

Entrepreneurship Education, Family Capital, and Family Business Performance in Makassar, South Sulawesi, Indonesia

¹Muhammad Hasan, ²Chalid Imran Musa, ³Arismunandar, ⁴Thamrin Tahir, ⁵Muhammad Azis

Universitas Negeri Makassar,
Makassar, Indonesia,

Abstract: This study not only examines the direct and indirect effects of entrepreneurship education in the family toward family capital formation but also explains, directly and indirectly, entrepreneurship education in families and family capital towards the performance of culinary sector family businesses in the city of Makassar. This study is explanatory research, which acts non-experimentally, conducted in Makassar city of the South Sulawesi Province. Systematic sampling was used to get the sample an amount as 150 family businesses (out of 225 family business) used for this study. The results of this study indicate that entrepreneurship education in families influences the family capital formation, and family capital has a significant influence on the performance of the culinary sector family business in Makassar City. The results of path analysis show that entrepreneurship education in the family influences for family business performance through the mediation of family capital.

Index Terms: Entrepreneurship Education, Family Capital, Performance of Business

I. INTRODUCTION

Some research studies have analyzed various kinds of factors that can influence one's intention to become entrepreneurs. The intention to become an entrepreneur is considered as planned behavior. Thus, the study of Theory of Planned Behavior (TPB) (Ajzen, 1985; Ajzen, 1991) is a strong foundation to be used in reviewing this research model. The TPB model shows that intention is influenced by attitudes, subjective norms, and perceived behavioral control. Furthermore, this intention can lead to one's actual behavior. In this regard, several research studies have examined the effect of one's intention to build a business on the performance of the business (Moses & Hasan, 2018; Zainal et al., 2018). They found that someone's intention to build a business greatly determined the performance of the business. This is important because fostering entrepreneurial mental character that is resilient to the younger generation is a challenge in the digital economy era based on innovation and creativity (Hasan, 2018).

Entrepreneurship research and family business have become interesting studies in an effort to produce new findings in the field of family entrepreneurship research (Kraus et al., 2012; Uhlener et al., 2012). Family business has several unique values. This unique value can be seen from the relationship between business and family that leads to unique dynamic capabilities and can shape the behavior of the company, so prioritizing it to achieve sustainable competitive advantage (Gordon & Nicholson, 2008). One of the unique values contained in the family business is the transfer of knowledge between family members implemented in informal entrepreneurship education in the family business (Hasan, 2018).

Entrepreneurship education in family businesses, both formally, non-formal, and informal, can contribute to the development of entrepreneurial attitudes, abilities and skills, thus impacting on self-efficacy and increasing their intention to continue the family business, so it can be concluded that knowledge transfer through entrepreneurship education has offers valuable insights on how entrepreneurship education can make a difference in family business activities so that it has an impact on the formation of family capital that can improve the performance of family business ventures, especially those related to self-efficacy and interest in entrepreneurship (Graevenitz, Harhoff, & Weber, 2010; Neck & Greene, 2011).

In assessing the uniqueness and characteristics of family businesses, researchers especially those using resource-based views have introduced concepts such as "familiness" (Habbershon & Williams, 1999), "family capital" (Hoffman, Hoelscher, & Sorenson, 2006), "family effect" (Dyer, 2006) and "social capital family" (Arrègle et al., 2007). Resource-based views focus on efforts to achieve competitive and sustainable excellence over time (Penrose, 1959; Wernerfeldt, 1984; Prahalad & Hamel, 1990) and examine idiosyncratic company resources that contribute to maintaining competitive advantage (Barney, 1986, 1991). Unique family business resources come from family and business interactions that are considered complex, dynamic and intangible (Habbershon & Williams, 1999). In addition, it is stated that the unique characteristics of family business resources can create profits, and vice versa can also create losses for the family business (Sirmon & Hitt, 2003).

Based on these problems, motivation arises to conduct empirical studies related to family business problems in gaining competitive advantage, by developing research designs that integrate strategic resources and entrepreneurial orientation as a basis for implementing competitive strategies through the study of entrepreneurship education that takes place in a family environment, family capital and family business performance.

II. METHOD

This research belongs to the type of explanatory research, which is non-experimental in nature and aims to analyze the effect of entrepreneurship education and family capital on the performance of the family business in Makassar City, using a quantitative

approach through parameter testing in answering hypotheses. To get data in accordance with the research design, the closed-ended question type is used. Entrepreneurship education in the family refers to Zhao, et al., (2005) and Trevinyo-Rodriguez et al., (2006), with indicators of optimizing knowledge transfer which include recognizing opportunities, evaluating opportunities, ways of starting opportunities, and entrepreneurial organizations, with a scale the measure used is ordinal. Family capital refers to Hoffman, Hoelscher & Sorenson (2006) with two dimensions, namely: human resources and knowledge management with the measurement scale used is ordinal. Measuring the performance of family business is performance measurement with 2 (two) dimensions covering financial and non-financial performance, financial performance is shown by the perception of business actors on profitability and sales growth, while non-financial performance is measured by customer satisfaction and employee satisfaction, with ordinal measurement scale.

This research was conducted on family businesses in Makassar City, which are spread in a number of sub-districts and business activities in the culinary sector, while the analysis unit used in the research sample data, is a family business that has been running for at least 2 generations. The population in this study was 255 culinary sector family businesses in Makassar City, while the sample size was carried out considering the requirements for data analysis were 125 culinary sector family businesses, and to avoid too small samples that could cause error measurement. Then according to Cooper & Schindler (2001), samples can be enlarged and determined to be 150 culinary sector family businesses in the city of Makassar and subsequently drawn proportionally according to the distribution.

The data analysis technique uses statistical testing to verify various problems presented in the hypothesis, so that generalization can be carried out, and based on path analysis. The purpose of path analysis is to find out the direct and indirect effects of a set of exogenous variables on endogenous variables (Hair et al., 2010).

III. RESULTS AND DISCUSSION

This study examines the direct and indirect effects of entrepreneurship education in the family on the formation of family capital and explains the direct and indirect influence of entrepreneurship education in the family and family capital on the performance of the culinary sector family business in Makassar City. Summary of research results can be seen in Table 1.

Table 1 Path Analysis Coefficient(s)

Direct Effect			
<i>Path Analysis</i>	<i>Path Coefficient</i>	<i>Prob.</i>	<i>Result</i>
Entrepreneurship Education → Family Capital	0.661	0.001	Significant
Entrepreneurship Education → Business Performance	0.325	0.025	Significant
Family Capital → Business Performance	0.418	0.045	Significant
Indirect Effect			
<i>Indirect Path</i>	<i>Path Coefficient</i>		
Entrepreneurship Education → Family Capital → Business Performance	0.661 x 0.418 = 0.276		

Source: Output of SEM, 2019

Based on the results of data processing, the entrepreneurial education path coefficient on the formation of family capital is 0.661, indicating that the influence of entrepreneurship education on family capital formation is 0.661 with a probability value of 0.001. The results of this analysis suggest that entrepreneurship education has a significant effect on the structure of family capital in the culinary sector family business in Makassar City. The coefficient of entrepreneurship education pathway to business performance is 0.325 indicating that the influence of entrepreneurship education on business performance is 0.325. The probability value of entrepreneurship education on business performance is 0.025. The results of this analysis indicate that entrepreneurship education has a significant effect on the performance of the culinary sector family business in Makassar City. The family capital path coefficient of business performance is 0.418, indicating that the impact of family capital on business performance is 0.418. The probability value of family capital on business performance is 0.045, so the results of this analysis indicate that family capital has a significant effect on the performance of the culinary sector family business in Makassar City. The indirect coefficient of entrepreneurship education on business performance through family capital is 0.276, indicating that the factor of the entrepreneurship education pathway to business performance through family capital is 0.276.

The findings of this study indicate that entrepreneurship education influences the formation of family capital. This shows that the existence of entrepreneurship education that is implemented through the transfer of knowledge which includes recognizing opportunities, evaluating opportunities, ways of starting opportunities, and entrepreneurial organizations, has created access to a variety of valuable and unique resources found in the family. Resource-based entrepreneurial theory sees that the possibility of people becoming entrepreneurs is influenced by their access to relevant and unique resources (Alvarez & Busenitz, 2001; Barney, 2001).

The test results in this study show that entrepreneurship education influences the performance of the business. Entrepreneurship education in the family is a means of transmitting values such as independence, ambition, career orientation and career choice (Grimstad & Way, 1993). Entrepreneurship education can help in creating entrepreneurial competence (Greve & Salaff, 2003), human resources (Aldrich & Langton, 1997) and physical resources (Birley, 1986) in the form of space and place to improve the performance of family business ventures (Mueller, 2006; Wilson et al., 2007).

Another finding in this study shows that family capital has a significant effect on business performance. Family capital is considered as a type of particular social capital that is implemented in family relationships (Parcel & Menaghan, 1993). The family is a critical resource and is often used to start a new business or continue a business (Chrisman et al., 2002). In the entrepreneurial literature, it is emphasized that family businesses tend to rely heavily on their family capital to improve their business performance.

Several studies show that families play an essential role in the mobilization of financial resources during the initial stages (Steier & Greenwood, 2000) and during the lifetime (Holtz-Eakin et al., 1994).

Based on the results of path analysis it is known that there is an influence of entrepreneurship education on business performance through mediating the formation of family capital. This shows that entrepreneurship education must be started and developed within the family environment. The failure and success of the culinary sector family business in developing its business is largely determined by the process of entrepreneurial education which takes place informally in the family. Entrepreneurship education that starts from the family can foster awareness of the generation of progressors to improve their ability to start and manage business so that it can become an important capital for families in improving their business performance (Hasan, 2014; 2016; 2017).

IV. CONCLUSIONS

The results of this study indicate that entrepreneurship education in the family has a significant effect on the formation of family capital. Other findings show that family capital has a significant influence on the performance of family business. The results of path analysis show that entrepreneurship education has a significant effect on business performance through mediation of family capital. The research findings have implications for the importance of informal entrepreneurship education in the family as part of the formation of family capital in the family business, so that the generation of successors have an interest and desire to continue their business and improve the performance of family business.

V. ACKNOWLEDGMENT

We would like to thank the Directorate of Higher Education, Ministry of Research, Technology and Higher Education, the Republic of Indonesia for their financial support of this research. We appreciate the Research Institution of Universitas Negeri Makassar (UNM), and to anonymous reviewers for excellent comments and suggestions for this paper.

REFERENCES

- [1] Ajzen, I. (1985). From intentions to actions: A theory of planned behavior, in J. Kuhl and J. Beckman (eds.) *Action-control: From Cognition to Behavior*, pp. 11-39. Heidelberg: Springer.
- [2] Ajzen, I. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Processes*, 50(2): 179-211. DOI: [http://dx.doi.org/10.1016/0749-5978\(91\)90020-T](http://dx.doi.org/10.1016/0749-5978(91)90020-T)
- [3] Aldrich, HE, & Langton, N. (1997). Human resource management and organizational life cycles. In P. D. Reynolds, W. Bygrave, N. M. Carter, P. Davidsson, W. B. Gartner, C. M. Mason, & P. P. McDougall (Eds.), *Frontiers of Entrepreneurship Research* (pp. 349-357). MA: Babson College, Center for Entrepreneurial Studies.
- [4] Alvarez, SA, & Busenitz, LW. (2001). The entrepreneurship of resource-based theory. *Journal of Management*, 27(6): 755-775.
- [5] Arregle, J. L., Hitt, M. A., Sirmon, D. G., & Very, P. (2007). The development of organizational social capital: attributes of family firms. *Journal of Management Studies* 44 (1), 73-95.
- [6] Barney J. B. (1986). Organizational culture: can it be a source of sustained competitive advantage?. *Academy of Management Review*, 11(3): 656-665.
- [7] Barney J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1): 99-120.
- [8] Barney, J. B. (2001). Is the resource-based view a useful perspective for strategic management research? Yes. *Academy of Management Review*, 26(1): 41-56.
- [9] Birley, S. (1986). The role of networks in the entrepreneurial process. *Journal of Business Venturing*, 1(1): 107-117.
- [10] Chrisman, JJ, Chua, JH, & Steier, LP. (2002). The influence of national culture and family involvement on entrepreneurial perceptions and performance at the state level. *Entrepreneurship: Theory and Practice*, 26(4): 113-130.
- [11] Cooper, D.R. dan Schindler, P.S. (2001). *Business research methods*. USA: Mcgraw Hill College.
- [12] Dyer, W. G. Jr. (2006). Examining the family effect on firm performance. *Family Business Review* 19(4): 253-273.
- [13] Gordon, G. and Nicholson, N. (2008). *Family wars: classic conflicts in family business and how to deal with them*. Kogan Page: London.
- [14] Graevenitz, G., Harhoff, D., Weber, R. (2010). The effects of entrepreneurship education. *Journal of Economic Behavior and Organization*, 76(1): 90-112.
- [15] Greve, A, & Salaff, JW. (2003). Social networks and entrepreneurship. *Entrepreneurship: Theory and Practice*, 28(1): 1-22.
- [16] Grimstad, JA, & Way, WL. (1993). The role of the family in the vocational development of family and consumer education teachers: Implications for vocational education. *Journal of Vocational Education Research*, 18(4): 43-80.
- [17] Habbershon T., G., Williams M. L. (1999). A resource-based framework for assessing the strategic advantages of family firms. *Family Business Review*, 12(1): 1-22.
- [18] Hair, Joseph F., et al. (2010). *Multivariate data analysis, 7th Edition*. New York: Prentice Hall International, Inc.
- [19] Hasan, M. (2014). Produktivitas dan elastisitas kesempatan kerja sektor industri. *Jurnal Economix* Volume 2, No. 1 Desember 2014 ISSN 2302-6286. Makassar: Fakultas Ekonomi UNM.
- [20] Hasan, M. (2016). Pengembangan pola pendidikan ekonomi informal sebagai upaya untuk pembentukan perilaku ekonomi yang baik, *Prosiding Seminar Nasional "Mega Trend Inovasi dan Kreasi Hasil Penelitian dalam menunjang Pembangunan Berkelanjutan"* halaman 82-87 Lembaga Penelitian Universitas Negeri Makassar. Makassar: Lembaga Penelitian UNM.
- [21] Hasan, M. (2017). Pendidikan ekonomi informal dan literasi keuangan, *Prosiding Seminar Nasional "Membangun Indonesia melalui Hasil Riset"* halaman 677-680 Lembaga Penelitian Universitas Negeri Makassar. Makassar: Badan Penerbit UNM.
- [22] Hasan, M. (2018). Pembinaan ekonomi kreatif dalam perspektif pendidikan ekonomi. *Jurnal Ekonomi dan Pendidikan (JEKPEND)* Volume 1, No. 1 Januari 2018 p-ISSN: 2614-2139; e-ISSN: 2614-1973.

- [23] Hoffman J., Hoelscher M., Sorenson R. (2006). Achieving sustained competitive advantage: a family capital theory. *Family Business Review*, 14(2): 135-145.
- [24] Holtz-Eakin, D, Joulfaian, D, & Rosen, HS. (1994). Sticking it out: Entrepreneurial survival and liquidity constraints. *Journal of Political Economy*, 102(1): 53-75.
- [25] Kraus, S. J. B. Craig, C. Dibrell, and S. Maerk. (2012). Family firms and entrepreneurship: contradiction or synonym? *Journal of Small Business & Entrepreneurship*, 25(2):135-139.
- [26] Mueller, P. (2006). Entrepreneurship in the region: Breeding ground for nascent entrepreneurs? *Small Business Economics*, 27(1): 41-58.
- [27] Musa, C. I., and Hasan, M. (2018). The influence of social, economic, and demographic characteristic on working hours of micro, small, and medium enterprises (MSMEs) in Makassar City. *Journal of Physics: Conf. Series* 1028 (2018) 012181.
- [28] Neck, H.M. and Greene, P.G. (2011). Entrepreneurship education: known worlds and new frontiers. *Journal of Small Business Management*, 49(1): 55-70.
- [29] Parcel, TL, & Menaghan, EG. (1993). Family social capital and children's behavior problems. *Social Psychology Quarterly*, 56(2): 120-135.
- [30] Penrose ET. (1959). *The theory of the growth of the firm*. John Wiley & Sons, New York.
- [31] Prahalad C, K., Hamel G. (1990). The core competence of the corporation. *Harvard Business Review*, 68(3): 79-91.
- [32] Sirmon DG., Hitt MA. (2003). Managing resources: linking unique resources, management, and wealth creation in family firms. *Entrepreneurship: Theory and Practice*, 27(4): 339- 358.
- [33] Steier, L, & Greenwood, R. (2000). Entrepreneurship and the evolution of angel financial networks. *Organization Studies*, 21(1): 163-192.
- [34] Treviño - Rodriguez, R. N., & Tapies, J. (2006). Effective knowledge transfer in family firms. In P. Z. Poutziouris, K. X. Smyrnios, & S. B. Klein, *Handbook of Research on Family Business* (pp. 343-357). Cheltenham, UK: Edward Elgar Publishing Limited.
- [35] Uhlaner, L. M., F. W. Kellermanns, K. A. Eddleston, and F. Hoy. (2012). The entrepreneur family: a new paradigm for family business research. *Small Business Economics*, 38(1):1-11.
- [36] Wilson, F, Kickul, J, & Marlino, D. (2007). Gender, entrepreneurial self-efficacy and entrepreneurial career intentions: implication for entrepreneurship education'. *Entrepreneurship: Theory and Practice*, 31(3): 387-406.
- [37] Wernerfelt B. (1984). A resource-based view of the firm. *Strategic Management Journal*, 5(2): 171-180.
- [38] Zainal, H., Parinsi, K.W., Hasan, M., Said, F., and Akib, H. (2018). The influence of strategic assets and market orientation to the performance of family business in Makassar City, Indonesia. *Academy of Strategic Management Journal*, 17 (6).
- [39] Zhao, H., Seibert, S. E., & Hills, G. E. (2005). The mediating role of self-efficacy in the development of entrepreneurial intentions. *Journal of Applied Psychology*, 90(6), 1265-1272.