

## Working Capital Management Practices of UK SMEs: The Role of Education and Experience

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**Abstract** *This paper reports the results of an investigation into the effect of education and work experience possessed by managers on the working capital management practices of Small and Medium Enterprises (SMEs) listed on the Alternative Investment Market (AIM), from the perspective of financial directors. The analyses are based on questionnaire distributed to 248 AIM listed SMEs. The paper employs the T-test, one-way ANOVA and post hoc test on responses from 72 managers of AIM listed SMEs. The results show that managers with the highest qualification and many years of work experience have the ability to confidently managing all aspects of WCM, and therefore have the best WCM practices. Specifically, the results indicate that managers possessing professional qualification are more competent and therefore able to manage all WCM components. Also, managers with 21 years or over of work experience have the best WCM practices.*

**Key words** Working Capital Management Practices, Small and Medium Enterprises, Alternative Investment Market, United Kingdom

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### 1. Introduction

The term Working Capital is almost known to all financial experts; however, its operation is very difficult and greatly misunderstood (Afrifa, 2013). The difficulties in adequately managing working capital mean that those personnel possessing higher educational qualification and experience may be able to improve their firm performance (Afrifa, 2013). As argued by Magoutas *et al.* (2012), in this highly competitive environment education plays an exceptionally important role in facilitating improvements in productivity and competitiveness. Since Working Capital Management (WCM) is about managing the current assets and liabilities of a company, managers who have the ability to innovate and adopt new technologies can be more productive (Magoutas *et al.* 2012; Benhabib and Spiegel 1994). For Small and Medium Enterprises (SMEs), there is the need for particular attention to the control and monitoring of working capital because of their higher proportion of current assets, less liquidity, volatile cash flows and reliance on short-term debt relative to large firms (Peel *et al.* 2000; Howorth and Westhead 2003). However, evidence suggests that few SMEs employ formal WCM practices but instead rely on ad hoc or subjective WCM decisions (Khoury *et al.* 1999, Howorth and Westhead 2003).

The reason for the lack of formalization in SME is due to the lack of managerial skills (Gockel and Akoena 2002). Research has found that SMEs are poorly managed due to the lack of management competence (Tauringana and Afrifa 2013). As argued by Pansiri and Temtime (2008), the success or failure of SMEs is seriously affected by the managerial competencies. The lack of managerial skills affects the short and long-term planning process in SMEs. Managers do not have the necessary skills to engage in a strategic planning and therefore resort to emergent and instinctive approaches. They are therefore more reactive rather than proactive to the problems facing their companies. A research by the Small Business Research Center (SBRC) (1992) in the UK found management skills to be one of the barriers to SMEs growth. A research

by Islam et al (2011) in Thailand found the lack of human capital to be one of the most significant challenges facing Thai SMEs.

One reason for the lack of managerial competencies in SMEs is their scarcity of resources (Whited 1992; Fazzari and Peterson 1993; Peterson and Rajan 1997). In comparison with larger firms, SMEs cannot afford the services of well competent personnel. Also, competent personnel are reluctant to be employed in SMEs. Aldrich and Langton (1997) argue that recruiting new employees is one of the biggest challenges facing SMEs. There is normally a lack of progression in SMEs as there are few layers of management. Therefore, competent personnel see their future to be more prosperous in larger firms, where they hope to progress faster than in SMEs. A research by Beck et al (2004) indicates that larger firms offer more stable employment than SMEs. They also found the wages and non-wage benefits in larger firms to be higher than that of SMEs.

The WCM practices of firms is very important because it determines the level of working capital available (Tauringana and Afrifa 2013), which intends influences performance. Despite the importance of WCM practices to SMEs, Howorth and Westhead (2003) argue that knowledge and understanding of WCM practices of SMEs is inadequate. Peel and Wilson (1994) found in a research conducted in the U.K that good credit management practices have connection with firm performance. Berryman (1983) also concluded that poor or careless WCM is a major cause of SME failure. Research shows that WCM practices in SMEs are inadequate (Poutziouris *et al.* 2005). However, very few researches have looked into the WCM practices of companies, more especially SMEs.

A research into the effect of education and work experience on WCM practices of SMEs is very crucial given that are the backbone of almost all countries around the world (Lukacs 2005; Abor and Quartey 2010). SMEs provide a number of economic benefits to countries around the world (Advani 1997; Levine 2005; Newberry 2006). Throughout the world, SMEs have been recognized as the engine through which the growth objectives can be achieved. Despite the evidential contribution of SMEs to economic development, it is often stated that the true benefits of SMEs are unknown, which is basically due to the nature of SMEs. Most SMEs are found to be unregistered and are therefore operating in shadow economy. One of the noticeable contributions of SMEs to the economic development is their ability to create employment (Abor and Quartey 2010). As argued by Caner (2010), both registered and unregistered SMEs have become significant sources in providing employment. Swierczek and Ha (2003) say that SMEs are increasingly seen as creator of new jobs. Lukacs (2005) specifies that SMEs provide employment to around 65 million people in the EU. Salah and Ndubisi (2006) state that according to SMIDEC (2002), SMEs employ 38.9 per cent of the Malaysian workforce. SMEs are also believed to provide about 85 per cent of manufacturing employment in Ghana (Abor and Quartey 2010). According to the Department of Trade and Industry (DTI) (1997), SMEs share of employment in the UK amounts to 54.1 per cent.

The objective of this paper is to investigate the effect of education and experience on SMEs WCM practices. The study draws upon evidence from a questionnaire distribution to Alternative Investment Market (AIM) – United Kingdom listed SMEs that meet the UK Companies Act 2006 definition of an SME (see Appendix 1) to address the following research questions:

- Q1:** what are the qualification levels of managers responsible for AIM listed SMEs WCM?
- Q2:** what are the years of work experience of managers responsible for AIM listed SMEs WCM?
- Q3:** do AIM listed SMEs give priority to WCM components based on the work experience?
- Q4:** do AIM listed SMEs give priority to WCM components based on the educational level?

The study makes a contribution to literature, policy makers and owners of SMEs by reporting the results of the different educational levels and work experience possessed by managers and how they affect their WCM practices. Existing literature based on both large firms and SMEs has only used secondary data (Deloof 2003; Garcia-Teruel and Martinez-Solano 2007; Raheman and Nasr 2007), Ramachandran and Janakiraman 2009; Nobanee and Alhajjar 2009; Raheman *et al.* 2010). However, none has looked into how the educational levels and years of work experience of managers affect the WCM practices of SMEs. Good WCM practices is important to the management of SMEs who have limited resources (Small Business Research Centre 1992; Gockel and Akoena 2002; Pansiri and Temtime 2008) and equipment and technology (Abor and Quartey 2010; Saleh and Ndubisi 2006; Berisha-Namani 2009).

The rest of the paper is organized as follows; the next section is the literature review, followed by the data collection and research methodology. The results and discussion of the study are then provided. The summary and concluding remarks are presented last.

## 2. Literature Review and Hypotheses Development

Little empirical evidence exists on the WCM practices of all firms, but more particularly SMEs. The first research that comprehensively surveyed the working capital practices of companies was conducted in 1978 by Smith and Sell (1980) in the U.S. In their research they used a survey instrument consisting of 35 questions. Out of a sample of 653 industrial firms, 210 usable responses were received representing a 32.2 per cent response rate. They concluded that WCM in practice is far more than just a series of independent technologies. Belt and Smith (1992) also conducted a research into the working capital practices in U.S. with a sample of 448 largest industrial companies. With a questionnaire of 38 questions, they received 105 usable responses representing a 23.4 per cent response rate. Using longitudinal data of a ten-year period, they suggested a pattern of more formality and sophistication in how current assets and liabilities are managed in practice. A research into the WCM practices of SMEs in Canada, U.S. and Australia was also conducted by Khoury *et al* (1998). They used a sample of 350 firms randomly chosen from ten industries within the BOSS database and received a 57 usable responses representing a 15.8 per cent response rate. The findings found that only 7 per cent of Canadian SMEs have formal working capital policies.

Recently, Nyamao *et al* (2012) conducted a study to elucidate the WCM practices of SMEs in Kenya using a sample of 113 SMEs. They concluded that WCM practices are low amongst SMEs as majority had not adopted formal WCM routines. Agyei-Mensah (2010) also conducted a research into the WCM practices of SMEs in the Ashanti region of Ghana. Using a sample of 800 randomly selected firms the study revealed weak WCM skills within the sector. Despite the importance of WCM to SMEs, a research by Burns and Walker (1991) and Peel and Wilson (1994) show that only 24 per cent and 20 per cent respectively of the financial managers time is spent on working capital. Harif *et al* (2010) did a research on the financial management practices of SMEs in Malaysia, with the results indicating that lack of working capital which accounted for 93.6 per cent is the most common weakness in the area of financial management.

Many prior studies have shown an influence of educational level on firm performance (Magoutas *et al.* 2012; Youndt *et al.* 2004; Thapa 2007). Research by Denison (1967) and Griliches (1970) show that organizations growth during the post-war period was due to increases in the educational level of labour force. Magoutas *et al* (2012) state that employees with specialized knowledge possess particular capabilities such as communication and decision making, problem solving and team working skills, as well as the ability to adapt to continuously changing environments. Researchers including Agiomirgianakis *et al* (2002) and Psacharopoulos and Patrinos (2004) found a positive relationship between education and firm performance. Thapa (2007) shows a positive relationship between education and SME success. Youndt *et al* (2004) used data from 208 firms and found that investment in human capital is more effective than investment in other forms of capital. Chen *et al* (2005) also concluded from using data from Taiwan Stock Exchange listed companies that educational qualification contributes significantly to firm profitability.

The level of work experience of managers has also been stated as a source of enhanced firm performance (Dokko *et al.* 2008; Schmidt *et al.* 1986; Chilya and Roberts-Lombard 2012). Mincer (1962) point out those years of work experience is equally important as formal education. According to Dokko *et al* (2008) experienced workers can bring in diverse knowledge that enables innovation and improved firm performance (Almeida *et al.* 2003; Rao and Drazin 2002). Prior related experience is believed to confer valuable knowledge and skills that can be applied to any particular work context (Schmidt *et al.* 1986). Adequate work experience will help reduce the number of errors and mistakes, which will lead to enhanced firm performance. Experience has been cited as an important factor affecting many aspects of SME firms (Chilya and Roberts-Lombard 2012). According to Toohey (2009), experience takes many guises and the breadth of experience is an important factor that drives firm performance. Lumpkin and Marvel (2007) found a positive association between work experience and firm performance.

The educational level and work experience of managers are very important to the effective and efficient WCM (Agyei-Mensah, 2010). Highly qualified and experienced managers may be able to manage all aspects of WCM as compared to unqualified and inexperienced ones. For example, such managers may be

able to negotiate good credit terms with suppliers and customers alike. Such managers may also be able to employ the latest computerized accounting packages to control the levels of inventory in order to maximise firm performance (Agyei-Mensah, 2010). According to Atrill (2006), SMEs often lack the resources to manage their trade receivables effectively. Agyei-Mensah (2010) argues that both expertise and the information required to make sound judgments concerning terms of sales and so on, may not be available in SMEs. According to Peel and Wilson (1994, p53), “if working capital management practices in SMEs sector could be improved significantly, then fewer firms would fail and economic welfare would be increased substantially”. Atrill (2006) argues that lack of financial management skills within SMEs often creates problems in managing stock in an efficient and effective way.

### **3. Data Collection and Research Methodology**

#### **3.1. Data collection**

The survey questionnaire was distributed to 248 AIM listed SME companies. The initial plan was to distribute the survey questionnaire to all the 250 non-financial SME companies listed on the AIM, however, at the time of the questionnaire distribution 2 of the companies had ceased business. Therefore, the survey questionnaire was sent to 248 AIM listed SME companies. Out of the 248 questionnaires, 7 were returned uncompleted. Therefore, out of the 79 survey questionnaires returned, 72 questionnaires, representing 29.03 per cent of the total sample were usable and therefore could be further analysed. Although the response rate was low, it was comparable to similar studies involving questionnaire survey of SMEs (Sainidis *et al.* 2001; De Saulles 2008; Bates 1995) who reported response rates of 10.6 per cent, 14.4 per cent and 19 per cent respectively. The questionnaire was designed with the sole purpose of gathering information on the constraints to effective WCM of AIM listed SMEs.

#### **3.2. Background of Respondents**

This section describes respondents’ demographics including qualification levels; work experience, industry classification and position (see Appendix 2). The highest educational level of the respondents was professional qualification with 58%, followed by master’s degree with 28% and then the last qualification of respondents was bachelor’s degree with 18%. However, there were no respondents with either high school or PhD qualification.

The work experience of the respondents was grouped under five categories: 0-5, 6-10, 11-15, 16-20 and 21-25 years. The upper limit of 25 years means that the maximum years of work experience of respondents was 25 years. The respondents with work experience ranging between 0 and 5 years had the highest frequency of 34 (47.22%); this was followed by respondents with work experience between 6 and 10 years with a frequency of 25 (34.72%). Respondents with work experience of between 11 and 15 came third with a frequency of 5 (6.94%). Respondents with work experience of between 16-20 and 21-25 all achieved the same frequency tally of 4 (5.55%) each. These findings suggest that AIM listed SME companies have a very high WCM managers turnover given that the majority of them have been with their companies for at most five years.

With regard to the positions occupied by respondents within their companies, a total of 54 (75%) of respondents were the Chief Financial Officer of their companies, 4 (5.5%) were accountants, 2 (2.7%) were treasury managers, 9 (12.5%) were directors, whilst the rest of 3 (4.2%) were company secretaries. This finding contradicts the study by Solanki (2009), which found that working capital personnel are mostly the owners of SMEs themselves. The differences in results can be deduced from the fact that whilst Solanki’s study concentrated primarily on unlisted SMEs, this present study focuses on SMEs listed on AIM. Also a research by Agyei-Mensah (2010) in contradictory to this study found results which suggested that SMEs lack qualified accounting staff. He noted that 60% of the SMEs in his sample had heads of finance department with little or no accounting background. However, this difference is expected given that whilst he researched in developing countries, this research is based on companies in developed country – UK.

In terms of the industry classification, a total of 43 responding companies representing 59.7% were in the service industry, the second industry with the highest respondents was manufacturing/construction industry with total respondents of 22, representing 30.5%. Agriculture/mining industry achieved the third highest number with 4 respondents representing 5.5%, followed by retail/wholesale industry with a total

number of 3 respondents, representing 4.1%. The dominance of service sector companies is evident in a similar survey in the UK by Cosh and Hughes (2003), which also reported a large number of companies in the service sector.

### 3.3. Internal Validity (Reliability Test)

The Cronbach's coefficient alpha internal consistency measure is used for reliability test. The use of Cronbach's alpha is based on the fact that it is seen to represent a more efficient way of assessing reliability (Pavot *et al.* 1991). The Cronbach's alpha will help to answer the question as to what extent do the tests and/or procedures measure the same construct in the study with precision. A high internal validity facilitates a better argument that a relationship is causal whilst a low internal validity indicates less valid results (Sekaran 2000). The item scale reliability test outcome shows a high reliability of 7.471 in a scale of 1 to 10. This suggest that the instruments used were valid and of a high degree of reliability.

## 4. Results and Discussion

According to Figure 1, 44 (61.1%) of respondents indicated that they sometimes had to prioritize which component of WCM to manage because of resources constraint, as against 28 (38.9%) respondents who indicated that they did not need to prioritize which component of WCM to manage because of resources constraint. This results indicates that many AIM listed SME companies are unable to effectively manage WCM as a whole (Peel and Wilson, 1994). This finding is in congruence with a research by Atrill (2006) that found that SMEs often lack the resources to manage their WCM effectively.

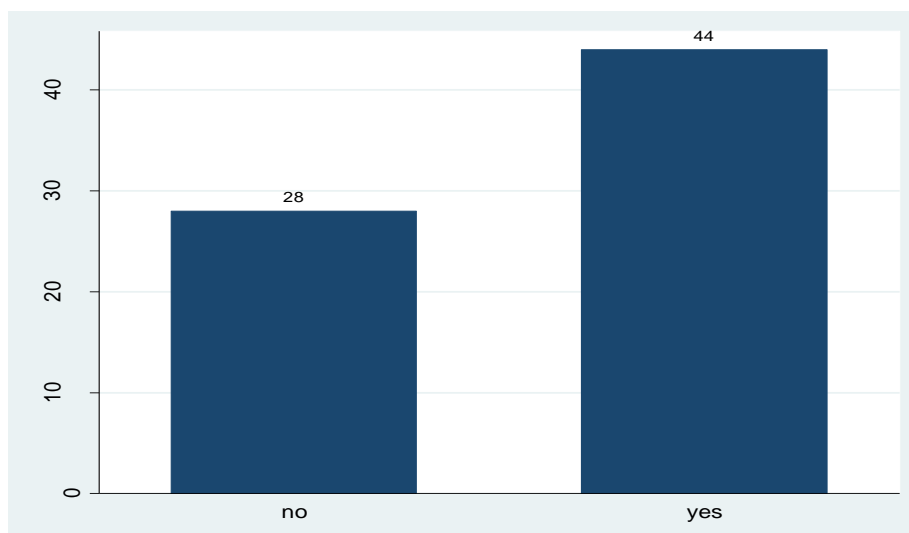


Figure 1. WCM Priority

### 4.1. T-Test – Working Capital Priority

#### Educational level

Table 1 describes the t-test results of whether companies give priority to WCM components based on the educational level of managers. This analysis tries to investigate if possessing a higher level of educational qualification could influence whether or not priority is given to some of the WCM components. It is believed that a higher level of education will reduce the magnitude of constraints that negate against effective WCM and therefore there will be no need to pay particular attention to selected WCM components. This is because a highly qualified manager is able to confidently cater for all aspects of WCM (Agyei-Mensah 2010; Nyamaoet *et al.* 2012). The results from table 1 show that there is significant difference between whether a company prioritize WCM components or not based on the educational level of managers in charge of WCM with a  $t = 2.2098$ ,  $p < 0.05$ . Managers who indicated that they do not prioritize which component of WCM to manage

have a mean of 3.821429 (SD = 0.547964) compared to a mean of 3.454545 (0.7611052) to those managers that indicated that they do prioritize which WCM component to concentrate on.

Table 1. Mean Difference between Variables (T-Test) – Education level and WCM Priority

Group	Observation	Mean	SD	t	Sig. (2-tailed)
No	28	3.821429	.547964	2.2098	0.0304
Yes	44	3.454545	.7611052		

### Work Experience

Table 2 describes the t-test results of whether companies give priority to WCM components based on the work experience of WCM managers. This analysis tries to investigate if having more years of working experience could influence whether or not priority is given to some of the WCM components. It is also theorized that more years of working experience will lead to the elimination of WCM constraints, which will avoid the need to prioritize which WCM component to give much attention to. Table 3 reveals that there is a significant mean difference between work experience and whether a company prioritizes WCM components or not with  $t = 0.3812$ ,  $p < 0.05$ . This means that the work experience of managers indeed influence their WCM practices (Agyei-Mensah, 2010). Managers who indicated that they do not prioritize which component of WCM to manage have a mean of 2 (SD = 1.360828) compared to a mean of 1.886364 (1.145586) to those managers that indicated that they do prioritize which WCM component to concentrate on.

Table 2. Mean Difference between Variables (T-Test) – work experience and WCM Priority

Group	Observation	Mean	SD	T	Sig. (2-tailed)
No	28	2	1.360828	0.7497	0.0455
Yes	44	1.886364	1.145586		

## 4.2. ONE-WAY AVOVA, POST HOC TEST (TUKEY)

### Education Level and WCM priority

The ANOVA results of whether companies give priority to which component of WCM to manage based on the educational level of their managers is found in Table 3. In general, the ANOVA suggests that there are significant difference between individual managers educational level and whether priority is given to some components of WCM over the others with  $F = 3.721$ ,  $p < 0.05$ . A research by (HM Treasury, 2000) supported the view that proportions of differences in productivity are accounted for by differences in education.

Table 3. One-Way ANOVA of Priority Given to WCM by Educational Level

	Sums of Squares	Df	Mean Square	F	Sig
Between Groups	1.666	2	0.833	3.721	0.029
With Groups	15.445	69	0.224		
Total	17.111	71			

The descriptive statistics of the educational level effect on the priority given to each component of WCM is contained in Table 4 below. The mean score of each educational level shows some interesting patterns. The results indicate that managers with master's degree have the highest score at 0.9091, followed by those holding bachelor degrees with a mean score of 0.7778, while professionally qualified WCM managers came last with a mean score of 0.5192. This pattern reveals that AIM listed SME companies whose WCM managers have professional qualification are the least to prioritize which component of WCM to manage. This result means that managers with higher qualification have the ability and competence to manager all components of WCM. Bassanini and Scarpetta (2001) documented that an average education increase of one year would raise performance by six per cent. The higher performance effect of higher education on performance is also evident in a study by Haskel and Hawkes (2003), which shows that top performers in UK hired workers with, on average, an extra qualification level compared to the lower performance. One surprise

is the fact that managers with master’s degree are more likely to prioritize which component of WCM to manage than those possessing bachelor’s degree. Overall, the results imply that managers with professional qualification are more competent and therefore able to manage all components, followed by managers with bachelor’s degree and the last is managers having master’s degree, who are less competent and therefore prioritize which component of WCM to concentrate on. Therefore, it can be said that educational level of managers plays an important role in the management of WCM components.

Table 4. Descriptive Statistics of Priority Given To Each Component of WCM by Educational Level

Education level	N	Mean	Std. Deviation	Std. Error	Minimum	Maximum
Bachelor	9	.7778	.44096	.14699	.00	1.00
Masters	11	.9091	.30151	.09091	.00	1.00
Professional	52	.5192	.50450	.06996	.00	1.00
Total	72	.6111	.49092	.05786	.00	1.00

The results of the post hoc test are presented in table 5. Post hoc test shows that managers possessing master’s degree have a mean score of (M=0.9091, SD=0.44096) which is statistically different from managers holding professional qualification with a mean of (M=0.50450, SD=0.06996) at the 5 per cent level. However, there is no difference between the mean score of managers with bachelor’s degree (M=0.7778, SD=0.44096) and that of managers with either master’s degree or professional qualification.

Table 5. Post Hoc Test of Priority Given To WCM by Educational Level

Education Level	Experience group	Mean Difference	Std. Error	Sig.
Bachelor	Masters	-.13131	.21265	.811
	Professional	.25855	.17081	.291
Masters	Bachelor	.13131	.21265	.811
	Professional	.38986*	.15702	<b>.040</b>
Professional	Bachelor	-.25855	.17081	.291
	Masters	-.38986*	.15702	<b>.040</b>

#### 4.3. WORK EXPERIENCE AND WCM PRIORITY

The ANOVA results of the WCM priority based on the years of work experience is outlined in table 6. The results show that there is a significant difference between the priority given to WCM based on the work experience of managers with  $F = 3.154$ ,  $p < 0.05$ . This means that whether companies have to give special priority to selected component of WCM is related to the work experience of the responsible manager.

Table 6. One-Way ANOVA of Priority Given to WCM by work experience

Between Groups	Sum of Squares	Df	Mean Square	F	Sig.
Within Groups	2.711	4	.678	3.154	.020
Total	14.400	67	.215		
	17.111	71			

The descriptive statistics results of whether priority is given to each component of WCM based on work experience is contained in table 7. The results indicate that WCM managers with work experience of 11-15 and 16-20 years have a mean of (M=1, SD=0.000). This outcome reveals that managers with work experience of between 11 and 20 years are the most likely to prioritize which component of WCM to concentrate. The mean score of managers with current years’ experience of 0-5 and 6-10 are (M = 0.6000, SD = 0.49705) and (M=0.06000, SD=0.50000) respectively. These findings indicate that managers with work experience of between 0 and 10 years are really undecided when it comes to priority given to WCM. Lastly, those managers with a work experience of over 21 years achieved a mean score of (M=0.000, SD=0.0000). This result indicates that managers with the highest years of work experience do not give priority to some selected WCM

components. This agrees with literature because many years of work experience should equip a manager (Rynes *et al.* 1997) to be able to successfully manage all components of WCM. As argued by Dokko *et al.* (2009), work experience has often been treated as proxy for knowledge (Almeida *et al.* 2003, Huckman and Pisano, 2006).

Table 7. Descriptive Statistics of the Priority Given To Each Component of WCM by Work Experience

	N	Mean	Std. Deviation	Std. Error	Minimum	Maximum
0-5	35	.6000	.49705	.08402	.00	1.00
6-10	25	.6000	.50000	.10000	.00	1.00
11-15	4	1.0000	.00000	.00000	1.00	1.00
16-20	4	1.0000	.00000	.00000	1.00	1.00
21 over	4	.0000	.00000	.00000	.00	.00
Total	72	.6111	.49092	.05786	.00	1.00

The post hoc test results of whether priority is given to WCM components based on work experience is found in table 8. The results indicate that there is a significant difference between priority given to WCM components of managers with 11-15 and over 25 years of work experience at the 5 per cent level. There is also significant difference of whether priority is given to WCM components between managers with 16-20 and over 25 years of work experience at the 5 per cent level. However, whether priority is given to WCM by managers with 0-5, 6-10 years do not significantly differ from each other.

Table 8. Post Hoc Test (Turkey) - Comparison of Education by Experience

Experience group	Experience group	Mean Difference	Std. Error	Sig.
0-53	6-10	.00000	.12140	1.000
	11-15	-.40000	.24469	.481
	16-20	-.40000	.24469	.481
	21 over	.60000	.24469	.114
6-10	6-10	.00000	.12140	1.000
	11-15	-.40000	.24966	.501
	16-20	-.40000	.24966	.501
	21 over	.60000	.24966	.127
11-15	6-10	.40000	.24469	.481
	11-15	.40000	.24966	.501
	16-20	.00000	.32782	1.000
	21 over	1.00000*	.32782	<b>.026</b>
16-20	6-10	.40000	.24469	.481
	11-15	.40000	.24966	.501
	16-20	.00000	.32782	1.000
	21 over	1.00000*	.32782	<b>.026</b>
21 over 3	6-10	-.60000	.24469	.114
	11-15	-.60000	.24966	.127
	16-20	-1.00000*	.32782	<b>.026</b>
	21 over	-1.00000*	.32782	<b>.026</b>

## CONCLUSION

The objective of the study was to investigate the effect of education and work experience on WCM practices of SMEs listed on the AIM, from the perspective of financial directors. Although few researchers have examined the WCM practices of firms (Agyei-Mensah 2010; Belt and Smith 1991; Belt and Smith 1992), none has looked into how education and work experience affect these practices. This study was based on 72 responses from a questionnaire distributed to 248 AIM listed SMEs. Using T-test, one-way ANOVA and post hoc test the following main conclusions were obtained: (1) the educational levels of managers affect WCM



practices of AIM listed SMEs; (2) the years' of work experience of managers affect WCM practices of AIM listed SMEs. The results indicate that managers with higher level of education and more years of work experience are well able to manage all aspects of WCM practices.

The study makes important contributions to extant literature and has implications for SMEs and policy makers. The study contributes by adding to the limited empirical evidence that exist on the effect of education and work experience on WCM practices.

In terms of policy implication, the findings of an enhanced performance differences between educational levels and years of work experience of managers, from the perspective of financial directors lead to the recommendation that SMEs should strive to employ highly qualified personnel to manage working capital (Agyei-Mensah, 2010; Peel and Wilson, 1994; Afrifa, 2013).

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*Appendix 1*

The UK Companies Act 2006 Section 382 Definition of A Medium and Small Firm

<b>Medium</b>	<b>Small</b>
A turnover of not more than £25.9 million	A turnover of not more than £6.5 million
A balance sheet total of not more than £12.9 million	A balance sheet total of not more £3.26 million
Not more than 250 employees	Not more than 50 employees