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AN EMPIRICAL ANALYSIS OF EXPERIENCE AND EDUCATION ON NEW VENTURE PERFORMANCE: EVIDENCE FROM MATARA DISTRICT SRI LANKA

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Abstract

The study is primarily focused on identifying the different impacts that experience and education can have on new venture performance due to the different dimensions exists within those factors. The primary data of this study was gathered by distributing 91 survey questionnaires to Small and Medium Enterprise owners in Matara District, Sri Lanka. Spearman Rank Order Correlation and Multiple Linear Regression Analysis were utilized as data analysis tools. Previous management experience, previous non-management experience in a related industry, previous management experience in a non-related industry, previous business experience, industry specific education gained before starting up the business and general business education gained after starting up the business was proven to have a positive relationship with the venture performance. Hence it was concluded that potential entrepreneurs who promote new venture development should focus on gaining experience and education specially the categories which proven to improve performance when starting up a business.

Key Words: Experience, Education, Business Performance, Small and Medium Enterprises

1. Introduction

The successful performance of a new venture is vital for the personal growth of the person who start up the business as well as for the development of economic and social well-being of a country. A new venture can support the economy of a country in numerous ways. For example by increases the level of employment, economic value addition and resource utilization. Hence if new ventures become successful a massive contribution for a development of country can be expected. Nonetheless unfortunately about half of all initiatives suffer from failure within five years of establishment (Wever 1984 cited in Schutjens and Wever 2005). Even the new ventures which manage to survive obtain merely marginal performance. A new venture is a business which is not transferred by parents or some other person or a merger of existing firms (West & Noel 2009). Numbers of studies in the past two decades identify experience and education as a form of acquiring knowledge and skills and competencies needed to be successful in a new venture (West & Noel 2009).Human Capital is the knowledge, skills, competencies, and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being (Organization for Economic Co-operation and Development 2001, p.18 cited in Sriyani 2001). Investment in human capital has been identified as a major determinant of employee performance (Arthur 1994 cited in Bosma et al 2002) and has been extended in recognizing the success of an entrepreneur as well (Bosma et al. 2002). Those studies point out

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that human capital is one of the major determinants of new venture success as it is the first resource that any new venture accumulates (Brush, Greene, and Hart 2001 cited in West and Noel 2009). Resources, in the form of human capital, could be viewed as means to overcome adverse effects to an infant business (Bosma et al. 2002). Especially most of the studies focus on whether human capital of the founder matter as a resource for achieving business success (Gabrielsson & Politis 2011, West & Noel 2009). Main focus of the human capital theory is the outcome of investments in education and work experience (Becker, 1993 as cited in Sriyani 2001). Thus a number of studies have been conducted and still being conducting to explore whether the skills, knowledge and competencies which are gained through experience and education has a relationship with the success of new businesses. Experience has been identified as one way of developing human capital (Littunen & Miettinen 2012). Industrial work experience is associated with particular skills, insights and abilities transferable to a sector or industry (Littunen & Miettinen 2012). It provides the founder with understanding of markets and customers and understanding of the specific technologies (Littunen & Miettinen 2012, Reuber and Fischer 1999). Industrial experience prior to start of the firm has a positive effect on the new firm's performance (Soriano & Castrogiovanni 2012). These persons have established their expertise and experience which they then bring to their new firms (West & Noel 2009). Nevertheless, empirical evidence on this issue remains unclear. Impact of previous industrial experience on new venture performance has not been verified in several studies (West and Noel 2009, Wever, Littunen & Miettinen 2012). And prior work experience had a negative effect on high-tech start-up survival (Grilli 2011 cited in Littunen & Miettinen 2012). It could be that due to the dynamic nature of the environment, especially in technological industries the value of previous experience gets very quickly eroded (Newbert 2005 cited Littunen & Miettinen 2012; Khan and Butt 2002 cited in Gabrielsson & Politis 2011). A possible explanation for this unexpected result was that founders had incorrectly learned the skills and abilities or applied them too rigidly in the new business environment (Khan and Butt 2002 cited in Gabrielsson & Politis 2011).The other distinction of experience is personal business experience. Individuals who have ran their own start up business before the current venture has gained valuable experience. According to Coleman 2007 cited in Littunen & Miettinen (2012) it has acted as a critical success factor for the current firm. Individuals with prior business experience tend to have larger social networks and are hence more able to develop networked relationships than novice entrepreneurs, who have fewer skills to help diversify their network team (Soriano & Castrogiovanni 2012 cited in Littunen & Miettinen 2012). A positive relationship between these two factors is identified in number of other researches as well (Surangi & Wanigasekara 2010).

Education can symbolize the entrepreneurs' capacity to adapt and develop knowledge of the environment (Haber & Reichel 2005). According to many studies, entrepreneurs who have higher levels of training and schooling have a greater chance of flourishing in their business (Bosma et al. 2002, Littunen & Miettinen 2012, Surangi & Wanigasekara 2001, Sriyani 2001). It has been suggested that the level of formal education is correlated to an owner's drive, energy, motivation and dedication to the business and thus to better business performance (West and Noel 2009, Kim 2006 cited in Littunen & Miettinen 2012). Educational can also increase the rational ability of an individual required in running a new or small business. Moreover, formal

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education can improve good communication, teamwork and problem-solving skills (Soriano and Castrogiovanni 2012). The owners with a university degree seem to have a better chance to quickly grow (Almus 2002 cited in Littunen & Miettinen 2012). On the other hand, some studies have found no relationship between higher education and the probability of performance (Schutjens & Wever 2005, Harada 2003 cited in Littunen & Miettinen 2012). Education can be gained relating to a specific industry or relating to general business management knowledge (Soriano & Castrogiovanni 2012, Littunen & Miettinen 2012, West & Noel 2009). In Recent years many scholars have focused whether the type of the education differently affect business success (Soriano & Castrogiovanni 2012, West & Noel 2009). Industry-specific education focuses on knowledge of technologies, processes or products relevant to a particular sector (Soriano & Castrogiovanni 2012, Haber & Reichel 2005). These specialized skills may be obtained through formal education in specialized courses, programs or institutions. This kind of training can improve the capability for identification of market, customer needs and improve productivity and thereby reducing costs and improving performance (Soriano & Castrogiovanni 2012, Haber & Reichel 2005).

General business education supports effectiveness within a business organization, either in administration or management. It can be gained in universities or business schools by following courses toward undergraduate or graduate degrees in business management (Soriano & Castrogiovanni 2012). Formal business education can help gaining knowledge on opportunities, resources and their efficient application, specifically with respect to the general administration of a business (Soriano & Castrogiovanni 2012). It increases the skills regarding communication, team work and problem solving and motivation (Kim et al. 2006 cited in Soriano & Castrogiovanni 2012). It is identified that not only the type of education but also the whether the timing of gaining education is also important (Soriano & Castrogiovanni 2012). It can be gained prior to starting the business or later while running the business. When one get general business education before starting up the business the probability of making mistakes can be lower (Soriano & Castrogiovanni 2012) However gaining a real education regarding business management without some actual practical experience is hard to be done. Thus owners who pursue their general business education after the business startup may acquire deeper insights than if they had completed their education prior to the startup (Mintzberg 2004 cited in Soriano & Castrogiovanni 2012). Soriano and Giovanni (2012) has found that industry specific knowledge acquired before gaining ownership of the SME and general business knowledge acquired after gaining ownership were positively related to both SME profitability and productivity and thereby with business performance. But they found no impact of industry specific knowledge acquired after starting up the business and general business knowledge before starting the business. The dimensions and attributes used in identifying and measuring experience and education vary between studies (Soriano & Castrogiovanni 2012). Some has operationalized experience as number of years as an employee (Delmar and Shane 2006 cited in Soriano & Castrogiovanni 2012). But when considering the impact of experience on new venture success, operationalizing experience as number of years worked is not sufficient. It is essential to find out that whether the experience gained is from a relevant industry to the current start up or

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not. And consideration on whether it is a managerial or operational experience should also be given (Soriano & Castrogiovanni 2012, Gabrielsson & Politis 2011, Littunen & Miettinen 2012).

According to human capital theory, education may foster either specific or general knowledge skills (Reuber and Fischer 1999). Therefore it is important to consider the nature of the knowledge rather than solely depending on number of years of having formal education (Soriano & Castrogiovanni 2012). Education could be either relating to some specific industry relating to more on technical knowledge or general business knowledge more associated with managerial skills (West and Noel 2009; Soriano & Castrogiovanni 2012, Bosma et al 2002). Education can be acquired prior to the start of a business or after the startup, while the fonder is running the business (Soriano & Castrogiovanni 2012). It is suggested that when trying to exploring the relationship between education and experience both the type of the knowledge and skills generated and also the timing should also be considered (Soriano & Castrogiovanni 2012). New venture success has been measured in various ways in past studies (Schutjens & Wever 2005; Littunen & Miettinen 2012), for example creditworthiness (Littunen & Miettinen 2012); ROE; failure, marginal survival and high performance. Considering broad measures reflecting multiple aspects of both growth and economic performance is important as firms may deliberately trade off long-term growth for short-term profits (Zahra 1991 as cited in Bosma et al. 2002). Soriano and Castrogiovanni (2012) has used profitability and productivity as it important to measure performance in both markets wise and operational wise. National level published research regarding how experience and education affects new venture success is limited in Sri Lankan context. The few studies which are available are only directed toward finding out whether experience and education of the entrepreneur has a relationship with new venture success and does not reveal detailed aspects of experience and education such as type of experience and type and timing of education. Therefore currently a considerable knowledge gap can be seen in this area.

This study focused on human capital, namely education and experience of an entrepreneur on new venture performance of SMEs' in Matara district Sri Lanka. Through the research it was expected to identify which type of experience and education affects start up performance. When exploring the impact of experience it gave special consideration to the industry in which the experience has obtained and whether the experience was gained in a managerial type of a job or operational type of a job or whether it was a previous startup experience. When discovering the impact of education a prominent attention was given in finding whether it gives knowledge on technical aspects or managerial aspects. Moreover the research focused on the time period each form of education should be acquired, whether before starting up the business or whether after starting up the business. The outcome of the research can be used to improve new business performance. Hence both potential and existing business founders and governmental and non-governmental organizations which try to improve new venture performance can be benefited through this research study.

Further a substantial gap of literature regarding this research area can be noticed in Sri Lankan context. Hence this research would be useful in fulfilling the above identified gap of literature.

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The problem to be addressed by this research was, "Do the experience and the education of the founder have a relationship with the performance of the new venture?" This research problem was analyzed giving a special consideration to the different dimensions of experience and education of the founder. The study tries to identify the relationship between experience and education on the performance of new ventures in Sri Lankan context. Thereby it supports entrepreneurial literature regarding entrepreneurship and the theory human capital. Further the research fills the existing gap of literature regarding experience and education and new business performance in Sri Lankan context. The research explains what type of experience or education play a positive or negative impact. It helps the potential and existing entrepreneurs in identifying the factors they should concern for the improvement of their ventures and what aspects might be hindering the success of their businesses. It will assist them assessing their strengths and weaknesses of staring and successful performance regarding business. Further it benefits entrepreneurial educationalists and government and non-government organizations which promote new venture development in designing their programs aimed at increasing new venture performance. Thereby the research will be valuable to the country as the success of entrepreneurs increases the quality of life of entire society.

2. Literature Review

2.1. A New Venture

A new venture is a business which is not transferred by parents or some other person or a merger of existing firms (West & Noel 2009). Success of a new venture is not only important to the individual who establish the business but also it is a fundamental factor a development of a country's economic and social well-being. Nonetheless about half of all initiatives suffer from failure within five years (Wever 1984 cited in Schutjens and Wever 2005). Many survivors obtain only marginal performance. Resource endowment has been identified as a major area to be concerned in order to find the possible causes and solutions for this issue (Schutjens and Wever 2005). To achieve success, new ventures need several resources, including financial, social, technological, physical, and human resources (Brush, Greene & Hart 2001). Malecki (1997) as cited in West and Noel (2009) suggest that local communities can contribute start-ups in their provision of such resources. Nevertheless new venture founders must often acquire or develop resources independent of those provided at the community level. This is largely because the resource needs of each new venture are idiosyncratic (Lichtenstein and Brush 2001 as cited in West and Noel 2009), even when they are started up in the same geographic location by the same founders (Brush, Greene and Hart 2001).

2.2. Human Capital

Human capital has been recognized as a resource which is generated by changes in persons, which develop skills and capabilities that make them able to perform in new ways (Coleman 1988 as cited in Sriyani 2001). It is defined as "the knowledge, skills, competencies, and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being" (Organization for Economic Co-operation and Development-OECD, 2001, p18 cited

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in Sriyani 2001). Sullivan and Sheffrin (2003) cited in Fatoki (2011) define human capital as the stock of competences, knowledge and personality attributes embodied in the ability to perform labor so as to produce economic value. The theory of human capital is introduced in 1960 by Theodore Schultz (Mark Blaug 1976 cited in Sriyani 2001) and developed by Becker (1964) cited in Fatoki (2011). In past an organization's tangible assets constituted a major part of resources which are required for production. Nonetheless nowadays human talent is concerned as capital and it is accepted that major parts of the means of production is carried out by people, within their knowledge and expertise. Since 1990s, human capital theory is applied in different perspectives in many researches regarding fields of economic, human resource management, social sciences, and entrepreneurship. Human capital consists of two types of abilities. The first type is influenced by genetic factors such as intelligence, health, personality, attractiveness and the second type is influenced by acquired skills such as education, job training, tenure, work experience, and interpersonal relationships. Main focus of the human capital theory is the outcome of investments in education and work experience (Becker 1993).

Human capital theory was initially developed to predict employees' income distribution from their investments in human capital (Becker 1964 and Mincer 1958 cited in Unger 2011). Investment in human capital has been identified as a major determinant of employee performance (Arthur 1994 cited in Bosma et al. 2002) and has been extended in recognizing the success of an entrepreneur as well. Bosma et al. (2002) have found out the empirical support for the theoretical foundation. Number of studies has included human capital into their prediction models of entrepreneurial success (Unger 2011). Researchers have considered a large `range of variables such as formal education, training, employment experience, start-up experience, owner experience, parent's background, knowledge and skills representing human capital (Unger 2011).With respect to entrepreneurship, human capital theory focuses upon the acquired human capital aspects of the founder as a determinant of business performance (Isaksen 2006 cited in Sriyani 2001). Those studies point out that human capital is one of the major determinants of new venture success as it is the first resource that any new venture accumulates (Brush, Greene and Hart 2001).

The skills and routines of startups are embodied in their founders and affect the new firm's future development and success (Littunen & Miettinen 2012). The founder is the manager of the firm who plays the strategic role within the enterprise (Gimeno & et al. 1997 cited in Sriyani 2001). Human capital attributes such as education, experience, knowledge, and skills have been argued to be a critical resource for success in entrepreneurial firms (Florin et al. 2003, Pfeffer 1994, Sexton and Upton 1985 cited in Unger 2011). Pre entry capabilities of independent startups which are not continuations of family businesses, or are the result of mergers of existing firms, resides with the founder who usually play an significant role in the management (Watson Hogarth-Scott and Wilson 1998 cited in Littunen & Miettinen 2012). Since small ventures are usually led by the founder, the role of founder in those firms is essential (Littunen & Miettinen 2012).There is a general assumption that the human capital of the founder improves small firm's chances to survive (Bruederl et al. 1992 cited in Sriyani 2001).Previous studies suggest that intellectual capital of owner is central to the success of business enterprises (Rivette & Kline

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2000 cited in Sriyani 2001). Some researches provide evidence that a high level of human capital is related to a survival and growth of a new firm (Bosma et al. 2002). The survival of firms which are equal in economic strength is proven to be dependent on variability in human capital (Gimeno et al. 1997 cited in Sriyani 2001). According to the Neo-classical economist Alfred Marshall (1890-1930) cited in Sriyani (2001), the successful entrepreneur has expertise over general abilities, specialized abilities, capital and good fortune. General ability depends on family background, education and talent. Specialized ability involves as vast knowledge of a specific industry as well as of leadership qualities. Economists suggest that firm performance and personal success are determined to an important extent by human variability rather than mere exogenous factors such as product differentiation, barriers to entry, or economies of scale (Sriyani 2001). According to Becker (1964) cited in Unger et al. (2011) human capital is skills and knowledge that individuals acquire through investments in schooling, on-the-job training, and other types of experience. According to this definition it can be identified that human capital is the knowledge and skills which can be gained through investments in human capital such as in education and work experience. The outcomes of human capital investments are developed knowledge and skills. However these human capital investments may or may not lead to knowledge and skills (Unger et al. 2011). Possible explanation for this lies in the concept of task relatedness.

Task-relatedness is the whether human capital investments and outcomes are related to a specific task or not, such as running a business venture (Unger et al. 2011). If it is related to the task it can be suggested that both investment in human capital and the resulting knowledge and skills help increase performance. As pointed out by Gimeno and et al. (1997) cited in Sriyani (2001) specific human capital with respect to general human capital contribute more to entrepreneurial success and to superior business survival and employment growth. Human capital theory from its very beginning has acknowledged the process of acquiring human capital (investment in human capital) while it has paid less attention to the psychological processes and mechanisms which determine and affect human capital (outcome of human capital investment). The theory only explains that human capital investments improve knowledge, skills, or health and thus increase income (Becker 1964 cited in Unger 2011) and does not explain the transfer of human capital (Unger 2011).

Transfer is the use of knowledge acquired in one situation to another situation (Singley and Anderson 1989 cited in Unger 2011). Nevertheless a successful transfer of human capital is a must for the better performance with respect to the new situation (Unger et al. 2011). This implies that an entrepreneur can only get the benefit of his or her previous experience or education if he or she can effectively apply the knowledge and skill gained to the current venture. This type of transformation can be easily done when the knowledge of the entrepreneur is similar to the task need to be performed whereas it will be much harder when the knowledge is different to the task need to be performed (Thorndike 1906 cited in Unger et al. 2011). Therefore the task-relatedness of human capital can be used to explain the differential effects of human capital on success (Unger et al. 2011). Bosma & et al. (2002) stated that investments in industry-specific and entrepreneurship-specific human and social capital explain the variance of the

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performance of small firm founders. The study suggests that industry specific investments in human capital such as experience in the specific industry enhance performance compared to investments in general human capital. In addition, entrepreneurship specific capital investments, such as earlier experience in starting up a business generate more successful start-ups. Hence it can be suggested that more relevant to the experience and education of the founder to the current venture, the more required knowledge and skills can be obtained and this increases the chances for survival and success.

Unger et al. (2011) found that positive overall relationship between human capital and success. Further the study observed task related human capital is to be more important compared to human capital with low task relatedness. Resource based view of the firm states that the competitive advantage and superior performance of a firm depend on resources and capabilities which are valuable, rare, inimitable and non-substitutable (Barney 1991).New ventures have to create a unique position that cannot be acquired by incumbents or imitable by other new ventures (West and Noel 2009). Alvarez and Barney (2004) and Alvarez and Busenitz (2001) suggest that higher performance may result from distinctive resource positions in new firms. Resource- based theories of the firm (Montgomery 1995 cited in Bosma et al. 2002) suggest that higher the relevancy of an investment is to its current use, higher the expected returns. Further the probability of resources to be non- imitable is higher when they are obtained through specific investment than by more general investment (Bosma et al. 2002). However Gartner (1989) cited in Boyer and Blazy (2014) state that rather than emphasizing attention on specific human capital vs. general human capital it is more important to consider how this human capital is applied.

There is a general believe that entrepreneurs with human capital resources will be more likely to own surviving firms (Bruderl et al. 1992 cited in Sriyani 2001). Entrepreneurship literature provides a number of explanations on the way human capital increase entrepreneurial success (Unger 2011). It is the initial foundation for competitive advantage. In the beginning an entrepreneur has only his or her ideas on a potential opportunity by which a new venture can be founded (West and Noel 2009). Then through gathering and processing variety of information the knowledge about the real potential is developed (West and Noel 2009). When analyzing information, synthesizing all such information is the most critical aspect as it is the function that reveals the true potential and scope of the marketplace regarding the basic idea. This provides the required strategic understanding for moving forward. Further this synthesis is very much idiosyncratic and possesses all the characteristics (valuable, rare, inimitable, non- tradable, non-substitutable) described by the resource based theory (West and Noel 2009). Human capital increases the capability of founder for discovering and exploitation of new business opportunities (Shane and Venkatraman 2000 cited in Unger 2011). Previous knowledge increases an entrepreneur's alertness providing them the chance them to discover specific opportunities that are not noticeable to others (Shane 2000 cited in Unger 2011). It has been identified that exploring and opportunity without adequate knowledge about it results in misdirection and a waste of resources (West and Noel 2009). Having accrued knowledge through personal experience and processes which are distinctive, the founders can have an exceptional opinion on an opportunity which a potential competitor cannot seize (West and Noel 2009).

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2.3. Experience

Experience is defined as knowledge and skills gained by observing and dealing with a variety of situations encountered at firms similar to the SME currently run by the CEO-owner. In contrast to education it cannot be learned at a center of learning and can only be attained by engaging in business activities in the real world practically (Soriano & Castrogiovanni 2012). Reuber and Fischer (1999) divided experience into two main categories namely "stock of experience" and "stream of experience". The stock of experience is the experience an individual has at a given point of time which was then divided into another two categories as depth of experience and breadth of experience. Depth of experience is the number of years a founder has been a manager or worked in a particular industry etc. Breadth of experience denotes the variety of experience such as how many functional areas, industries, or organizations the owner has worked in or managed and whether the founder has previous start up experience. The stream of experience is identified as the learning which occurs from the events that happens when operating the business.

Chandler (1996) cited in West and Noel (2009) discovered that the similarity between the previous job or business and the current venture can be of two types named as "task environment" and "skills and abilities." "Task environment" denotes the similarity of the experience in terms of suppliers, competitors, and customers, implying industry relatedness. "Skills and abilities" denotes the similarities in terms of managerial duties, functional duties, and tasks, implying relatedness of the internal functioning of the business. Considering these aspects West and Noel (2009) identified three types of knowledge which can benefit a novice entrepreneur namely industry knowledge, business knowledge and knowledge about starting up a business. Further it reveals that both industry and business knowledge can be acquired through previous work experience whereas knowledge about starting up a business can be acquired by having started up businesses previously for real. Boyer and Blazy (2014) observed a negative relationship between having been unemployed or inactive before launching the business and survival of the startup. Littunen & Miettinen (2012) who measured success of firms in terms of credit worthiness found out that founders with previous job experience are in a lower risk category and hence have a better credit worthiness than the founders without any previous experience. Previous work experience of the SME owner has a significant impact on the performance of the business. The study was conducted using small grocery shop owners in South Africa and suggested that potential owner can get benefit from serving as apprentices before starting up their own businesses. Fatoki (2011) found out prior work experience which represented human capital of the founder has a significant positive relationship with small venture performance.

Unger et al. (2011) who conducted a meta-analytical review on human capital and entrepreneurial success based on seventy published and unpublished literature around the world found that positive overall relationship between human capital and success. Nonetheless former experience as an indicator of human capital was not recognized as an important aspect as experience does not always generate knowledge. Wanigasekara and Surangi (2010) found out no

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impact of prior work experience on venture performance. Above researches has only considered whether the founder has work experience or not.

These studies have recommended that rather than measuring solely whether founder has experience or not it is important to investigate the relevancy of experience to the current experience and whether it is managerial experience or general work experience. Further according to West and Noel (2009) research which investigate about the human capital of the founders have typically focused on experience measuring number of years. A person with highly successful career as a manager is not able to perform in that way if he or she is joined to a same career position within another organization (West and Noel 2009). The reason for this factor is that the knowledge gained from one industry is different from another industry and the knowledge from one industry cannot be effectively transferred to another industry especially regarding technical aspects. Even within the same industry various numbers of sub categories can be identified and those sub categories vary considerably in dimensions such as size, growth, ease of entry, and level of competition. Due to these variations different strategic approaches are required in starting and managing the business. Even similar roles within highly related types of industries might not be helpful to the new venture. It is important to consider the relatedness of a founder's prior industry and business experiences are to the industry of the new business. Therefore length of experience may not adequately reflect the relevance of that experience for the new venture with which the founder is now associated. Sriyani (2001) identified four different categories of experience according to classification of human capital. Industry experience is identified under industry specific human capital, prior managerial experience and prior work experience is identified under work and managerial experience denoting general human capital and prior business experience under the category of business ownership. Bosma et al. (2002) identified similar dimensions of experience based on the type of investment in human capital. The study classified experience in the same industry as industry specific investment, experience as an employee as general investment and previous start up experience as entrepreneurship- specific investment.

2.3.1. Prior Management Experience

T.N. Sinha (1996) cited in Sriyani (2001) emphasized that managerial skills are of much importance to entrepreneurial success. Managerial work is varied as it covers different functional area, managerial levels, and organizational characteristics such as type, structure, size and industry (Reuber 1997 cited in Gabrielsson and Politis 2011). Gabrielsson and Politis (2011) studied a significant positive relationship between managerial experience in various firms and the ability to handle the liabilities of newness. Fatoki (2011) observed that prior managerial experience increase both financial and non-financial performance. Schutjens and Wever (2005) found working experience in the management assist increase new venture performance. Nevertheless Bates (2014) could not observe a significant relationship between managerial experience and business survival. Moreover Boyer and Blazy (2014) could not detect a favorable effect of supportive functional experience such as management, human resource and marketing on survival of the new innovative micro ventures. Cooper, Gascon and Woo (1991) did not able

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to find out a positive impact of prior managerial experience on survival or growth. The study explained that the management know-how acquired in an industry may not be generally transferable to other industries or lines of businesses. The ability to raise initial financial capital for the business as the management knowledge increases was identified as the only positive impact on business performance. Sriyani (2001) found no relationship between managerial experience and venture performance.

2.3.2. Previous Work Experience in a Similar Industry

Industrial knowledge and experience is associated with the particular skills, insights and abilities transferable to a sector or industry such as understanding of markets and customers and understanding of the specific technologies (Reuber and Fischer 1999). It provides a founder with knowledge of the industry, understanding of markets and customers, and understanding of the specific technologies (Reuber and Fischer 1999). Further experience supports opportunity identification and exploitation, as well as resource acquisition and helps founders make better choices (Soriano & Castrogiovanni 2012). Industrial experience of the founder prior to starting up the firm has a positive effect on the new firm's performance as they have developed their expertise which they then bring to their new firms. Founders who have specific work experience are expected to outpace those who are missing such industry-specific work experience (Bruderl et al. 1992 cited in Sriyani 2001). Wiklund and Shepherd (2003) as cited in West and Noel (2009) suggests that high levels of knowledge relatedness can benefit in starting up and operating small businesses. Though a potential entrepreneur gathers information as much as possible to assess the opportunity some uncertainties can prevail further to some extent.

The relatedness of experience of the previous job or business can assist in managing those uncertainties (West and Noel 2009). Moreover an entrepreneur should make assumptions and take decisions on new markets, customers, suppliers and competitors and he or she should make strategic choices within the market and in the organization of activities. Having gained familiarity with these issues previously helps increase the quality of decision that the entrepreneur make. This increases the firm's chances for survival.

This kind of experience can be an advantage or a disadvantage, or both at the same time (Starr and Bygrave 1992 cited in Reuber and Fischer 1999). A long occupancy in a particular industry may assist to increase efficiently or effectively when starting a new venture in that industry. However this experience might inhibit the founder from seeing new opportunities or alternatives. Further Keeley and Knapp (1995) cited in Reuber and Fischer (1999) evidenced that founders with similar experience are slow to adapt to dynamic competitive environment.

One of the reasons for this is automatic cognitive processing results in making similar decisions for a longer period can lose the flexibility in thinking making them maintain status quo. This can hinder the performance of a new venture. Further previous experience can slow the process of adapting to a new environment as some of the gathered knowledge from previous experiences has to be unlearned when dealing with a new business (Morrison and Brantner 1992 cited in

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Reuber and Fischer 1999).This can negatively affect quick responses, creativity and innovation of the new firm (Reuber and Fischer 1999).

Bosma & et al. (2000) pointed out that experience is vital in business performance. Having previous work experience in the same industrial sector as the newly founded business increases the probabilities of success regarding both profit and survival and appears to improve all performance dimensions. Moreover, experience in activities relevant to business ownership (e.g. experience in leadership) increases the firm's survival time.

Soriano & Castrogiovanni (2012) who measured success of the new venture based on firm's profitability and productivity found out that having experience by working in the same industry before starting up the business did not affect the profitability of the new venture. Nevertheless such experience was significantly related to the productivity as the best practices within the workplace can be identified and the unnecessary tasks can be eliminated, improving both efficiency and effectiveness. Further the study found out a convex relationship between experience and business performance and suggested that there may be diminishing returns for experience. Ruzzier et al. (2007) revealed that small business owners who had previous experience in multinational corporations or international organizations tend to engage in internationalize their ventures.

Cooper, Gascon and Woo (1991) found out experience in similar business to be positively linked with survival and growth of a new venture as it help reduce liability of newness by minimizing the practice of trial and error. Further availability of industry specific know how provide tacit understanding on industry's key success factors and specialized knowledge of the product or technologies. It also helps by collected goodwill with customers and/or suppliers. Having been employed in the same sector was proved to be a positive factor for the survival of the innovative micro startups Boyer and Blazy (2014). The study concluded that having engaged in exactly the same activity increase the chances for survival as it avoids starting a business without a identifying the product or service that could be offered and consequently the position of the enterprise on the market. Schutjens and Wever (2005) found working experience in the sector assist the growth of new ventures and hence suggested that the young, inexperienced potential starters should obtain some work experience before setting up their own firms. Industry experiences which represent specific human capital of the founder increase the performance of firms (Fatoki 2011). Ganewatta and Rathnayake (2011) reported a positive impact of related experience on business success.

However some studies have identified a negative relationship between these two factors. Grilli (2011) cited in Littunen & Miettinen (2012) reported a negative effect between prior work experience and high-tech start-up survival. The reason for this may be that the due dynamic nature of business environment the significance of prior experience is soon eroded (Newbert 2005 cited in Littunen & Miettinen 2012). West and Noel (2009) divided experience into two categories based on industry relatedness and business relatedness. Industry relatedness considered extent to which the present company operates in the same or in an industry which is

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extremely close whereas business relatedness focused on the extent to which the present company's products, services, or overall approach such as strategy, R&D effort, operations, marketing and sales are the same or extremely close.

The basic argument of this study was that knowledge resource acquired by having experience in a related industry is positively related with performance of the new venture. However it did not find a relationship between these two factors. Few possible causes were identified to elaborate this relationship. One reason was that dynamic nature of the technology industry lender the value of the knowledge gained from previous experience to get outdated quickly. Hence the existing knowledge limits a firm's ability to operate in new businesses (Tanriverdi and Venkatraman 2005 cited in West and Noel 2009). Moreover the industry key success factors (Porter 1979 cited in West and Noel 2009) which have been identified in the past can be dramatically changed due to technological advancements and changes in competition. The unfavorable effects of strategic persistence hinder the firm's performance (Audia, Locke and Smith 2000 cited in West and Noel 2009). Another possible explanation for this is that the technological knowledge developed in an area where advanced technology is being adopted can be not effective when it is transferred to a different setting where there is less developed technology. The reason for this is the infrastructure of the area cannot support the new technology. Lumpkin and Marvel (2007) highlighted that prior employment is the foundation of the majority of start-up business ideas and hence before even the beginning of the small business start-up process, a potential entrepreneur with previous work experience has advantage over an entrepreneur with more limited experience. Nonetheless Lumpkin and Marvel (2007) revealed that for radical innovation, it may be desirable to know less about the processes for developing the product and serving the market as this may lead to a myopic point of view which in turn would limit the radicalism of any future innovations.

2.3.3. Prior Work Experience in a Non-Related Industry

Sriyani (2001) found no relationship between non-related work experience and venture success. Conversely Ganewatta and Rathnayake (2011) who analyzed human capital- in women business founders in Southern Province, Sri Lanka reported a positive impact of unrelated work experience on business performance.

2.3.4. Prior Startup Experience

Prior starting up experience is a source of knowledge and can be explained as the experience which is gained by a person who has already been creating, building, and harvesting a business (West and Noel 2009). Westhead, Ucbasaran and Wright (2005) cited in West and Noel (2009) revealed that prior startup experience will help the entrepreneur to identify the actions and procedures to be conducted in order to maximize the performance of the business. Moreover it will help the founders identify the possible drawbacks and avoid mistakes. This kind of experience helps gain further resources as well (Brush, Greene and Hart 2001). According to Shepherd et al. (2000) cited in Unger et al. (2011) experience gained from previous startups assist the entrepreneur identify and exploit opportunities. Further it provides understanding on

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developing and financing an organization, hiring employees and attaining and retaining customers. Hence it can be identified that previous startup experience of the founder help overcome the obstacles new businesses face (Unger et al 2011).

According to West and Noel (2009) sole attempt of starting up a business prior to the current venture does not yield any competitive advantage. It is the serial of business startups which can produce a knowledge that is valuable, inimitable, non-tradable, and non-substitutable. However the study found no impact previous start up experience and venture success. Dahlquist, Davidsson and Wiklund (2000) observed that prior start-up experience is not much associated with the survival of the firm. However the study found out that it affect the growth of the firm significantly. Similarly Sriyani (2001) and Wanigasekara and Surangi (2010) found no relationship between previous start up experience and venture success.

2.4. Education

Education symbolizes the entrepreneurs' capacity to adapt and develop knowledge of the environment (Haber and Reichel 2005). According to many studies, entrepreneurs who have higher levels of education have a greater chance of prospering in their business compared to individuals who have invested less in education (Littunen & Miettinen 2012).Considering concepts from human capital theory economists, sociologists other academics from various fields have considered education from preschool levels to graduate degree levels and have calculated the returns to different skills learned (Beker 1964). According to human capital theory, education can deliver general or specific skills (Reuber and Fischer 1999 and Soriano & Castrogiovanni 2012).

The knowledge gained through education enhances the managerial capacity to develop a superior business (Kim et al. 2006). It helps acquire resources more efficiently, reduce cost and increase revenue (Soriano & Castrogiovanni 2012). Storey (1994) cited in Honjo (2010) suggest as the education level of entrepreneurs increases confidence in dealing with customers and bankers, highly-educated entrepreneurs may have more opportunities to grow during the start-up period.

Formal business education builds knowledge regarding opportunities, resources and effective utilization of resources specifically with respect to the general administration of a business. It influences the knowledge, skills and motivation of an entrepreneur in ways that can contribute to the efficiency of the new venture. Further it is identified that general education supports the development of general skills such as communication, teamwork, critical analysis, and problem solving (Soriano & Castrogiovanni 2012). Formal educational qualification is moreover an indicator of an entrepreneur's determination, drive, energy, motivation and commitment to the business enterprise (Kim et al. 2006). Imagination, inventiveness and flexibility have been found out to be developed due to this kind of education (Haber and Reichel 2005).

Honjo (2004) as well as Pereira and St. Aubyn (2009) cited in Littunen & Miettinen (2012) revealed that having gained primary and secondary levels of education enhances growth. Almus (2002) showed a positive association between education and business growth. Almus (2002)

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testified that owners with a university degree quickly grow their business. Scholars pointed that a university education plays a major role in the creation of business and gave evidence to support on university education in entrepreneurship.

Bosma et al. (2002) found out that high educated people make more profit. However Islam (2009) revealed that highly educated and technically advanced persons are not much attracted to starting up a business. Wanigasekara and Surangi (2010) who studied impact of education in Sri Lankan context found out education to be positively related with business performance. It revealed that founders who had education up to G.C.E Advanced level had a better opportunity for success compared to founders who had education up to G.C.E Ordinary level. It concluded that founders with higher levels of education are more successful as the higher education provides them knowledge on modern managerial skills (Katz 1992 cited in Wanigasekara and Surangi 2010).

Sriyani (2001) found out that managerial training, industry training and level of education has significant positive impact on venture performance. Among all other human capital attributes such as previous industry experience, previous business startup experience and age of the founder, training and education proved to be the most significant attribute. Ganewatta and Rathnayake (2011) found both education and training cat as a favorable factor for women owned SMEs in Sri Lanka.

However whether the education relates to business knowledge or whether it is related to art or science subjects did make different results. Miettinen and Littunen (2012) found out founders who graduated from vocational schools has better creditworthiness and thus get favorable response from financial institutes when it comes to funding purposes. Bates (2014) revealed those owners who are high school graduates and who has one to three years of college are probable to have surviving businesses compared to owners who has less than four years in high school.

The owners who had four years of college and five or more years on college showed a sharp reduced probability of business discontinuous. Further the research identified that education is the strongest human capital variable for business survival. The study measured number of years in school to denote the level of education. Cooper, Gascon and Woo (1991) observed that both survival and growth of a new venture is positively affected by education as it increase the founders problem solving skills ,commitment, motivation, and discipline. Scholars suggested that level of education positively affect the financial performance of the venture. This study focuses on whether the level of education is primary, secondary, diploma, bachelors or masters. Further both general education measured by educational qualifications and specific education measured by business education is proven to have a positive impact on small venture performance Fatoki (2011).

Nonetheless Schutjens and Wever (2005) did not observe a positive effect of level of education on venture success. Further Dahlqvist, Davidsson and Wiklund (2000) found training prior to establishment of new venture do not have any positive impact of the survival and growth of the

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venture. Harada (2003) and Littunen and Niittykangas (2010) cited in Miettinen and Littunen (2012) found no relationship between higher education and the venture performance.

Marvel & Lumpkin (2007) highlighted that among innovative companies the chances of survival is high in situations where the educational level is high. Nonetheless, the research found that the knowledge in management, marketing or HR undermine the positive effect of technical knowledge coming from an academic background. Soriano & Castrogiovanni (2012) took the study into a new area by considering the type of education and the time dimension of acquiring education. The study divides education into two types. The first type is industry specific knowledge which gives particular skills, insights and expertise applicable to a sector, industry or product market. It can be developed through specialized education focusing on knowledge of technologies, processes or products relevant to a particular sector. This kind education can be acquired through formal education in specialized courses, programs or from institutions such as chambers of commerce, trade unions or trade associations. According to Haber and Reichel (2005) such specific knowledge improves manager's ability to develop a superior business or technical plan as it helps identify opportunities effectively and learn from the business environment. Moreover resources can be more efficiently acquired as industry specific education improves capabilities for identification of markets, opportunities and customer needs, and for organizing to meet those opportunities. As a result costs of the firm are reduced and the performance is increased (Florin et al. 2003 cited in Soriano & Castrogiovanni 2012). The second type is general business knowledge which prepares individuals to manage a firm or undertake a business project. This supports effectiveness within a business organization. General business knowledge refers to the education received by individuals in universities or business schools (Soriano & Castrogiovanni 2012). Courses taken toward undergraduate or graduate degrees in business administration have been identified as an example for this type of education.

Further the study considered the time period at which each type of these education can be obtained. Both industry specific knowledge and general business knowledge can be obtained prior to starting up of the business or after starting up of the business. The study found that having taken industry-specific courses before starting the business and having taken general business knowledge acquired once the business established to be associated with venture success measured in terms of productivity and profitability. Industry specific education gained after starting up the business and general business knowledge acquired before starting up the business were not associated with venture performance. The findings on industry- specific knowledge were explained by using the concept of path dependence (Arthur 1994). The industry knowledge gained before starting up can affect the strategic direction of the venture. After establishing a strategic direction it can be difficult to change it even after observing a change might be more effective. Hence industry specific knowledge gained after the start up might not be beneficial in business performance (Soriano & Castrogiovanni 2012). The finding on general business knowledge was explained with Mintzberg's (2004 cited in Soriano & Castrogiovanni 2012) view that managerial theories and concepts cannot be learned in an abstract way without some actual experience. According to that a student should be able to relate the theories with practical situation and comprehend. However before conducting the study the researchers expected to find

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out a possible relationship among general business knowledge gained before starting up the business as it helps reduce mistakes in the starting up phase and further it would save the time for the founder to be fully engaged in the business after established (Soriano & Castrogiovanni 2012).

2.5. Business Performance

The ways to measure venture performance are numerous (Haber and Reichel 2005). Stuart and Abetti (1987) who carried out a review of success measures in new technological businesses classified success along various dimensions. According to the study measures can be subjective or objective; financial or non-financial; bimodal, multimodal or continuous and whether the business meets the expectations of the management or not. A meta-analytical review conducted by Unger et al. (2011) identified most past research has used size of the firm measured in terms of number of employees to measure business performance. The advantages of human capital accumulate over time and cannot be measured at one point of time and therefore the study reveal that the size of the firm is an appropriate measure of success as it may signify the accumulated success since start up. However measurement of performance in terms of size confronts some difficulties as it depends on the age of the enterprise and the life cycle of the industry. Human capital may not affect immediate profits. Human capital affects opportunity exploitation, planning, and venture strategy (Frese et al. 2007 cited in Unger et al. 2011). Therefore using absolute measures of profit which is used by many studies as a measurement of success is also not an appropriate measure of business performance (Unger et al. 2011). Further the study suggests that a more specific theory have to be developed in order to identify how human capital relates to different criteria for success. Lumpkin and Dess (1996) cited in Fatoki (2011) pointed out that it is essential to recognize the multidimensional nature of the performance. Hence multiple dimensions should be considered when measuring business success (Romanelli 1989 cited in Soriano and Castrogiovanni 2012).

Zahra (1993) cited in Fatoki (2011) suggested that both financial and non-financial methods should be used to evaluate organizational performance. Ganewatta and Rathnayeka (2011) measured performance of women owned small enterprises in Sri Lanka in terms of relative income, annual relative growth of income, relative profit, and annual employment growth rate and annual relative growth of profit .

Sriyani (2001) used employment growth, sales growth and increase in profitability to measure the success of small and medium enterprises as it will be much useful for policy makers. Cooper et al. (1991) operationalized firm's performance based on failure, marginal survival and growth. Bosma et al. (2002) employed three dimensions namely profit, employment and survival. Profit was expected to measure the individual performance of the business whereas employment growth to measure the social performance of the business.

Fatoki (2011) recognize that small firms are different from large firms in number of ways and hence emphasize on the need of different measures to be used. Chong (2008) cited Fatoki (2011) in point out four main approaches to measure the performance of organizations named as goal

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approach, system resource approach, stakeholder approach and competitive value approach. Goal approach considers whether the firm has achieved its goals whereas system resource approach considers the ability of an organization obtaining its resources, whether the expectations of the stakeholders are achieved or not is considered in the stakeholders approach and finally of competitors' in competitor approach. Further goal approach has been identified as the best single approach as it covers both financial and non-financial dimensions. Meilan (2010) cited Fatoki (2011) states that Balanced Scorecard approach should be used to measure the performance of SMEs.

Haber and Reichel (2005) have considered survival as a main dimension of new venture performance. To cover the multi-dimensional aspect of success Sorianno and Castrogiovanni (2011) has considered productivity in terms of revenue per employee and profitability in terms of profits on assets. Further absolute measures of performance such as sales or net income do not appropriately capture the strategy and resource-based view focusing on competitive advantage (West and Noel 2009). Hence West and Noel (2009) employed a dependent variable that focused on performance relative to competition.

2.6. SME

Due to the time and resource limitations the study focused on Small and Medium Enterprises in Matara district Sri Lanka. SMEs play a significant role in the economy of a country. Hence, the performance of the SME sector is closely related with the performance of the nation. SMEs are defined in various ways by different countries. Some parameters used for defining include capital invested, amount of turnover or nature of the business. The definition of SMEs varies even within one country. Different institutions, different regions use varying definitions for this purpose. There is no clear nationally accepted definition for SMEs in Sri Lanka as well (Sriyani 2001). Different organizations use different criteria to distinguish SMEs (Sriyani 2001). And further there are number of terms used to identify this sector. Small and Medium Industries or Enterprises, Micro Enterprises, Rural Enterprises, Small and Medium activities, Cottage and Small Scale Industry are some of the terms frequently adopted (Sriyani 2001). Based on capital investment and the number of employees the Industrial Development Board (IDB) defines a small industry as an establishment whose capital investment in plant and machinery does not exceed Rs.4 million (US$ 42,000) and the total number of regular employees does not exceed 50 persons (Central Bank of Sri Lanka 1998 cited in Sriyani 2001).The Department of Small Industries defines SMEs as those with a capital investment of less than LKR 5 Million, and which employ less than 50 employees. The National Development Bank defines SMEs as those with a capital investment of less than LKR 20 Million excluding land and buildings (Ministry of Enterprise Development 2002 p. 21).

SMEs are defined as those enterprises with a capital investment excluding lands and buildings of less than Rs.8 million (US$84,000) or with annual export turnover of less than Rs.50 million (US$ 525,000) in assistant programs implemented by the Sri Lanka Export Development Board (SLEDB) for export oriented enterprises (Hewaliyanage 2001 cited in Sriyani 2001). Department

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of Census and Statistics defines micro enterprises were those enterprises employing less than 5 employees, small size establishments were those enterprises employing between 5-29 people, medium 30-149 people and large 150 or more (Ministry of Enterprise Development 2002 p. 22).The World Bank defines enterprise size in Sri Lanka based on the number of employees: those with fewer than 49 employees are small; those with 50-99 employees are medium sized; and those with more than 100 employees are large (Sriyani 2001).

For the purpose of a World Bank financed Investment Assistant Scheme, financial institutions defines SMEs as those enterprises whose investment in fixed assets at original book value, excluding land and building, do not exceed Rs.8 million (US$ 84,000). In the case of projects where the main investment is land and buildings (for example warehouses), the total investment in fixed assets, inclusive of the cost of land and building should not exceed Rs.16 million(US$ 168,000) (Sriyani 2001). Task Force for Small & Medium Enterprise Sector Development Program defines SME sector enterprises with assets values not exceeding Rs. 50 Million per enterprise excluding land and buildings. This value is to be adjusted for inflation once in five years based on the implicit GDP deflator. Using the same criteria, a demarcation between Small and Medium Scale enterprises is given as; a) small scale enterprises - asset values not exceeding Rs. 20 Million excluding land and buildings and, b) medium scale enterprises – asset values not exceeding Rs. 50 Million excluding land and buildings (Ministry of Enterprise Development 2002 p. 23).

3. Methods

This section clearly describes the conceptualization and methodology of the study. The main purpose of this section is to provide a summary of methods adopted to investigate the research problem of the study. The main focus of this research study was to find out the relationship between experience and education of the founder and new venture performance in Matara District Sri Lanka. The study focused on investigating the relationship and impact of experience and education giving a special consideration to the different categories exists within those. Based on thorough literature review the following dimensions were recognized as the most important categories of experience and education to be taken in to consideration. Experience - Previous management experience in a related industry, previous non-management experience in a related industry, previous management experience in non-related industry, previous non-management experience in a non-related industry and previous business startup experience. Education - Level of school education, Industry specific education gained before starting up the business, Industry specific education gained after starting up the business, General business education gained before starting up the business, General business education gained after starting up the business.

The dependent variable of the research was the performance of new ventures in Matara district Sri Lanka focusing on the SME sector. Based on review of literature following measures were utilized to determine the performance of new ventures. Profitability, Productivity, Performance relative to competitors. Through the conceptual framework it was expected to depict the intended relationships which were expected to verify through the research study. Although it was not

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mentioned specifically the experience and education denoted the experience and education of the founder. The goal of this research process was to identify and deepen the understanding on the relationships and impacts of experience and education on new venture performance. To fulfill this objective the research method adopted was an empirical study. Further the research did not manipulate the independent variables and collected and analyzed the data using quantitative approaches. Hence the research design of the study would be non- experimental quantitative research.

As the study focused on the relationship between experience and education on new business performance in Matara District focusing on SME sector, the target population was the new SMEs operated in Matara District, Sri Lanka. The sampling frame was not applicable in this study as used the non-probability sampling technique in selecting the sample. The sampling technique used was convenience sampling. The unit of analysis was the SMEs which were newly established in Matara District, Sri Lanka. The SMEs had to meet two conditions to be qualified as a valid response. First the SME must not be a business which was transferred by the parents, acquisition or a merger of ventures that had already been existed. Second the data about experience and education must be gathered on the original founder of the business. The sample size of the research was 120 SMEs. This was adapted from a similar study done in Southern Province of Sri Lanka (Sriyani 2001). Data was collected through distributing the questionnaire to target respondents. It helped reach large number of respondents at lowest cost with high flexibility. Further the questionnaires were personally administered by the researcher in order to increase the response rate. Due to time limitations the data was collected from 91 SMEs in Matara District covering 75.8% of the target population of 120 SMEs. The questionnaire was designed and presented with simple wordings in order to make it easily understandable by the respondents without causing ambiguity. The questionnaire accompanied by a cover letter which provided information on the researcher, the purpose of the study and assured the potential respondents of data confidentiality.

The questionnaire divided into five sections. Section A consists of general information about the SME and the founder. The second, third, and fourth sections gathered data on experience, education and the performance of the business respectively. The validity and reliability was checked for the performance dimension of performance relation to competitors as it was in Likert scale. The Cronbach's Alpha was 0.829 for the three items.

The data which was obtained through the questionnaire were intensely analyzed using both descriptive and inferential methods in order to obtain a thorough understanding of the independent variables and dependent variable and their relationships. A descriptive analysis is conducted in order examine the nature of the sample and to obtain summarized statistics such as mean, frequency distribution and percentage distribution of the sample characteristics and independent and dependent variables. A correlation analysis was conducted in order to detect the relationships between the independent variables and the dependent variable. Further a multiple regression analysis was carried out to analyze the impact of independent variables on dependent variable. Both the analysis were conducted utilizing SPSS Computer Software (Statistical

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Package for Social Science) 21.0 version. For the purpose of generating drafts and some descriptive statistics Microsoft Office Excel 2010 was utilized.

4. Findings and Discussion

The information related to the characteristics of the sample and implications of those on the research study were analyzed in detail. An important factor to be considered was that though the attributes of the founder and business attributes were taken into consideration to get an overall understanding about the sample, many of these factors could have an influence on the business performance. Out of 91 respondents, 79 of business founders were males representing 87% of the total sample. Solely 12 respondents who represent 13% out of total sample were females.

The age of the founders were categorized under five groups. The categories were taken as 0 to 20 years, 21 to 30 years, 31 to 40 years, 41 to 50 years and more than 50 years. The percentages for each category were 2.1%, 10.9%, 33%, 24.2%, 29.8% respectively. Majority of the respondents represented the age group of 31 to 40 years. Only 2.1% of the sample represented the age category of 0 to 20 years. Table 4.2 presents the distribution of age of the business founders. The age of the business was categorized under six groups. The categories were taken as2 to 3 years, 4 to 5 years, 6 to 8 years, 8 to 10 years and more than 10 years. The percentages for each category were 18.7%, 16.5%, 13.2%, 15.4%, 19.7% and 16.5% respectively. Table 4.3 summarizes the distribution of age of the business.

The business were categorized under three sections based on their types as sole proprietorships, partnerships and limited liability companies.72.5% of the investigated SMEs were sole proprietorships. It was the highest category among all the types. Further 24.2% were limited liability companies whereas 3.3% were partnerships. Table 4.4 shows the distribution of the type of the businesses. The businesses were identified under five major categories. Majority of the businesses included in the sample was service delivering SMEs. The percentage of service ventures of the sample is 43.9%. The manufacturing sector, the agricultural sector, the construction sector and the mining sector contributed to the sample by 32.9%, 10.9%, 7.6% and 4.7% respectively. Table 4.5 demonstrates the sector of the businesses which were included in the sample.

4.1. Descriptive Statistics

According to the table 4.6, 26 business founders which represent 28.7% of the sample had management experience in a related industry. It was the most common type of experience among the interviewed business founders. The second highest type was previous business experience which represented 26.37%. Previous non-management experience in a related industry, previous management experience in a non-related industry and previous non-management experience in a non-related industry represented 16.48%, 16.48% and 9.8% respectively. The lowest level of school of the sample was grade 8. It represented 4.3% of the total sample. The highest school level was A/L pass. It had the highest frequency (64.1%) of job founders as well. Grade 11, Grade 13 and O/L pass was 14.1%, 9.8% and 6.5% respectively.78.3% had no industry specific

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education before starting up the business. And no one was reached up to degree level. When consider of industry specific education after starting up the business 89% of the sample had no education. 5.4% had advanced certificates and only 1.1% were reached to degree level. Within the category of general business education before starting up the business 81.5% had no education and only 2.2% had completed degree level. When it comes to general business education after starting the business 75% had no education. 1.1% was reached to degree level. These observations depict that education regarding the business and the industry and management of the business is low among the new SMEs in Matara district, Sri Lanka. The highest rate of ROA among the interviewed businesses was 21.5%. The minimum was 0.2. The average was 6.05. The lowest amount for revenue per employees was 70500. The highest was 2005000. The average was 577624.77. When the founders were asked if they are satisfied with the profitability of their business in relation to competitors 44.6% replied as agreed. 27.2% disagreed. When they were asked if they are satisfied of their market share with respect to competitors 46.7% disagreed. Further when they were asked of the innovativeness of their ventures in relation to competitors' majority of them (46.7%) agree to the statement.

4.2. Correlation Analysis

Through the analysis of the correlation it was expected to identify the possible relationships of the independent variables on the dependent variable thus testing the hypotheses of the research study. Before conducting the correlation analysis, a test for normality through Shapiro-Wilk test of normality was conducted. According to the test the independent variables did not follow a normal distribution. Since the variables of the study were not normally distributed the Spearman Rank Correlation, a non-parametric version for testing correlation was conducted. The correlation coefficient was determined for each of the independent variables of experience and education separately to determine their individual relationship with business performance and for the purpose of testing the hypothesis. Further another Spearman's Rank Correlation was conducted to determine the relationship between education and experience with business performance by considering separate independent variables of experience and education collectively to identify the relationship between experience and education and new business performance. The outcome of the analysis of the hypothesis of the research study is discussed below. Testing Hypothesis 1 - There is a relationship between previous management experience in a related industry and the performance of the new venture. The null hypothesis was formulated as, H0: There is no relationship between previous management experience in a related industry and the performance of the new venture ($r_s = 0$). The alternative hypothesis was formulated as, H1: There is a relationship between previous management experience in a related industry and the performance of the new venture ($r_s \neq 0$). According to the result of Spearman Rank correlation analysis as depicted in Table 4.10, between previous management experience in a related industry and the performance of new ventures in Matara District Sri Lanka, the correlation coefficient (r_s) was 0.244, which was significant at 95% ($p = 0.020$).The correlation coefficient indicated that there was a positive relationship which was statistically significant between the two variables ($r_s>0$). Rendering the results of the test, the null hypothesis was rejected and the alternative hypothesis was accepted. Hence the data supported the hypothesis,

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"There is a relationship between previous management experience in a related industry and the performance of new venture". Testing Hypothesis 2 - There is a relationship between previous non- management experience in a related industry and the performance of the new venture. The null hypothesis was formulated as, H0: There is no relationship between previous non-management experience in a related industry and the performance of the new venture (rs = 0). The alternative hypothesis was formulated as, H1: There is a relationship between previous non-management experience in a related industry and the performance of the new venture (rs ≠ 0). According to the result of Spearman Rank correlation analysis, between previous management experience in a non-related industry and the performance of new ventures in Matara District Sri Lanka, the correlation coefficient (rs) was 0.215, which was significant at 95% (p = 0.041). The correlation coefficient indicated that there was a positive relationship which was statistically significant between the two variables (rs>0). Rendering the results of the test, the null hypothesis was rejected and the alternative hypothesis was accepted. Hence the data supported the hypothesis, "There is a relationship between previous non-management experience in a related industry and the performance of new venture". Testing Hypothesis 3 - There is a relationship between previous management experience in a non-related industry and the performance of the new venture. The null hypothesis was formulated as, H0: There is no relationship between previous management experience in a non-related industry and the performance of the new venture (rs = 0). The alternative hypothesis was formulated as, H1: There is a relationship between previous management experience in a non-related industry and the performance of the new venture (rs ≠ 0). According to the result of Spearman Rank correlation analysis, between previous non-management experience in a related industry and the performance of new ventures in Matara District Sri Lanka, the correlation coefficient (rs) was 0.226, which was significant at 95% (p = 0.032). The correlation coefficient indicated that there was a positive relationship which was statistically significant between the two variables (rs>0). Rendering the results of the test, the null hypothesis was rejected and the alternative hypothesis was accepted. Hence the data supported the hypothesis, "There is a relationship between previous management experience in a non-related industry and the performance of new venture".

Testing Hypothesis 4 - There is a relationship between previous non-management experience in a non-related industry and the performance of the new venture. The null hypothesis was formulated as, H0: There is no relationship between previous non-management experience in a non-related industry and the performance of the new venture (rs= 0). The alternative hypothesis was formulated as, H1: There is a relationship between previous non-management experience in a non-related industry and the performance of the new venture (rs ≠ 0).

According to the result of Spearman Rank correlation analysis as demonstrated in Table 4.13, between previous non-management experience in a non-related industry and the performance of new ventures in Matara District Sri Lanka, the correlation coefficient (rs) was -0.200, which was not statistically significant at 95% (p = 0.058). This indicated that there was no significant relationship between the two variables. Rendering the results the null hypothesis was accepted and the alternative hypothesis was rejected. Hence the data did not support the hypothesis, "There is a relationship between previous non-management experience in a non-related industry

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and the performance of new venture". Testing Hypothesis 5 -There is a relationship between previous business experience and the performance of the new venture. The null hypothesis was formulated as, H0: There is no relationship between previous business experience and the performance of the new venture (rs = 0). The alternative hypothesis was formulated as, H1: There is a relationship between previous business experience and the performance of the new venture (rs ≠ 0). According to the result of Spearman Rank correlation analysis, between previous business experience and the performance of new ventures in Matara District Sri Lanka, the correlation coefficient (rs) was 0.362, which was statistically significant at 95% (p = 0.000).The correlation coefficient indicated that there was a positive relationship which was statistically significant between the two variables (rs>0).

Rendering the results of the test, the null hypothesis was rejected and the alternative hypothesis was accepted. Hence the data supported the hypothesis, "There is a relationship between previous business experience and the performance of new venture". Testing Hypothesis 6 - There is a relationship between the level of school education and the performance of the new venture. The null hypothesis was formulated as, H0: There is no relationship between the level of school education and the performance of the new venture (rs = 0). The alternative hypothesis was formulated as, H1: There is a relationship between the level of school education and the performance of the new venture (rs≠ 0). According to the result of Spearman Rank correlation analysis as shown in Table 4.15, between the level of school education and the performance of new ventures in Matara District Sri Lanka, the correlation coefficient (rs) was 0.083, which was not significant at 95% (p = 0.437). This indicated that there was no significant relationship between the two variables.

Rendering the results the null hypothesis was accepted and the alternative hypothesis was rejected. Hence the data did not support the hypothesis, "There is a relationship between level of school education and the performance of new venture". Testing Hypothesis 7 - There is a relationship between industry specific education gained before starting up the business and the performance of the new venture. The null hypothesis was formulated as, H0: There is no relationship between industry specific education gained before starting up the business and the performance of the new venture (rs = 0). The alternative hypothesis was formulated as, H1: There is a relationship between industry specific education gained before starting up the business and the performance of the new venture (rs ≠ 0).

According to the result of Spearman Rank correlation analysis as depicted in Table 4.16 , between industry specific education gained before starting up the business and the performance of new ventures in Matara District Sri Lanka, the correlation coefficient (rs) was 0.269, which was significant at 95% (p = 0.010). The correlation coefficient indicated that there was a positive relationship which was statistically significant between the two variables (rs>0). Rendering the results of the test, the null hypothesis was rejected and the alternative hypothesis was accepted. Hence the data supported the hypothesis, "There is a relationship between industry specific education gained before starting up the business and the performance of new venture". Testing Hypothesis 8 - There is a relationship between industry specific education gained after

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starting up the business and the performance of the new venture. The null hypothesis was formulated as, H0: There is no relationship between industry specific education gained after starting up the business and the performance of the new venture (rs = 0). The alternative hypothesis was formulated as, H1: There is no relationship between industry specific education gained after starting up the business and the performance of the new venture (rs≠ 0). Rendering the results the null hypothesis was accepted and the alternative hypothesis was rejected. Hence the data did not support the hypothesis, "There is a relationship between industry specific educations gained after starting up the business and the performance of new venture".

Testing Hypothesis 9 - There is a relationship between general business education gained before starting up the business and the performance of the new venture. The null hypothesis was formulated as, H0: There is no relationship between general business education gained before starting up the business and the performance of the new venture (rs = 0). The alternative hypothesis was formulated as, H1: There is a relationship between general business education gained before starting up the business and the performance of the new venture (rs ≠ 0).

According to the result of Spearman Rank correlation analysis as presented in Table 4.18, between general business education gained before starting up the business and the performance of new ventures in Matara District Sri Lanka, the correlation coefficient (rs) was 0.059, which was not statistically significant (p = 0.578). The correlation coefficient indicated that there was no relationship which was statistically significant between the two variables. Rendering the results the null hypothesis was accepted and the alternative hypothesis was rejected. Hence the data did not support the hypothesis, "There is a relationship between general business education gained before starting up the business and the performance of new venture". Testing Hypothesis 10 - There is a relationship between general business educations gained after starting up the business and the performance of the new venture. The null hypothesis was formulated as, Ho: There is no relationship between general business education gained after starting up the business and the performance of the new venture (rs= 0). The alternative hypothesis was formulated as, H1: There is a relationship between general business education gained after starting up the business and the performance of the new venture (rs ≠ 0).

According to the result of Spearman Rank correlation analysis as shown in Table 4.19, between general business education gained after starting up the business and the performance of new ventures in Matara District Sri Lanka, the correlation coefficient (rs) was 0.330, which was significant at 99% (p = 0.001). The correlation coefficient indicated that there was a positive relationship which was statistically significant between the two variables (rs>0).

Rendering the results of the test, the null hypothesis was rejected and the alternative hypothesis was accepted. Hence the data supported the hypothesis, "There is a relationship between general business education gained after starting up the business and the performance of new venture".

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4.2.1. Association of Experience and Education with Business Performance

The overall objective of the research study was to identify the relationship of experience and education on new venture performance. Hence a further analysis of correlations was conducted to understand the relationship between experience and business performance and education and business performance considering all the independent variables of experience and education. According to the result of Spearman Rank Order Correlation analysis as illustrated in Table 4.20, experience and the performance of new ventures in Matara District Sri Lanka, the correlation coefficient (rs) was 0.613, which was significant at 99% ($p = 0.001$). The correlation coefficient indicated that there was a positive relationship which was statistically significant between the two variables ($rs>0$). Hence it was concluded that there was a positive relationship between experience and performance of the venture. Nonetheless according to the result of Spearman Rank Order Correlation analysis, between education and the performance of new ventures in Matara District Sri Lanka, the correlation coefficient (rs) was 0.174, which was not statistically significant at 95%($p = 0.863$). Hence it was concluded that there was no significant relationship between the education and performance of the new venture.

4.2.2. Association Human Capital with Business Performance

One of the general objectives of the research study was to identify the relationship of human capital and new venture performance. Experience and education were taken collectively considered as human capital. A Spearman's Rank Order correlation was conducted to explore the relationship. According to the result of Spearman Rank Order Correlation analysis as depicted in Table 4.21, between human capital and the performance of new ventures in Matara District Sri Lanka, the correlation coefficient (rs) was 0.694, which was significant at 99% ($p = 0.001$). The correlation coefficient indicated that there was a positive relationship which was statistically significant between the two variables ($rs>0$). Hence it can be concluded that there was a positive relationship between human capital and performance of the venture.

4.3. Multiple Regression Analysis

A multiple regression analysis was conducted to identify the impact of independent variables on dependent variable. Only the independent variables which confirmed a significant relationship with the dependent variable were taken into consideration when conducting the analysis. Hence solely the impacts of management experience in a related industry, non-management experience in a related industry, management experience in a non-related industry, previous business experience, industry specific education before starting up the business and general business education after starting up the businesses on performance of new venture were investigated through the multiple regression analysis. According to the analysis the value of R square is 0.853 meaning that 85.3% variation of the dependent variable (business performance) could be explained by the six independent variables (management experience in a related industry, non-management experience in a related industry, management experience in a non-related industry, previous business experience, industry specific education before starting up the business and general business education after starting up the businesses). According to the analysis the p value

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of the model was less than 0.05 (p = 0.000) implying that the regression model could predict the outcome variable significantly well. Hence management experience in a related industry, non-management experience in a related industry, management experience in a non-related industry, previous business experience, industry specific education before starting up the business and general business education after starting up the businesses could significantly predict the performance of the new venture. The unstandardized coefficients provide information on each predictor variable. In the coefficient table p value of the variables should be less than the 0.05 for the valid prediction of the independent variable. According to table 4.24 both the constant and the independent variables contributed significantly to the model.

4.4. Discussion

Experience in the same industry provides the knowledge of the industry, understanding of markets and customers, and understanding of the specific technologies (Reuber and Fischer 1999). According to Cooper, Gascon and Woo (1991) experience in similar business is positively linked with survival and growth of a new venture as it help reduce liability of newness by minimizing the practice of trial and error. (Fatoki 2011), Ganewatta and Rathnayake (2011) revealed a positive relationship between previous industry experience and business performance. Supporting these findings the current study found out both management experiences in a related industry and non-management experience in a related industry to be positively linked with new venture performance in the SMEs in Matara District, Sri Lanka. The management experience in a related industry had the second strong relationship with new venture performance among other categories of experience (rs- 0.244). Nonetheless West and Noel (2009) could not observe a positive relationship between previous industry experience and performance of new ventures due to dynamic changes that take place in the environment. In the current study though the association was significance the relationship for both management experience and non-management experience in a related industry were weak (rs- 0.244 and rs- 2.15).

Gabrielsson and Politis (2011) studied a significant positive relationship between managerial experiences in various firms as it helped the ability to handle the liabilities of newness. Dahlquist, Davidsson & Wiklund (2000) observed a positive impact of previous management experience on business growth. Fatoki (2011) and Schutjens and Wever (2005) observed that prior managerial experience increases the business performance. Nonetheless Bates (2014), Boyer and Blazy (2014) and Cooper, Gascon and Woo (1991) could not observe a favorable impact of previous management experience on business performance. Replicating the findings of an existing positive the current study explored management experience to be positively associated not only with management experience in a related industry but also with management experience in a non-related industry. The relationship was stronger for management experience obtained in a related industry (rs- 0.244) compared to management experience obtained in a non-related industry (rs- 0.226).

In this study management experience in a related industry, management experience in a non-related industry and management experience in a non-related industry were proven to have a

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positive relationship with new venture performance in Matara District Sri Lanka. Nevertheless the research could not observe a significance association between non-management experience in a non-related industry and new business performance (p - 0.058). The finding is in line with the outcome of the research conducted by Sriyani (2001) who found no relationship between non-related work experience and venture success. Controversy Ganewatta and Rathnayake (2011) who analyzed human capital- in women business founders in Southern Province, Sri Lanka reported a positive impact of unrelated work experience on business performance.

The experience gained by having established businesses prior to the current venture was found to have positive relationship with new venture performance. When compared to all the other independent variables related to experience, the previous business experience had the strongest association with new venture performance (rs- 0.362). Westhead, Ucbasaran and Wright (2005) cited in West and Noel (2009) revealed that prior startup experience help the entrepreneur to identify the actions and procedures need to be conducted in order to maximize the success of the business. Moreover it supports the founders to identify the possible drawbacks and helps avoid mistakes. According to Brush, Greene and Hart (2001) this kind of experience helps gain further resources as well. Further it provides understanding on developing and financing an organization, hiring employees and attaining and retaining customers. Nevertheless Sriyani (2001) and Wanigasekara and Surangi (2010) found no relationship between previous start up experience and venture performance. In the current study though previous business experience had the strongest relationship with new venture performance among all other variables of experience, the relationship as a one unit was weak.

According to West and Noel (2009) the knowledge gained through education enhances the managerial capacity to develop a superior business. It helps acquire resources more efficiently, reduce cost and increase revenue (Soriano & Castrogiovanni 2012). Educational qualification is moreover an indicator of an entrepreneur's determination, drive, energy, motivation and commitment to the business enterprise (Kim et al. 2006). Imagination, inventiveness and flexibility have been found out to be developed due to this kind of education (Haber and Reichel 2005). According to Cooper, Gascon and Woo (1991) both survival and growth of a new venture is positively affected by education since it increase the founder's problem solving skills, commitment, motivation, and discipline. Scholars suggested that level of education positively affect the financial performance of the venture. Nonetheless Schutjens and Wever (2005) could not find a positive relationship between education and business performance.

The current study explored different associations for different dimensions of education. The relationship between levels of school education and performance of newly established ventures were not significant in the current study (p - 0.437). This could be due to that school education except for subject areas of commerce does not provide knowledge on business development.

According to Haber and Reichel (2005) education obtained related to a specific industry improves manager's ability to develop a superior business or technical plan as it helps identify opportunities and learn from the business environment. Moreover resources can be acquired

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more efficiently since industry specific education improves capabilities for identification of markets, opportunities and customer needs, and for organizing to meet those opportunities. As a result cost of the firm is reduced and the performance is increased (Florin et al 2003 cited in Soriano & Castrogiovanni 2012). Nevertheless Dahlqvist, Davidsson and Wiklund (2000) found training which represent industry specific education prior to establishment of new venture to have no impact on the survival and growth of the venture.

In the current study industry specific education gained before starting up the venture has a significant positive association with new venture performance (rs- 0.269). The finding is in consistence with the findings of Soriano & Castrogiovanni (2012) who also observed a positive relationship between these two factors. Nevertheless industry specific education gained after starting up the venture had no relationship with new venture performance (p - 0.863). Soriano & Castrogiovanni (2012) explored this type of association in the study conducted. It found that industry specific education gained after starting up the venture had a positive relationship with productivity nonetheless had no relationship with profitability. This relationship was explained by using the concept of path dependence (Arthur 1994). The industry knowledge gained before starting up can affect the strategic direction of the venture. However after establishing a strategic direction it can be difficult to change it even after observing a change might be more effective. Hence industry specific knowledge gained after the start up might not be beneficial in business performance (Soriano & Castrogiovanni 2012).

General business education gained before starting up the business had no significant relationship with new business performance (p - 0.578). Nevertheless general business education gained after starting up the business revealed a significant positive association. It was the strongest relationship observed among variables of education (rs - 0.330). The similar results were observed in the research conducted by Soriano & Castrogiovanni (2012). It explained that according to Mintzberg's (2004 cited in Soriano & Castrogiovanni 2012) managerial theories and concepts cannot be learned in an abstract way without actual experience. A student should be able to relate the theories with practical situation and it will assist in understanding the subjects. Thus having started a business before getting general business education yield the necessary experience which is required to comprehend education regarding management and business practices.

The study further analyzed the relationship of experience and education with new business performance considering all the dimensions of each variable as a whole. According to that analysis the experience of the founder had a significant relationship (p - 0.000) with performance of new venture whereas education had no significant relationship (p - 0.099). The relationship between experience and new venture performance was moderate (rs - 0.613).

When the collective impact of both experience and education on new venture performance was analyzed as human capital it revealed a significant positive relationship (rs - 0.694). The study is in line with the findings of Unger et al (2011) who found a positive overall relationship between human capital and business performance. Brush, Greene, and Hart (2001) emphasized that

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human capital of the founder is one of the major determinants of new venture performance as it is the first resource that any new venture accumulates. The findings of the current study emphasizes that human capital of the founder has a positive impact on new business performance. Nonetheless it depends on the type of human capital which the founder obtains. The current result verify the highlights of Unger et al (2011) and Bosma & et al (2002) who verified that human capital related to the current business help increase business performance.

In the correlation analysis previous business experience (rs- 0.362) had the highest impact on the new venture performance. Industry specific education after starting up the business was the second independent variable which had the second highest association (rs - 0.330). Management experience in a related industry, non-management experience in a related industry, general business education after starting up the businesses and management experience in a non-related industry was affecting the new venture performance in respecting order.

Further a regression analysis conducted in order to identify the impact of independent variable which were proven to have a significant relationship, on business performance. According to the analysis management experience in a related industry, non-management experience in a related industry, management experience in a non-related industry, previous business experience, industry specific education before starting up the business and general business education after starting up the businesses was proven to have a significant impact on new venture performance.

The results of the study confirm that education and experience does have a significant impact on new business performance. Nonetheless the effect varies based on the nature of the experience and education obtained.

5. Conclusion

The research study was conducted in order to find out the relationship between of experience and education with new venture performance. The study gives a special consideration to the different categories of experience and education. The independent variables which were considered under experience were previous management experience in a related industry, previous non-management experience in a related industry, previous management experience in a non-related industry, previous non-management experience in a non-related industry and previous business experience.

The dimensions of education were level of school education, industry specific education gained before starting up the business, industry specific education gained after starting up the business, general business education gained before starting up the business and general business education gained after starting up the business. The research intended to find out if there is a positive relationship between the independent variables and the dependent variable new venture performance. Further the research obtained to identify the independent variable which will be more valuable in improving new business performance. The data was gathered from 91 SMEs which were situated in Matara District at the discretion of the researcher. The gathered data were analyzed using SPSS computer software. A descriptive analysis, a correlation analysis and a

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multiple regression analysis were conducted in order to get a thorough understanding to test the dynamics of the variables as well as to check the relationships among independent and dependent variables. Among the independent variables previous management experience in a related industry, previous non-management experience in a related industry, previous management experience in a non-related industry and previous business experience had a positive relationship with new venture performance. Nonetheless previous non-management experience in a non-related industry did not have any significant relationship with new business performance. Previous business experience had the highest impact when consider abound independent variables which represented experience.

Among the independent variables of education the variables which had a positive relationship with new venture performance were industry specific education gained before starting up the business and general business education gained after starting up the business. Level of school education, industry specific education gained after starting up the business and general business education gained before starting up the business had no significant association with new venture performance. General business education gained after starting up the business was the variable which had the strongest relationship.

Through the study it was concluded that education and experience does have a relationship with new business performance. Nonetheless the effect varies based on the nature of the experience and education obtained. It was suggested that potential and existing business owners, actors who promote new venture development should focus on these variation that exist.

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