI is more than 0.9.

Discriminant validity

After the establishment of the model fit, the next process is for calculation of discriminant validity for the constructs. In correlation coefficient, *r* value that more than 0.9 indicates high correlation between two constructs and violates the discriminant validity (Hair *et al.*, 2010). According to Bryne (2010), the discriminant validity is valid if AVE for the two factors are greater than squared correlation coefficients. Thus, discriminant validity is valid if:

$$AVE > r^2$$

Where:

- AVE Average Variance Extracted
- r*² Squared Correlation Coefficients

In this study, the result of the analysis for *r*² value between COR and entrepreneurial success, was indicated .40 and AVEs for conservation of resources and entrepreneurial success were .80 and .71. Since both AVEs >.40, the two constructs also exhibit sufficient discriminant validity.

Structural Model

Structural model represent the theory with a set of structural equations and is usually depicted with a visual diagram. It's also represents one or more set of dependence relationship linking the hypothesized model's constructs. This model is most useful in representing the interrelationships between exogenous and endogenous variables. The focus here is not to test the

construct validity of the latent variable as the measurement model but to test and examine the relationship between the exogenous and endogenous constructs. In this study, the COR represents the exogenous variable and entrepreneurial success as endogenous variable. The purpose of structural model: 1) To test for model fit; 2) Test hypotheses on individual path and regression weights; and 3) To describe coefficient of determination.

Test hypothesis on individual path, regression weights, and describe coefficient of determination

The second purpose in structural model is to test for hypothesis on individual path and regression weights. In order to achieve this is to test the effect of individual exogenous variables on the endogenous variable by comparing the slope of multiple linear regressions. Subsequently, to test the hypothesis is by basis of decision on Beta, Critical Ratio (CR) and sig. or *p*-value. The hypotheses test would be:

$$H_0: \beta_i = 0$$

$$H_A: \beta_i \neq 0$$

Where:

- H₀ Null hypotheses
- H_A Alternative hypotheses

Test the direct effect hypothesis

The hypothesis tested the direct effect of COR on entrepreneurial success. By comparing the slope of multiple linear regression, the individual exogenous variable COR on the endogenous variable (entrepreneurial success). Table 1.3 shows the result of SEM on effect of COR on entrepreneurial success.

Table 1.3 shows the Result of SEM on Effect of COR on Entrepreneurial Success

Construct	B	SE	Beta	CR	p
COR	.265	.062	.283	4.248	***

R=.591

R²=.349

Note:*** p value <0.05

Based on the result of the square multiple regression, the value is .591 which means the value of coefficient of determination is 34.9. In other words, for this study construct we can describe how much variance is explained by the respective exogenous construct.

For hypothesis testing, based on the result from Table 1.3, it is clear indicates that COR was positively related to entrepreneurial success with *p* value is less than 0.05. Therefore, null hypothesis was rejected and we can conclude that COR were significantly related to entrepreneurial success.

CONCLUSION

In view from the result and discussion above, we can conclude that COR does affect the veteran's entrepreneurial success significantly. In general, the results supported the hypothesise that determinant variables identified in the present study can influence the veteran's entrepreneurial success. This result can be used as a guideline by Malaysian government to enhance their entrepreneurship program for veterans' entrepreneur in the future.

Even though the evidence has generally supported the hypotheses, more research needs to be carried out to study other variables that can possibly affect the veteran's entrepreneurial success. The recommendation for future studies is to add another method as a qualitative method and should focusing in examining other factors associated with military experience (e.g; education, training, & discipline) that may affect veteran's entrepreneurial success. In addition, the other research method other that survey method possibly can be used to gather information from entrepreneurs.

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