Factors Contributing to Individual Capacity Building Levels among Women Entrepreneurs

Nurfazreen Aina Muhamad Nasharudin*, Ma’rof Redzuan and Abd Razak Abd Rahman

Department of Social and Development Sciences, Faculty of Human Ecology, Universiti Putra Malaysia, 43400 Serdang, Selangor, Malaysia

ABSTRACT
This research was conducted to identify factors which contribute to individual capacity building levels among women entrepreneurs. For this purpose, the study was carried out in the states of Johor and Melaka which involved 200 women entrepreneurs who made up the respondents of this particular research. This study was done through survey method using questionnaires. Simple Random Sampling methodology was used to gather the necessary data. The data were analyzed by means of 'Statistical Package for Social Science' (SPSS). Results of the Stepwise Regression test revealed that education level contributed the most towards individual capacity building levels among women entrepreneurs, with a variance of 51.9%. This finding indicates that education level can influence the capability and credibility of an individual towards achieving progress in her business.

Keywords: Individual capacity building, individual capacity building factors, women entrepreneurs

INTRODUCTION

Community development emphasizes the aspect of individual and community capacity to increase the standard of living (Barker, 2005; Simpson, Wood & Daws, 2003), and one of the most important values in community development is the aspect of capacity building (Barker, 2005; Simpson, Wood & Daws, 2003). The building of individual capacity or potential plays an important role in the development of women nowadays (Dunn & Liang, 2006; Hampel, 2009). Capacity building is the process of increasing the capability in performance of a certain activity (Simister & Smith, 2010). Capacity building, as a process, is able to enhance the ability of an
individual, group, organization or system to achieve a certain objective (Brown, LaFond & Macintyre, 2001). Therefore, capacity building is seen as a concept that is closely linked with education, training and human resource development for the purpose of upgrading an individual’s capability (Enemark & Williamson, 2003; Taut, 2007).

Thus, individual capacity building is the process that can increase the individual’s capabilities in everyday life. As such, this research was carried out to identify factors that contributed to the development of individual capacity building among businesswomen involved in small industries in southern Peninsular Malaysia. This research was done to determine individual capacity building factors among businesswomen and it is hoped that the research findings are able to be utilized in upgrading individual capacity building of this group so that they may further progress in the business arena.

LITERATURE REVIEW

Capacity Building and Women Entrepreneurship

Capacity building is a process of raising the ability of the individual, group, organization, community or society to fulfil the meaning and aim that individuals or groups wish to attain based on their needs (Yap, 2009). Therefore, capacity building is the building of capacity and ability of individuals (Hutchison & Lord, 2003; Macintyre, LaFond & Brown, 2001), group, organization, community or system (Simister & Smith, 2010; Macintyre, LaFond & Brown, 2001) to achieve a certain objective. Besides this, capacity building is also viewed as a change that occurs in an individual, an organization and a society (Simister & Smith, 2010). Thus, the concept of individual capacity building is related to the realization that arises to increase the credibility of an individual, be it directly or indirectly, and is linked to the life of that individual (Larsen & Madsen, 1999).

According to Satterwhite (2007), capacity building is an action that is performed by an individual, an organization and a community to raise capacity through experience, knowledge, skills and other factors. Milen (2001), on the other hand, states that capacity building is a holistic and a continuous process to strengthen the ability of an individual in performing a certain act and to enhance the happiness of one’s life. Overall, this means that capacity building is a process to upgrade the ability of an individual.

A career as an entrepreneur is also seen as having the ability to produce an individual who is capable (Levin & Shortell, 2006; Babu & Pinstrup-Andersen, 2007; Sathiabama, 2010). Thus, entrepreneurship is a field that can create capacity building in an individual (Nyanducha, 2006). This indicates that the process of capacity building is closely related to entrepreneurship.

Entrepreneurship is the action of an individual as an entrepreneur to achieve a certain objective in business development (Jalbert, 2000; Babu & Pinstrup-Andersen, 2007; Chemali, 2009). Entrepreneurship also refers to business formation and
business ownership by individuals or groups of individuals through the establishment of a company (Weeks & Seiler, 2001). Besides that, entrepreneurship may also exist in various sizes, such as small, medium or large companies (Amatori, 2009). As such, entrepreneurship does not take into account the type or size of businesses. This is because conducting business by large or small companies can have an effect on motivation and individual capability (Levin & Shortell, 2006; Babu & Pinstrup-Andersen, 2007). Thus, entrepreneurship is able to create highly motivated individuals in businesses, who will then create the processes of developing individual capacity building.

Nowadays, many women have increasingly participated in businesses. For this reason, a large portion of women today have a career as businesswomen (Vejs-Kjeldgaard, 2007; Norliza et al., 2006). The involvement of women in the business field can contribute to national economic progress (Vejs-Kjeldgaard, 2007; Tchecknavorian-Asenbauer, 2008). Subsequently, the involvement of women in leading and managing businesses also shows the unfolding individual capacity building processes among these women entrepreneurs (Hughes, 2006). This is because the field of business enables empowerment of women (Sinha, 2005). This shows that the business field can give birth to individuals who are highly motivated and driven towards individual capacity building processes, which can then create a community that is empowered (Mohamed Khaled Nordin & Mohd Yusof Kasim, 2009).

The Relationship between Entrepreneurs’ Background with the Level of Individual Women Entrepreneurial Development

The status of higher education has been found to contribute to entrepreneurial activity that is carried out by an individual (Cassar, 2006). Research also shows that business experience has a bearing on business growth (Harrison & Mason, 2007; Gundry & Welsch, 2001). Research also shows that business experience has a significant relationship with the motivation of the entrepreneur in running a business (Harrison & Mason, 2007). This shows that experience in business can influence the individual capacity building process as experience in business can enhance the growth of the business.

The number of years of experience in the business industry or in its formation has a relationship with the rate of business growth (Gundry & Welsch, 2001). A study by Gundry and Welsch (2001) shows that entrepreneurs in high-growth industries do not have much experience in the period that they are forming the business compared with the entrepreneur in low-growth industries. As such, studies show that the year of business formation contributes towards the performance of small entrepreneurs (Wiklund & Shepherd, 2005).

In addition, Olson et al. (2003) point out that the background of the entrepreneur and of the business influences the growth and success of a business. This makes clear that the field of business can influence the process of capacity building in an entrepreneur. Research has shown that there is a significant relationship between
business networking and the involvement of women in business (Ahmad & Naimat, 2010). Besides, the leadership of the business manager towards his employees also influences business growth (Gundry & Welsch, 2001). This reveals that the style of business leadership influences the individual capacity building level within a person as good leadership can enhance and accelerate business growth.

**Entrepreneurship Theory and Business Motivation**

Bull and Willard (1993) stated that the theory of entrepreneurship should contain a new combination of related motivation, business skills, abilities and environments. For entrepreneurs who are highly motivated, the level of education (Hisrich et al., 1997; Hisrich, Brush & Lerner, 1997) and experience in business (Hisrich et al., 1997) are essential elements in business. In addition, individuals’ involvement in business is measured by the number of employees, growth in the number of employees (Rosa, Carter & Hamilton, 1996; Brush & Vanderwerf, 1992) and the return of income or sales growth (Brush & Vanderwerf, 1992). Meanwhile, factors affecting the success of women entrepreneurs in the business are motivation, social learning, network, business skills and the influence of environment, such as active involvement in business activities (Hisrich, Brush & Lerner, 1997). Against this backdrop, the theories of entrepreneurship and business motivation have shown that factors, such as education, experience in business, employment, income, motivation, social learning, networks, skills and active involvement in business activities, affect the level of individuals’ capacity building.

**Individual Capacity Building Theory**

Capacity building process can help individuals to learn and improve themselves. Ortiz and Taylor (2008) also noted that capacity building is a study in which a person is aware of the actions being done. Capacity building is seen as an activity to enhance the capacity and effectiveness of their organization, whereby this situation can thus provide better services to the community (Felkins, 2002). According WED Capacity Building Guide (2006), the development of women entrepreneurship requires the elements of motivation, capabilities and skills, ideas and markets, as well as resources in the process of capacity building among these entrepreneurs. In this study, the elements of motivation, skills and abilities, the idea and the market and resources may be regarded as factors in capacity building among female entrepreneurs in Malaysia.

Individual capacity building model for women entrepreneurs is shown in Fig.1.

**Conceptual Framework**

Conceptual framework and theoretical framework build on entrepreneurship and business models and theoretical framework of capacity building. The conceptual framework of this study was build based on theories and models of business entrepreneurship and motivation, combined with theoretical models and
research capacity building. The conceptual framework shows the relationship between entrepreneurs’ background, business background, motivation and individual capacity building. In this study, entrepreneurs’ background and business background intertwined. Entrepreneurs’ background and business background influence the level of motivation and individual capacity building for women entrepreneurs. Entrepreneurs’ background and business background are antecedent variables. Motivation is the independent variable, while individual capacity building level is the dependent variable in this study. Therefore, the focus of this study is the level of individual capacity building among the female entrepreneurs in the small industry.

Fig. 1: Individual Capacity Building for Women Entrepreneurs
(Source: WED Capacity Building Guide, 2006)

Fig. 2: Conceptual framework
METHODOLOGY
A study was conducted by involving 200 female entrepreneurs having business in Johor and Malacca. The sampling method used was Simple Random Sampling. The population study involved all 420 female entrepreneurs listed in the records of the MARA and TEKUN in Johor and Malacca. According to Krejie and Morgan (1970, as cited in Sidek Mohd Noah, 2002), the population size of 420 requires a sample size of 201 respondents. However, after the analysis, only 200 entrepreneurs were involved in this study, as one sample was found to be defective and could interfere with the accuracy of the results of other studies. This study was carried out using survey design, since the population of the female entrepreneurs in Malaysia Peninsular is too large. Moreover, survey design allows attention to be given to population’s characteristics, where the relationships between the variables are identified (Rozumah & Shereen, 2006). Data were collected for two months, from January and February, 2010 using questionnaires. The reliability of the indicators of concepts was tested during a pilot survey and the results are shown in Table 1. The results show that the indicators have high reliability.

The data gathered were analyzed using Statistical Package for the Social Science (SPSS v. 16) software. Meanwhile, matrix correlation method was used to identify the relationship between the background of the entrepreneur and the business to that of the motivation level and the level of individual capacity building level. Following this, Stepwise Regression method was used to identify the factors contributing the most to the individual female entrepreneur’s capacity.

RESEARCH FINDINGS AND DISCUSSION
Research findings show that there were significant relationships between age and level of education \( (r=-0.546, p\leq0.01) \), age and experience in business \( (r=0.547, p\leq0.01) \), age and duration of conducting business \( (r=0.630, p\leq0.01) \), as well as between age and business income for 2009 \( (r=0.168, p\leq0.05) \). The relationship between age and experience in business; age and duration of conducting business; and between age and business income for 2009 was positive. Besides, the study by Taormina and Lao (2006) also found that age had a positive relationship with experience and years of conducting business. This

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Alpha Cronbach</th>
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<tbody>
<tr>
<td>Motivation</td>
<td>0.892</td>
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<tr>
<td><strong>Individual Capacity Building</strong></td>
<td></td>
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<tr>
<td>Knowledge, Skill and Experience</td>
<td>0.946</td>
</tr>
<tr>
<td>Business network and access to resources</td>
<td>0.812</td>
</tr>
<tr>
<td>Leadership</td>
<td>0.936</td>
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means that the higher the age, the more the experience gained in business, the longer the duration of conducting business and the more the business income will be. However, only age and education status have a negative relationship, i.e., $r=-0.546$. This means that the higher the age, the lower the education level. This situation may be due to the fact that the women in earlier days had a low level of realization towards the importance of education, while women nowadays have realized the need to obtain a good education in their lives. For this reason, the higher the age (which translates as older women entrepreneurs), the lower their education level will be. This is also suggested by Taormina and Lao (2006) who found that age has a significant relationship with the level of education, while the relationship was also found to be negative ($r=-0.46$, $p \leq 0.01$). On the other hand, the level of involvement in the core business, motivation level and individual capacity building level do not have a significant relationship with the age of the respondents.

Education level has been found to have a significant relationship with experience in the business field ($r=0.377$, $p \leq 0.01$) and with duration of conducting business ($r=0.411$, $p \leq 0.01$). Similarly, the study by Taormina and Lao (2006) has also shown that education level has a significant relationship with experience in business. Besides that, education level also has a significant relationship with level of motivation ($r=0.180$, $p \leq 0.05$) and the level of individual capacity building ($r=0.546$, $p \leq 0.01$). This indicates that education level has a connection with motivation and individual capacity building levels among female entrepreneurs. However, involvement level with core business, and business income for 2009 did not have a significant relationship with education level.

The level of involvement in core business also has a significant relationship with the level of motivation ($r=0.300$, $p \leq 0.01$) and the level of individual capacity building ($r=0.195$, $p \leq 0.01$). This finding shows that the level of involvement in core business by the respondents, either full-time or part-time, has a relationship with motivation level and individual capacity building level in the running of business.

Similarly, the level of involvement in core business also has a significant relationship with the level of motivation ($r=0.300$, $p \leq 0.01$) and the level of individual capacity building ($r=0.195$, $p \leq 0.01$). This result reveals that the level of involvement in core business by the respondents, either full-time or part-time, has a relationship with motivation level and individual capacity building level in the running of business.

There is a significant relationship between experience in business and age ($r=0.547$, $p \leq 0.01$) and education level ($r=0.377$, $p \leq 0.01$). Other than that, experience in business also has a significant relationship with duration of conducting business ($r=0.596$, $p \leq 0.01$) and business income for 2009 ($r=0.264$, $p \leq 0.01$). This shows that experience in business influences the size of the respondents’ businesses. This is because the more the experience in business is, the more the duration of
conducting business and the higher the income level of the respondent. Besides that, the level of involvement in the core business also affects the experience level of the respondents. Therefore, research findings have shown that the experience in business is significantly linked with motivation level \((r=0.187, p\leq 0.01)\) and the level of individual capacity building \((r=0.149, p\leq 0.05)\). Additionally, the study by Alsos, Saksen and Softing (2006) has also found that experience is related to motivation level and the capacity of the entrepreneur. Thus, the experience in business is undeniably important to increase the levels of motivation and the levels of individual capacity building among female entrepreneurs.

As illustrated in Table 2, there is a significant relationship between the duration of conducting business with age \((r=0.630, p\leq 0.01)\) and education level \((r=0.411, p\leq 0.01)\). Therefore, the older the age, the longer the duration of conducting business. Besides, the experience in business also influences the duration of conducting business. As such, it is found that duration of conducting business also influences the motivation level \((r=0.149, p\leq 0.05)\) and the level of individual capacity building \((r=0.165, p\leq 0.05)\). Hence, the longer the period of conducting business, the higher the motivation level and the individual capacity building level among female entrepreneurs.

It is found that there is a significant relationship between 2009 business income and age \((r=0.168, p\leq 0.05)\) and business experience \((r=0.264, p\leq 0.01)\). As presented in Table 2, the business income for 2009 had a significant correlation with motivation level \((r=0.181, p\leq 0.05)\) and individual capacity building level \((r=0.477, p\leq 0.01)\). This shows that the business income level for 2009 affected the motivation level and individual capacity building level. This could be due to the fact that income, be it high or low, will drive the respondents to work harder to further bring progress to their businesses. Therefore, the higher the income, the higher too will be the motivation level and individual capacity building level.

Furthermore, the level of motivation has a significant correlation with the level of education \((r=0.180, p\leq 0.05)\), the level of involvement in core business \((r=0.300, p\leq 0.01)\), the experience in business \((r=0.187, p\leq 0.01)\), duration in business \((r=0.149, p\leq 0.01)\) and business income for 2009 \((r=0.181, p\leq 0.01)\). It was found that only age did not have any significant correlation with motivation level. This could be due to the fact that an entrepreneur’s motivation depends primarily on the individual’s own effort (Praag & Cramer, 2003).

Individual capacity building level was found to have significant correlations with education level \((r=0.546, p\leq 0.01)\), level of involvement with core business \((r=0.195, p\leq 0.01)\), business experience \((r=0.149, p\leq 0.01)\), duration in business \((r=0.165, p\leq 0.01)\) and business income for 2009 \((r=0.477, p\leq 0.01)\). Finally, the research findings reveal that motivational level had a significant correlation with individual capacity building level \((r=0.495, p\leq 0.01)\). This also means that the higher the level
### TABLE 2
Relationship between Entrepreneurs’ Background and Business Background with Motivation Level and Individual Capacity Building Level

<table>
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<tr>
<td>1. Age</td>
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<td>2. Education level</td>
<td>-0.546**</td>
<td></td>
<td>0.000</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>3. Level of Business involvement</td>
<td>0.003</td>
<td>0.122</td>
<td>0.962</td>
<td>0.086</td>
<td></td>
<td></td>
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<tr>
<td>4. Experience in business</td>
<td>0.547**</td>
<td>0.377**</td>
<td>0.097</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>5. Experience in business</td>
<td>0.000</td>
<td>0.000</td>
<td>0.377**</td>
<td>0.000</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>6. Duration of conducting Business</td>
<td>0.630**</td>
<td>0.411**</td>
<td>0.033</td>
<td>0.596**</td>
<td></td>
<td></td>
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<tr>
<td>6. Income level for 2009</td>
<td>0.168*</td>
<td>0.009</td>
<td>0.119</td>
<td>0.264**</td>
<td>0.138</td>
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<tr>
<td>7. Motivation level</td>
<td>0.052</td>
<td>0.180*</td>
<td>0.300**</td>
<td>0.187**</td>
<td>0.149*</td>
<td>0.181*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Individual capacity building level</td>
<td>0.059</td>
<td>0.546**</td>
<td>0.195**</td>
<td>0.149*</td>
<td>0.165*</td>
<td>0.477**</td>
<td>0.495**</td>
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** Significant correlation at level p≤0.01
* Significant correlation at level p≤0.05
of motivation, the higher the individual capacity building level among female entrepreneurs.

Based on the research findings of correlation tests, only significant variables of individual capacity building were taken into account for carrying out the regression tests. Subsequently, the regression tests were performed to identify the variables contributing the most to individual capacity building level among female entrepreneurs. The results of the regression tests are shown in Table 3.

By means of performing regression stepwise method, the variable of involvement level in core business was removed from the regression test. Consequently, Table 3 shows only five variables that have been identified as contributing to individual capacity building level. All these five variables contributed about 71.7% towards individual capacity building level among women entrepreneurs.

Based on the data given in Table 3, it was found that educational level \(F(1, 199)=84.46, p\leq0.01\) contributed around 51.9% variance \(R^2=0.519\) to the individual capacity building level. This means that the educational level variable (Beta=0.422, \(p\leq0.01\)) is the main variable of individual capacity building level. Also, as shown in Table 3, other variables (namely, motivation level, business income level for 2009, duration of conducting business and business experience) also increased the contribution towards individual capacity building level. The combination of the educational level variable with motivation level variable (Beta=0.391, \(p\leq0.01\)) has increased (66.4%-51.9%), that is, 14.5% variance towards the factor contributing to the level of individual capacity building \[F(2, 198)=80.36, p\leq0.01\]. Meanwhile, the variable for 2009 business income (Beta=0.331, \(p\leq0.01\)) has increased (69.3%-66.4%) i.e., 2.9% variance towards factors contributing to the level of individual capacity building \[F(3, 197)=75.14, p\leq0.01\]. Next, the variable for duration of conducting business has increased (70.6%-69.3%) i.e., 1.3% variance to the factors that contributed to the level of individual capacity building \[F(4, 196)=69.17, p\leq0.05\]. Lastly, the variable for business experience (Beta=0.137, \(p\leq0.05\)) increased (71.7%-70.6%) i.e., 1.1% variance to the factors contributing to the level of individual capacity building \[F(5, 195)=62.33, p\leq0.05\].

Upon analysis, it was found that the biggest contributor towards the level of individual capacity building among female entrepreneurs is their education level \(R^2=0.519\). This means that education level plays an important part in creating capable entrepreneurs. Learning or education, whether formal or informal, greatly contributes to the process of individual capacity building (Taut, 2007). This is because education is greatly able to increase the knowledge of female entrepreneurs. The knowledge gained has enabled these female entrepreneurs to plan and manage their businesses much better. Because of this, education has become the biggest contributor to the level of individual capacity building among female entrepreneurs.

Next, level of motivation is the second biggest contributor, with an increase of \(\Delta R^2=0.145\) to become \(R^2=0.664\). This
means that the motivation factor in business represents an element that needs to be taken into account by female entrepreneurs and reinforces that the motivation factor is the second biggest contributor towards the level of individual capacity building among these entrepreneurs.

The factor of 2009 business income is ranked as third to contribute towards level of individual capacity building, with an increase of $\Delta R^2=0.029$ to become $R^2=0.693$. Here, it seems that the seriousness and the effort of the female entrepreneur have effects on their capability, indicating the occurrence of individual capacity building processes among female entrepreneurs who strive to improve their business income.

The duration of conducting business is the fourth ranked factor contributing to the level of individual capacity building, with an increase of $\Delta R^2=0.013$ to become $R^2=0.706$. Thus, the longer the duration the entrepreneur is in business, the greater the learning process will occur. In this way, the level of individual capacity building in each entrepreneur will also increase. This reveals that the length of duration a person is in business will indeed contribute towards level of individual capacity building.

Finally, business experience represents the fifth ranked factor contributing towards the level of individual capacity building, with an increase of $\Delta R^2=0.011$ to become $R^2=0.717$. This means that experience in doing business is among the main factors for increasing individual capacity building levels. This is because through experience, an individual can obtain information, knowledge, and skills that can expand their capability as an entrepreneur (Hackler, Harpel & Mayer, 2008). This further shows that experience in business is a factor that contributes towards individual capacity building level among female entrepreneurs.

Therefore, all five independent variables, namely, education level, motivation level, 2009 business income level, duration of conducting business and business experience, together contribute 71.7% towards individual capacity building level among female entrepreneurs.

**CONCLUSION**

This study shows that education is the main contributor towards individual capacity building level among female entrepreneurs at present. This study highlights that education or academic learning is the most important factor. Furthermore, motivation also plays a significant role in enhancing individual capacity building. Business income, duration of business, and business experience are also important factors, each contributing to a smaller extent but collectively adding up to 71.7%. This indicates the importance of continuous learning and skill development for female entrepreneurs to improve their capacity.
important factor to enhance individual capacity (Simpson, Wood & Daws, 2003). Through education, an entrepreneur may become exposed to limited knowledge and information. Thus, the level of knowledge, skills and experience, together with leadership level keeps on increasing. Moreover, the relationship or the network within the business, and access capability are improved. Therefore, it can be concluded that the level of education does contribute greatly towards individual capacity building level among the female entrepreneurs today.

REFERENCES


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