

# The Effect of Entrepreneurial Education As Factor of Production on Family Owned and Non-Family Owned Business: A Study of Restaurants in Hyderabad

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**Abstract:** -- The rationale of this paper is to analyze the impact of entrepreneurial knowledge on the organic growth and performance of business managed by family owners and business that are being managed by professionals.

Entrepreneurial knowledge can be described as the potential in an individual to identify an opportunity and practically implement it with an intention to realize knowledge that is innovative in practice. This research focuses on evaluating the effect of entrepreneurial education on the growth of business. This research has distinguished between two types of the firms: family firms managed by family owners and firms managed by the professionals with business degree. Restaurants were selected which are owned and managed by people with business or management or other business related degrees; diplomas etc. This was compared with the family business owners who do not have prior relevant knowledge or qualifications.

The research also helps to analyze the status of business with respect to multiple factors that are identified from the literature review. In this research data is collected from owners of the restaurants, employees and the customers of the business through close ended questionnaires and is analyzed in SPSS. Pearson's chi square tests and MANOVA tests are used to compare the land growth and employee growth of businesses owned by family, with businesses that are not family owned. The findings reveal that non-family owned businesses are more productive as compared to the family owned business. It also reveals that entrepreneurial degree and knowledge plays a fundamental role in the organic growth of the business.

**Keywords—** Entrepreneurial knowledge, family owned, non-family owned, organic growth

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## 1. INTRODUCTION

Over the past decades, urbanized countries have introduced many policy measures based on the hypothesis that economic value creation depends upon higher business ownership rates (European Commission 2009, Chap. 3). Indeed, there are certain evidences that prove that there is a direct relationship between value creation and ownership of business. Microeconomic evidence supports the view that business that are owned by family are comparatively less in terms of production than those businesses which are managed by professionals (Chua et al. 1999)

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## 2. BACKGROUND

The economy is based on the production of goods and services. Three elements of production which are responsible for the production of goods and services, According to McMillan et al. (2011):

- Land – is the prime component of production.
- Labor – It is an explicit component because it doesn't occur itself.
- Capital – it is a subordinate factor of production because it can be increased by different activities.

### **Enterprise as a factor of production:**

Recently, some economists mention enterprise, entrepreneurship, as a fourth factor of production (e.g., Fernald, 2012). Entrepreneurship is of opening new ventures, mainly new businesses. Entrepreneurship is often a challenging activity, as most of new businesses are not successful. Entrepreneurial activities, according to Carmen and Topan (2015), are considerably diverse conditional on the sort of business that is going to be started.

In the past two decades, firm’s ownership has acknowledged growing consideration among researchers as well as in the debate of public. Numerous researchers and spectators have demanded that possession of firm’s matters and that the economic behavior of ventures is affected by how allocation of property rights is done and by who they are owned by. (Habbershon and Pisturi, 2002; Van Stel et al. 2005). But the issue is not settled.

The main focus of this research will be the analysis that are the effects of ownership of family on enterprise’s performance. In link with Corbett et al. (2013), I will use factor of production as measure of small business performance. It is argued that factors of product are robust measures of firm performance. Furthermore, it will be significant to examine the significance of management by owner versus management by professional. Normally in family businesses, the member of family decides to run the business him/herself. On one side, management by owner solution is given to the natural problem involved when business is being operated. On the other side, it has been said that this mixture of the owner and top manager role may have negative concerns for the well-organized operation of a firm (McKelvie et al., 2014). In order to study that at what extent this claim is valid, I will do a comparative study between the business that are being managed by any family member of the owner’s family with family businesses which is being managed by a professional with business degree. In the analysis, I am going to differentiate between firms of two types: family firms managed by owners and family firms managed by the professionals or by a professional manager.

**3. RESEARCH PROBLEM**

The section of literature, e.g., Chua et al. (1999), represents that the business that are owned by family are comparatively less in terms of production family owned than those businesses which are managed by professional managers. The gap in productivity is largely due to the lack of the expertise of the person who is managing the business. Implicitly speaking the owners are lacking entrepreneurial expertise due to the default management role extended to the person by the virtue of business ownership. Non-family owned businesses, on the other hand, hire the professional with business acumen. It is, therefore understandable as why the gap existed between these two entities. Based on the above mentioned dilemma for family business owners, there needs to be an explanatory research to test the effect of entrepreneurship (or entrepreneurial knowledge). The research question is hence:

Does entrepreneurial degree have effect on the growth of business in Hyderabad?

**4. METHODOLOGY**

The nature of present study is explanatory. Research tools and techniques that were used in this study are quantitative. The research was a comparative study in order to evaluate the performance of business owned by family members without relevant qualification with the businesses owned by professionals. The use of quantitative method was fundamental to discover underlying relationship between the variables. All the collection of this quantitative data will facilitate the researcher to contrast and conclude that whether the business with owners having relevant degree are better than those who do not have owner with a relevant degree or not.

**5. DATA ANALYSIS**

The data was collected from 20 restaurants which included both family owned and non-family owned business. There were three respondents. Figure:1 shows the number of respondents. The owners, employees and customers were given the survey along with the explanation to let them know the purpose behind the research.

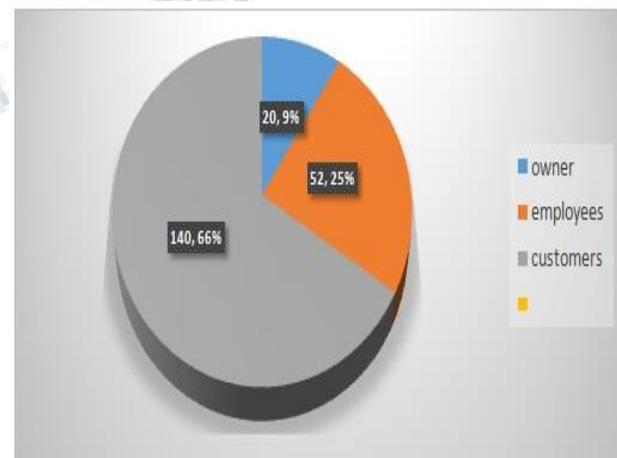


Figure 1: Respondents

The first objective of the study was to recognize the factors that could be used to evaluate the performance and growth of the business. Figure: 2 show the factors that were identified from the literature.



Figure 2: Factors for evaluation of business growth.

In order to analyze the overall status of business with respect to all variables as mentioned above, researcher performed Pearson’s Chi-Square test.

Table 1: Chi Square Test

S.No	Variables	Pearson Chi-Square	Degree of freedom	Asymp.Sig. (2 sided)
1.	Level of education	12.00	3	0.007
2.	Business Related Degree	13.333	1	0.000
3.	No. of employees in the restaurant	1.333	3	0.721
4.	No. of years of experience in the business	5.619	3	0.132

The above table shows the Pearson Chi Square values for to level of education, relevancy of degree, number of employees in restaurant and years of experience in business with respect to the type of business. The results indicate that there is considerable difference in level of education of family owned owners and non-family owned owners as the significance value is 0.007. It also reveals that non-family owners have business related degree and family owned owners do not have business related degrees with the significance value of 0.000. Furthermore it shows that there is only a negligible difference in number of employees and years of experience of both type of business as the values are not significant(0.721,0.132).

In order to analyze impact of Background of Business, Level

of Education and Relevant Degree on Employee Growth and Land growth. In this objective the researcher have identified the effect of type of business (Family owned and non-family owned) on the employee growth and land growth of the business. For this Multivariate test was applied on the data in SPSS.

Table 2: Multivariate Test

		Multivariate Tests <sup>a</sup>				
Effect		Value	F	Hypothesis df	Error df	Sig.
Typeofbusiness	Pillai's Trace	.400	2.663 <sup>b</sup>	3.000	12.000	.005
	Wilks' Lambda	.600	2.663 <sup>b</sup>	3.000	12.000	.005
	Hotelling's Trace	.666	2.663 <sup>b</sup>	3.000	12.000	.005
	Roy's Largest Root	.666	2.663 <sup>b</sup>	3.000	12.000	.005
Levelofeducation	Pillai's Trace	.568	1.089	9.000	42.000	.391
	Wilks' Lambda	.479	1.153	9.000	29.355	.360
	Hotelling's Trace	.992	1.175	9.000	32.000	.343
	Roy's Largest Root	.883	1.119 <sup>c</sup>	9.000	14.000	.327
Degree	Pillai's Trace	.333	1.997 <sup>b</sup>	3.000	12.000	.058
	Wilks' Lambda	.667	1.997 <sup>b</sup>	3.000	12.000	.058
	Hotelling's Trace	.499	1.997 <sup>b</sup>	3.000	12.000	.058
	Roy's Largest Root	.499	1.997 <sup>b</sup>	3.000	12.000	.058

The purpose of our analysis is to observe an effect of one or more Independent variables on several Dependent Variables at the same time. Table 2 shows the (MANOVA) Multivariate test. It consists of results for the three independent variables. In the Multivariate table, the first results are regarding the type of business. It is shown (the Wilks' Lambda row) that the F value= 2.663b with a significance value p=0.005 which means that there is a significant effect of type of business on the employee and land growth of the business. The second results are regarding the level of education. It is shown (the Wilks' Lambda row) that the F value= 1.153with a significance value p=0.360 which means that there is not much significant effect of level of education on the employee growth and land growth of the business. The third results are regarding the relevancy of

degree. It is shown (the Wilks' Lambda row) that the F value= 1.997b with a significance value p=0.058 which means that there is a significant effect of relevant degree on the employee growth and land growth of the business.

Table 3: Test of Between-Subject effects

Tests of Between-Subjects Effects						
Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.
Type of business	What is increase in employees per year?	3.000	1	3.000	6.632	.022
	What is the employee turnover per year?	1.333	1	1.333	7.000	.019
	What is the increase in branches of your restaurant?	.333	1	.333	.848	.373
Level of education	What is increase in employees per year?	1.767	3	.589	1.302	.313
	What is the employee turnover per year?	.933	3	.311	1.633	.227
	What is the increase in branches of your restaurant?	.975	3	.325	.827	.501
Degree	What is increase in employees per year?	2.250	1	2.250	4.974	.043
	What is the employee turnover per year?	1.000	1	1.000	5.250	.038
	What is the increase in branches of your restaurant?	.250	1	.250	.636	.438

Test of between subjects effects tables depicts how increase in employees, employee turnover and increase in branches of restaurant is affected by three independent variables; type of business, level of education and relevant degree. The Significance value shows that type of business and relevant degree has a significant effect on the increase in employees and employee turnover  $p < 0.05$  and no effect on increase in branches. It also shows that Level of education has no significant effect on increase in employees, employee turnover and increase in branches,  $p > 0.05$ .

Fig 3 represents the graphical representation of the estimated marginal means of the increase in employees, employee turnover and land growth of both family owned and non-family owned Business.

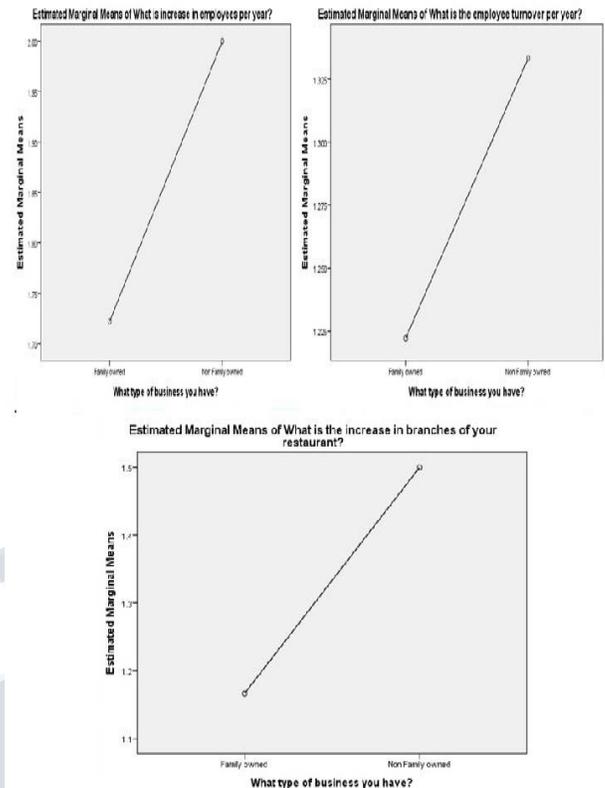


Fig 3: Estimated Marginal Means

## 6. RESULTS AND FINDINGS:

This study attempts to identify the effects of entrepreneurial knowledge on the production of family-owned business and non-family owned business in Hyderabad. The study reveals that the results show that there is considerable difference in the education level of owners of family owned and non-family owned business. The owners of the non-family owned business possess maximum number of business related degrees whereas the family owned owners do not have business related degree. There is no significant difference in the number of employees in restaurant in both family owned and non-family owned business. The owners of family owned business are more experienced as compared to the family owned owners. There is no significant effect of level of education and relevancy of degree on the land growth of the business. Whereas Employee growth and land growth in non-family-owned restaurants is more as compared to the family-owned restaurants. So it can be concluded that non-family owned business, the one with relevant degrees are more successful as compared to the family-owned business in Hyderabad.

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