

Conference Paper

The Role of Family Business and Education in Forming Actual Entrepreneurs

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Abstract

Small and Medium Enterprises (SMEs) have a big impact on Indonesia's economic development. Thus, Indonesian government continuously supports development of SMEs. This study analyzed two identified variables that could improve the intention of younger generations to become an entrepreneur, namely, prior business family exposure and entrepreneurship education. The data used in this study were collected online from 320 Indonesian entrepreneurship program students. The hypotheses testing were analyzed using SmartPLS 3.0. The results of this study indicated that the important role is of prior business family exposure, as it could affect both student's entrepreneurial intention and attitude. However, entrepreneurship education is found to have no effect on student's entrepreneurial intention, despite its effect on improving student's entrepreneurial attitude. Finally, students' entrepreneurial intention strongly affects their actual entrepreneurship behavior.

Keywords: prior family business exposure, entrepreneurship in education, entrepreneurial intention, entrepreneurial attitude, actual entrepreneur

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1. Introduction

One reliable measurement of a country's economic condition is its Gross Domestic Product (GDP). Growing number of GDP indicates improvements in the economic conditions and performance of a country [25]. Indonesia is a developing country that shows a good development in GDP. The Small and Medium Enterprises (SMEs) have an important role on Indonesian's GDP. In the year of 2016, SMEs contributed to 50% of the nation's GDP [11]. The contribution encouraged the government to increase supports to SMEs by facilitating export activities and lowering loan rate for new enterprises. Those aids seem to be effective, as the rate of entrepreneurs to national population increased to 3.1% in 2016. Although lower than other countries in South East Asia (Malaysia 5%, and Singapore 7%), the number shows that Indonesia can be considered as a prosperous country, since one of the cut-off value of prosperous country is having 2% or more of its population as entrepreneurs.

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Several studies have analyzed several factors that can affect a person's intention to be an entrepreneur. The intention to be an entrepreneur is considered as a planned behavior. Thus, an insight to Theory of Planned Behavior/TPB [1] is necessary in this study. TPB model shows that intention is affected by attitude, subjective norms, and perceived behavioral control. Furthermore, the intention can lead to a person's actual behavior. Following this explanation, some researchers have examined the effect of business exposure on a person's intention to establish a business ([16]; Carr and Sequiera, 2007). They found that family business exposure could affect a person intention to establish a business.

Recently, entrepreneurship education is considered as an important factor that can affect a person's intention to be an entrepreneur. In order to evaluate the success of educational process, there are 2 competences including cognitive and non-cognitive competences to be considered. Several studies found that cognitive competences are needed in order to be successful after graduating [19, 20]. The finding is still debatable, as Schweinhart, et al (2015); and Cunha and Heckman (2010) mentioned that cognitive competences only showed individual competences toward particular subject and have less contribution toward overall success. Furthermore, non-cognitive competences such as social skills and individual traits are having bigger contribution toward individual success. The opposing views are mediated by the finding of Rosendahl-Huber, et al. (2012), which suggest that both competences are important based on the individual's needs. This research provides an insight to the schools and universities about how the competences can be adjusted according to the student's needs.

The main objective of this study is to analyze factors that can affect the intention to be an entrepreneur and actual entrepreneurship behavior. In order to fulfill the purpose, this study remodeled the TPB model by adding prior business family exposure and entrepreneurship education as two factors that could affect a person intention to be an entrepreneur.

2. Literature Review

2.1. Prior family business exposure

Family business is defined as a business that is controlled by a dominant member of the same family and potentially sustainable across generations (Chua et al., 1999). Individuals who come from families who own businesses are likely to be aware about the risk of being a businessman (Dyer, 1992; [7]). Moreover, Dyer and Handler (1994)

found that many entrepreneurs were placed in a position of responsibility within the family business at a very young age. This awareness can affect attitudes and behaviors toward entrepreneurial actions.

Prior research found that parental advice has a great influence on a person's decision ([23]; Menaghan and Parcel, 1995). The additional finding of those researches is that parental business experience can be inherited by their children and improving the intention to establish a business. This exposure initiated by entrepreneur's parent show that there is an intention of them to teach their children entrepreneurial skills, value, and confidence to continue or having their own business (Carr and Sequiera, 2007; [29]). The information leads us to make our first and second hypotheses as follows:

- H1.** Prior family business exposure significantly affects student's entrepreneurial intention
- H2.** Prior family business exposure significantly affects student's entrepreneurial attitude

2.2. Entrepreneurship education

Schools and universities nowadays are becoming more aware of the impact of entrepreneurship education. Several countries are trying to increase the number of entrepreneurs by adding entrepreneurial education as a subject in universities [18]. Entrepreneurial education has 2 goals to achieve: improving student intention to become an entrepreneur and providing them with entrepreneurship skills. There are several approaches to achieve those goals such as: adding entrepreneurship subjects to the curriculum, improving the quality of lecturers, making student entrepreneurship development programs, and providing student's with loan to establish business [18].

To evaluate the success of the educational process, there are two competences: cognitive and non-cognitive competences [22]. To achieve the two goals of entrepreneurship education, those two competences are considered to be important [3, 31]. Cognitive competences are found to improve student's attitude and intention to become an entrepreneur, and the non-cognitive competences shows the student's development of creative and social skills which come in handy when establishing a business [6, 13].

- H3.** Entrepreneurship education significantly affects student's entrepreneurial intention
- H4.** Entrepreneurship education significantly affects student's entrepreneurial attitude

2.3. Entrepreneurial intention and actual entrepreneur

The Theory of Planned Behavior (TPB) explains factors (attitude, subjective norm, and perceived behavioral control) that can affect a person intention to do some actions. An entrepreneurial intention is defined as a person's desire to establish or start a new business (Crant, 1996). Meanwhile, entrepreneurial attitude is described as a person's favorable or not-unfavorable feelings (achievement, innovation, personal control, self-esteem, and opportunity recognition) toward entrepreneurship activities and trait [21].

Student actual entrepreneur action is the behavior that is showed while they are studying or after graduating [12, 15, 17]. According to TPB, an individual actual behavior is affected by their intention. The higher level of intention toward activities, the more likely the person would do those activities in near future, thus the fifth and sixth hypothesis in this study are:

H5. Entrepreneurial attitude significantly affect student entrepreneurial intention

H6. Entrepreneurial intention significantly affects student actual entrepreneurial action.

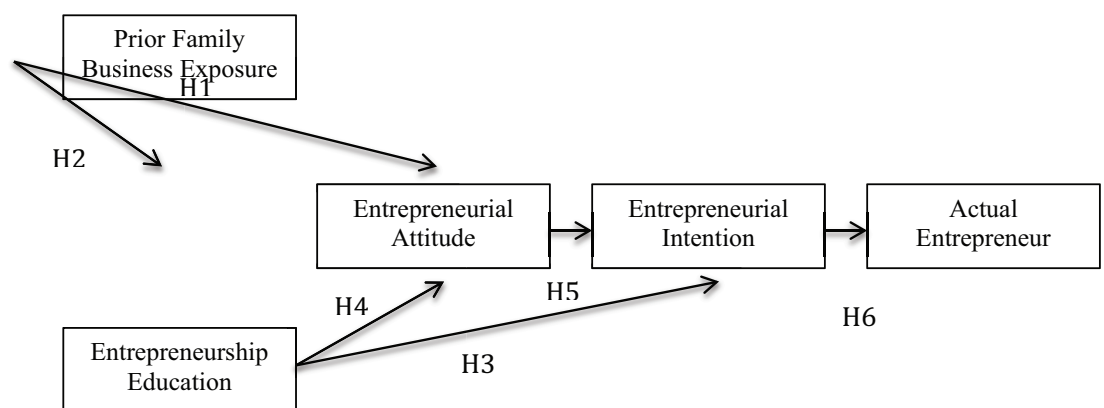


Figure 1: Proposed research model.

3. Methods

This explanatory research was conducted to identify the extent and nature of cause-effect relationship among prior family business exposure, entrepreneurship in education, attitude toward starting a business, entrepreneurship intention and actual entrepreneur. The population of this study is students who have family business and study entrepreneurship in formal education in Indonesia. Using purposive sampling technique, three hundred and twenty students were selected to participate in this

study. To achieve the objective of this study, PLS 3 was used to test the validity and reliability of the data and to test the hypotheses. SPSS 23 was employed to provide information about the profile of respondents.

4. Results

4.1. Profile of respondents

The subjects are students who have studied in entrepreneurship programs or courses in universities. A total of 320 questionnaires were distributed online and offline. Students who are eligible to fill the questionnaires are those who are currently in the 2nd semester (first year) or more. The respondents of this study are mostly males (63%), and the remaining 37% are females. Students with the age of 17–24 years old dominate this study (90%). Out of 320 respondents, 87% are undergraduate students, and 13% are postgraduate students. The family businesses of the respondents are culinary (19.69%), construction materials (8.44%), agribusiness (5.94%), clothing (14.38%), property or real estate (3.13%), convenience store (11.88%), electronic/computer/gadget store (8.75%), and others (27.81%).

4.2. Measurement model

Two items were removed from this study due to their loading factor of smaller than 0.6 (AB1 and AB2). After deleting the items, PLS 3 was run for the second time resulting in loading score of > 0.6 for each indicator. To assess the inner and outer model, convergent validity, discriminant validity, and reliability test were conducted. The convergent validity of the constructs is supported for all construct indicators through factor loadings (> 0.6) [4], average variance extracted/AVE (> 0.5) [8], and composite reliability/CR (> 0.7) [8].

TABLE 1: Discriminant validity.

| | CA | CR | AVE |
|------|-------|-------|-------|
| AB | 0.845 | 0.88 | 0.479 |
| ATT | 0.862 | 0.901 | 0.645 |
| EI | 0.86 | 0.895 | 0.589 |
| EI | 0.908 | 0.925 | 0.606 |
| PFBE | 0.783 | 0.871 | 0.694 |

TABLE 2: R Square.

| | R Square | R Square Adjusted |
|-----|----------|-------------------|
| AB | 0.115 | 0.112 |
| ATT | 0.145 | 0.14 |
| EI | 0.138 | 0.13 |

Table 1 depicts a good discriminant validity as the loading scores of all indicators are higher than all its cross loadings compare to other constructs. This study also uses Cronbach’s alpha/CA to determine the reliability of the variables used in the instrument to determine the fittest item for each variable. Table 3 shows the reliability of each variable in this study, and it is revealed that the Cronbach’s alpha values of all variables are higher than 0.7 [28]. It indicates that all variables have a good reliability.

*AB: Actual Behavior; ATT: Entrepreneurial Attitude; EI: Entrepreneurial Intention; EE: Entrepreneurship in Education; PFBE: Prior Family Business Exposure.

TABLE 3: Reliability and validity.

| | AB | ATT | EI | ED | PFBE |
|------|------|------|------|------|------|
| AB | 0.69 | | | | |
| ATT | 0.23 | 0.80 | | | |
| EI | 0.34 | 0.13 | 0.77 | | |
| EI | 0.41 | 0.36 | 0.22 | 0.78 | |
| PFBE | 0.20 | 0.21 | 0.35 | 0.28 | 0.83 |

TABLE 4: Hypotheses testing results.

| Hypotheses | Path | t-value | Results |
|------------|-----------|---------|---------------------------------|
| H1 | PBFE – EI | 4.970 | Supported (t-value > 1.962) |
| H2 | PBFE – EA | 2.045 | Supported (t-value > 1.962) |
| H3 | EE – EI | 1.954 | Not Supported (t-value < 1.962) |
| H4 | EE – EA | 6.060 | Supported (t-value > 1.962) |
| H5 | EA – EI | 0.218 | Not Supported (t-value < 1.962) |
| H6 | EI – AE | 6.640 | Supported (t-value > 1.962) |

Table 2 and 3 present a substantial R2 of endogenous latent variables with the Q2 of 0.35. The Goodness of Fit (GoF) of this study is 0.283, which means that this study has a good model [30]. The result also refers to Hoffmann and Birnbrich (2012) regarding the cut-off values for GoF (0.1 = small; 0.25 = medium; and 0.36 = large).

4.3. Hypotheses testing

There are 5 variables in the proposed model, and SmartPLS 3.0 was used to analyze the relationship among them. After inner and outer model analysis, bootstrapping was run to assess the hypotheses. Hair (2014) and Kock (2012) determined that if the P score is less than 0.05 (< 0.05) and the T statistic value is greater than 1.96 (> 1.96), the hypotheses should be accepted. The result of the hypotheses testing is presented in Table 4, indicating that four out of six hypotheses proposed in this study are supported (accepted).

5. Discussion

The findings of this study suggest that the remodeling of Theory of Planned Behavior (TPB) in analyzing the influence of prior family business exposure and entrepreneurship education on Indonesian student's intention to become an entrepreneur is accepted. First, this study analyzed the effect of prior family business exposure on student's entrepreneurial attitude and intention. The finding supports prior researches of Carr and Sequiera (2007) and Simoes et al. (2016). Prior family business exposure is a person's awareness of handling business formed by their parent's experience in business. Some parents intentional give their children a managerial responsibility within the business at a very young age to give them business experiences or to improve their entrepreneurial skills. The efforts are paid off, thus there is a higher chance that their children will continue their business or establish a new business.

Students who were born in business families have different perception toward business compared to those who were not ([7]; Carr and Sequiera, 2007). This study proves that this perception can affect children's attitude toward entrepreneurship subject. Students who were born in business families learn how their parents manage business, have different judgment toward risk and benefit in managerial decision, and recognize business opportunities better than others.

Second, the results show that entrepreneurship education cannot affect student's intention to become an entrepreneur. This finding contradicts prior researches [3, 31] suggesting that cognitive competences can lead to entrepreneurial intention. Meanwhile, the fourth hypothesis was supported, thus entrepreneurship education significantly affects student's entrepreneurial attitude. Those findings suggest that entrepreneurship education is not strong enough to encourage student to establish a new business, but it can make students feel that establishing a business is worthwhile.

Third, according to the result, entrepreneurial attitude have no significant relationship toward entrepreneurial intention. This finding is contrast to prior researches [15, 17]. Meanwhile, entrepreneurial intention has an effect on actual entrepreneurship behavior. Entrepreneurial attitude could not improve entrepreneurial intention suggested that there is more pressure that could improve student entrepreneurial intention. If we look at other relationship in the model, it showed that prior family exposure is the only variable that could affect entrepreneurial intention. Student with family background is playing an important role in order to improve their intention to establish a business.

Student's entrepreneurial attitude can be improved through two factors; they are prior business family exposures and entrepreneurship education. Prior business family exposures can make a student feel confident about establishing a new business because they have learned how their parents manage a business and there is a good support from their parents by giving them opportunities to handle managerial responsibilities at a young age. Meanwhile, entrepreneurship education provides procedures to establish a business, think creatively, design products, and evaluate a business. The fulfillment of cognitive and non-cognitive competences in entrepreneurship education can lead to a better attitude toward entrepreneurship. Finally, entrepreneurial intention can lead to actual entrepreneurship behavior. This finding suggests that, if a student has a high intention to become an entrepreneur, they would likely end up establishing a new business.

6. Recommendation

Students with family business background are proved to have more business experiences and skills that can improve their intention to become entrepreneurs and establish a business. Therefore, to improve the number of young entrepreneur, family support is considered to be important. Despite having no effect toward entrepreneurial intention, entrepreneurship education conducted by schools and universities can improve student's attitude toward entrepreneurship. This attitude still cannot lead to student's intention of becoming an entrepreneur. To overcome this problem, schools and universities should conduct a program that enable student to be involved directly in managerial decisions and responsibilities. The experience obtained from this program can give students more confidence in establishing their own business.

This has not yet distinguished the difference between prior family business exposure and family support, as there is a chance this two variables have different effect

toward student's attitude and intention. Thus, this study suggests further researchers to include family support as a new model. Additionally, we also identified that there is a chance that families with business background are encourage their children to study entrepreneurship subject in university. Therefore, the relationship between family business supports toward entrepreneurship education should be considered in future researches.

7. Conclusion

The results show that prior business family exposure is the most important role in the model, in which it can affect student's intention to become an entrepreneur. Additionally, both prior business family exposure and entrepreneurship education can improve student's attitude toward establishing a new business. Furthermore, entrepreneurship education and entrepreneurial attitude have no effect on entrepreneurial intention among Indonesian students. Finally, student's entrepreneurial intention can lead to their actual entrepreneurship behavior. Thus, this study concludes that, in order to increase the number of entrepreneur, it is important to create student's intention of becoming an entrepreneur. The intention can be improved through supports from the family, especially those with business background.

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