

Research Progress on Entrepreneurs' Previous Experience, Internal Control and Entrepreneurial Performance

Jun-Ping Yang^a and Zhao-Yang Dong^{b,*}

¹School of Economics and Management, Zhejiang Sci-Tech University, Hangzhou, China

^ajpyangjlu@163.com, ^b1129393709@qq.com

*Corresponding author

Keywords: Entrepreneurial enterprise, Prior experience, Internal control, Performance.

Abstract. Entrepreneurial activities occupy an irreplaceable position in the process of promoting economic development. Previous studies have found that entrepreneurs as the core strength of entrepreneurial activities, their previous experience has a subtle influence on the entrepreneurial process, but there are still contradictions in the existing research on the relationship between previous experience and entrepreneurial performance, its specific role still needs to be further clarified. From the perspective of risk management, this paper introduces the intermediary variable of internal control, trying to reveal the mechanism of interaction between prior experience, internal control and new venture performance.

Introduction

Entrepreneurship is a strong driving force for a country's economic development and a good way to solve a country's employment problems. However, the cruel reality shows that entrepreneurship has a greater risk and a higher failure rate. The reason, the uncertainty of the entrepreneurial environment, the limited resources and capabilities of entrepreneurs and entrepreneurs exacerbate the risks of entrepreneurship, making the survival rate of new ventures not high. As an important mechanism for business management risk, the entrepreneur's prior experience will affect the effectiveness of internal control development and implementation. Therefore, the literature research in this paper attempts to construct a relationship model between entrepreneurs' previous experience, internal control and entrepreneurial performance, and to study the influencing factors of entrepreneurial performance.

Definition of Related Concepts

Previous Experience

Regarding the connotation of previous experience, the academic world is not completely unified. Some researchers are replaced by concepts such as prior knowledge [1], prior knowledge [2], and entrepreneurial experience [3]. The Webster's dictionary has two definitions of experience. The first is that experience is the experience of directly observing or participating in an event. The second is that experience is the practical wisdom of knowledge, technology, habits, etc. obtained through observation or participation in events.

By combing the existing literature, the composition of previous experience is roughly divided into two aspects, one is defined from the content of previous experience. In his research, Sigrist summarized the previous experiences affecting entrepreneurs or entrepreneurs into special interests and industrial knowledge. Miao Qing used these two dimensions to analyze previous experiences. Shane explores the impact of prior experience on opportunity identification and divides prior experience into three dimensions: knowledge of customer issues, knowledge of the market, and knowledge of products and services. The second is to define the structure from the previous experience. This kind of research is based on the premise that team entrepreneurship is gradually becoming the mainstream form of entrepreneurship. From the team level, we examine the combination and composition characteristics of the experience among members, such as heterogeneity, affiliation between prior experience, and experience of team members and the industry or current state of the new enterprise. Relevance of the functions performed.

Table 1 Summary of previous experience definitions

Classification	Representative Scholar (time)	Definition
Process view	Westhead & Wright(1998);Delmar(2006); Ucbasaran(2009)	Previous experience is the process of the entrepreneur's past experience.
Result view	MacMillan (1986); Hollcomb et al. (2009); Zhang Yuli et al. (2011); Cai Li et al. (2012)	Work-related knowledge, skills and abilities formed by practitioners after initial processing of perceptual knowledge at work.

Internal Control

China's definition of internal control norms draws on the relevant concepts of internal control in the United States. The latest and most authoritative definition is pointed out in the "Basic Standards for Internal Control of Enterprises" issued in 2008. Internal control refers to the board of directors, board of supervisors, and management of enterprises. And the process implemented by all employees, aiming at realizing the legal compliance of the business management, asset security, financial reporting and related information, improving operational efficiency and effectiveness, and promoting the company's development strategy and these goals to provide reasonable assurance. Combining the development history and evolutionary trend of internal control theory, this paper uses the definition of internal control in 1992 and the erm framework proposed in 2004 to define the internal control of a startup enterprise as: implemented by the company's board of directors, management and other employees. In order to reasonably ensure the realization of corporate goals, the behavioral process of managing entrepreneurial risks consists of five elements: control environment, risk assessment, control activities, information and communication, and monitoring.

Entrepreneurial Performance

Performance refers to a complex ecosystem constructed by a number of correlation factors, which refers to the business effectiveness and efficiency of a company during a certain period of time. Entrepreneurial performance is a holistic concept about the ultimate result of entrepreneurial activities. It is a measure of the degree of achievement of entrepreneurial goals. Entrepreneurial performance is the fundamental embodiment of the realization of competitive advantage of entrepreneurial enterprises. It is also a measure of the success of entrepreneurial process and entrepreneurship. Important indicators. Chrisman believes that the entrepreneurial performance of a startup reflects the growth and profitability of the startup, and is a reflection of the results achieved by the entrepreneur in order to achieve the desired entrepreneurial goals through a series of entrepreneurial activities and activities. Therefore, this paper believes that entrepreneurial performance is a reflection of the profitability and growth of new ventures in the entrepreneurial process.

Literature Review

Research on Entrepreneurs' Previous Experience and Internal Control

In recent years, the theoretical circles have begun to discuss the relationship between manager background characteristics and internal control. However, the existing research literature is still relatively few. Early research mostly discusses the effectiveness of internal control from the aspect of executive team composition. Haber and Reichel[4] study from the perspective of the overall quality of the board of directors. They believe that the professional knowledge, experience and skills of the board members and the social network are all human capital. By investing this capital in the company, the management can help the management to be more effective. Planning and implementing strategic decisions of the company.

From the above analysis, in the few studies on the determinants of strategic choices, scholars mainly focus on the strategic choices of existing enterprises, rather than new ventures. Kisfalvi[5] and others called for attention to the relationship between entrepreneurial characteristics and their strategic

choices. But so far, there is still little research to explain why entrepreneurs conceive different strategic choices when facing the same industrial environment. Existing research ignores the investigation of the initial conditions of new firms, such as the entrepreneur's previous experience.

Research on Entrepreneurs' Previous Experience and Entrepreneurial Performance

The research on the relationship between entrepreneurs' previous experience and entrepreneurial performance is the focus of scholars' attention in recent years. The existing research results are rich, but the research results are not consistent. In a nutshell, there are three main points:

First, most scholars believe that prior experience can improve business performance [6] [7]. Barringer [6] studied the differences between the 50 fastest growing and 50 slowest growing companies in the United States in terms of entrepreneurial traits and corporate resource endowments, and found that entrepreneurs and low growth of high-growth companies Enterprises have a richer entrepreneurial experience. Politis believes that transforming the unique knowledge created by previous experience has an important impact on the strategic choice of the new business, which in turn has an impact on new business performance.

Second, some scholars believe that there is no correlation between prior experience and entrepreneurial performance. Sandberg and Hofer [8] first examined the relationship between entrepreneurs' previous entrepreneurial experience and new corporate performance, and found that previous successful entrepreneurial experiences were not significantly related to subsequent entrepreneurial performance. Ucbasaran et al. [9] believe that experience does not necessarily accumulate more knowledge for entrepreneurs, especially when the external environment is uncertain, experience cannot be directly used to guide entrepreneurial practice, so experience and performance are There is no significant correlation.

Third, some scholars believe that there is a nonlinear relationship between the two. Delmar and Shane [10] conducted a two-year longitudinal study of 233 companies in Sweden and found that the entrepreneurial experience of the entrepreneurial team has a dynamic and non-linear impact on the survival and sales growth of the new business. Some scholars have pointed out that the relationship between experience and new corporate performance has a critical point [11]. Before this point, the entrepreneur's previous experience can promote the improvement of performance. After the experience is over, the entrepreneur's cognitive model will be Restricted, which is not conducive to the decision-making process and the growth of the company.

From the above research results, the academic community has not reached a consistent conclusion on the relationship between prior experience and entrepreneurial performance, which shows that there is a certain complexity in the mechanism of action between the two, and the existing research is mainly Focusing on the discussion of the surface relationship between the two does not explore the specific mechanism of action.

Research on Internal Control and Entrepreneurial Performance

In foreign studies, Aggarwal's research shows that the greater the risk faced by enterprises, the higher the agency cost; and effective risk management and internal control can further affect corporate performance from the perspective of reducing agency costs. The Kinney study found that a good internal control system is an effective guarantee for corporate financial quality, business performance, and legal operations. James Lam also pointed out that good internal control can be applied to corporate value through effective risk management. Bryan and Lilien believe that companies with internal control deficiencies are smaller and perform worse than other companies in the same industry; Doyle et al. found that those small scales, low profit margins, complex organizational structures, and scale expansion in the short term Reorganized companies are more likely to have internal control deficiencies.

In the domestic research part, the relationship between internal control and corporate performance is also a hot topic for scholars. Xie Zezhen [12] explores the correlation between internal control effectiveness and corporate performance through the combination of data analysis and testing of large sample indicators in the retail industry and single case interpretation of the ql group: internal control under the influence of other factors on firm performance The effectiveness of the relationship is positively related to corporate performance. Zhu Yongming and Sun Wei [13] used the Shanghai listed companies in 2008 as a sample. Research based on contingency theory shows that improving the adaptability of

internal control systems to their environment can increase the performance of enterprises. Wang Zao and Liu Xuying[14] selected the data of listed companies from 2011 to 2015 as a sample to empirically study the impact of internal control quality on corporate performance. The results show that high quality internal control disclosure can improve corporate performance. Chen Lirong and Zhou Shuguang[15] also used the listed companies that disclosed internal control information in 2008 as the research object. The internal control information disclosure degree, internal control defects and internal control departments regularly submitted supervision reports as substitute variables for internal control efficiency, which verified the internal The impact of control efficiency on business performance found that the relationship between different substitution variables and business performance was not completely consistent.

From the above literature review, it is not difficult to find that the current research on the relationship between internal control and corporate performance, whether in research methods or research conclusions, has not formed a more consistent conclusion, and domestic research mostly uses internal control evaluation index. The main construction. In addition, the existing research is basically the verification of the correlation between the two, without analyzing the mechanism of action between the two, the depth of research is far from enough.

Conclusion

In this paper, the relevant research elements such as entrepreneurial performance, prior experience and internal control are sorted out in order to understand the current research status and find out the shortcomings of existing research, so as to propose possible further research in the future. Mainly reflected in the following aspects:

First, the existing research on the factors affecting entrepreneurial performance focuses on the factors at the company level. Even if a small part of the research is carried out from the perspective of entrepreneurs, it is mostly to explore the impact of the characteristics of the entrepreneurial team on performance.

Second, the existing research on entrepreneurial experience does not subdivide start-ups, which may also be the reason for the inconsistency of the research conclusions.

Thirdly, most of the previous researches on internal control are based on listed companies, and there is almost no research on the internal control of start-ups. Rarely, the research analyzes internal control from the perspective of five elements of internal control. The role of entrepreneurs.

In summary, in the past research, most scholars only studied the relationship between the two elements. Few scholars put together the entrepreneur's previous experience, internal control and entrepreneurial performance. Therefore, in the future research, a theoretical model of the relationship between prior experience, internal control and entrepreneurial performance can be constructed to further explore the relationship between the three.

Acknowledgement

This research was financially supported by the National Science Foundation of Cross-level Research on the Influence Mechanisms for New Venture Risk-taking under the Context of Risk Transmission: A perspective of Entrepreneurial Ecosystem and the Soft Science Item of Zhejiang Province Science and Technology Hall, The Study on the Influence of Entrepreneurial Failure on Risk Management in Subsequent Entrepreneurship-based on the Investigation in Zhejiang Province.

References

- [1] Zhu Siyin, Du Haidong. The Influence of Entrepreneurial Team's Prior Knowledge on Transaction Structure Innovation—The Moderating Role of Dual Element Learning[J]. Journal of Jilin Business School, 2017, 33(03): 29-34.
- [2] Wang Jingyi, Zhang Dongsheng. Analysis of the Path of Translating Prior Knowledge into the Ability to Identify Entrepreneurial Opportunities—Based on the Research of Grounded Theory[j]. Research and Development Management, 2017, 29(03): 21-30.

- [3] Wang Zhong, Yan Yi, Li Wei. Research on the Relationship between Entrepreneur Experience, Opportunity Recognition and Social Enterprise Performance[J]. Journal of China University of Geosciences (Social Science Edition), 2019 (02): 138-146.
- [4] Haber S& Reichel A. Identifying performance measures of small ventures: the case of the tourism industry[J]. Journal of Small Business Management, 2005, 43(3) : 257-286.
- [5] Kisfalvi V. The entrepreneur's character, life issues, and strategy making: a field study[J]. Journal of Business Venturing, 2002, 17(5): 489-518.
- [6] Barringer B R, Jones F F & Neubaum D O. A quantitative content analysis of the characteristics of rapid-growth firms and their founders[J]. Journal of business venturing, 2005, 20(5): 663-687.
- [7] Wang Qiaoran, Tao Xiaolong. The Impact of Entrepreneur's Prior Experience on Entrepreneurial Performance——Based on an Intermediary Adjustment Model [j]. Technology and Economy, 2016, 35(06): 24-34.
- [8] Sandberg W R & Hofer C W. Improving new venture performance: the role of strategy, industry structure, and the entrepreneur[J]. Journal of business venturing, 1988, 2(1): 5-28.
- [9] Ucbasaran D, Westhead P & Wright M. The extent and nature of opportunity identification by experienced entrepreneurs[J]. Journal of Business Venturing, 2009, 24(2): 99-115.
- [10] Delmar F & Shane S. Does experience matter? The effect of founding team experience on the survival and sales of newly founded ventures[J]. Strategic Organization, 2006, 4(3): 215-247.
- [11] Ucbasaran D, Westhead P, Wright M, et al.. The nature of entrepreneurial experience, business failure and comparative optimism[J]. Journal of Business Venturing, 2010, 25(6): 541-555.
- [12] Xie Zezhen. Research on the Correlation between Internal Control Effectiveness and Enterprise Performance[J]. Shopping Mall Modernization, 2018(20): 81-84.
- [13] Zhu Yongming, Sun Wei. Internal Control, Corporate Governance and Corporate Performance——Based on the Empirical Data of A-share Listed Companies [j]. Accounting Communications, 2017(24): 31-34.
- [14] Wang Zai, Liu Xuying. Research on the Influence of Internal Control Quality on Firm Performance[J]. Shanxi Agricultural Economics, 2018(12): 80.
- [15] Chen Lirong, Zhou Shuguang. An Empirical Study of the Impact of Internal Control Efficiency on Business Performance: Empirical Evidence from China's Securities Market [j]. Accounting Communications: General (II), 2011, 32(1): 113-116.