

# 1 Entrepreneurs' Characteristics as a Determinant of MSE Growth

2 Kokobe Seyoum Alemu<sup>1</sup>

3 <sup>1</sup> Ambo university

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## 6 **Abstract**

7 The research study evaluated owner manager characteristics as a determinant of MSE growth.  
8 On this, analysis of variance was carried out to examine the variation in the growth of MSEs  
9 with respect to the variation in each of the independent variables. As two dependent variables  
10 were used to measure growth in this study, the result shows different statistical value for both  
11 of them. The ANOVA and t-test result indicates, there is a significant variation on the growth  
12 of MSEs in relation to the variations of gender, work experience and family back ground if  
13 growth is measured using asset growth. If growth is measured using employment growth, the  
14 deference in experience and family back ground brings difference in growth. But the result  
15 shows there is no significant difference in growth with respect to the difference in education  
16 level whether it is measured with asset or employment growth.

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18 **Index terms**— MSEs, small firms, micro enterprises, entrepreneurship, ethiopia.

## 19 **1 Introduction**

20 icro and small enterprise (MSE) sector is highly diversified sector and plays a predominant role in the economy  
21 of developing countries. The MSE enterprises are being considered as engines of economic growth worldwide.  
22 One of the most important roles of MSEs in this context includes poverty alleviation through job creation.  
23 The developed as well as developing countries are taking extreme benefits from MSEs and that are capable to  
24 accelerate the economy of any country (Jasra, 2011). It plays considerable responsibility in providing further  
25 employment and conversion of economy.

26 Given the importance of the micro and small enterprise sectors to GDP and to national employment in most  
27 developing countries like us, it is important to consider what sorts of policies might be undertaken to foster  
28 expansion of this sector. In order to address this issue it is helpful to better understand the factors involved  
29 in the growth of MSEs. Some businesses grow more than the others. Again, some business grows while others  
30 perish within a short period of time. So this gives us the implication of the fact that there is something that those  
31 businesses have and others don't. Even if some of the researchers on the area see growth as a natural phenomenon  
32 in the evolution of the firm, most of the peoples on the area see growth as a Author : Lecturer and Researcher,  
33 Ambo University, Ethiopia. e-mail: kokseyoum@yahoo.com consequence of some embedded characteristics (Mervi  
34 and Jyrki, 2007; Qureshi et al, 2012; Hansen and Hamilton 2011;Federico et al, 2008;Serazul, 2012; ??oldie et  
35 al., 2008;Rahel, 2010;brown et al. 2004). But, all of those researchers will agree on the contribution of owner/  
36 manager to business growth. In MSE most of the time the owner of the business will became the manager of  
37 the business. The rationale to include the entrepreneurs' profile perspective is that MSEs, compared with large  
38 companies, are characterized by a strong emotional connection between the owner and the firm (Chan and Foster,  
39 2001). Thus, certain characteristics of the entrepreneur will strongly influence not only the type of firm that  
40 will be created but also the way it will be managed (Qureshi et al., 2012). So, the attitudes and abilities of the  
41 business owner have an important impact on small firm growth and will be reflected in strategic choices and the  
42 ways in which he or she operates the business for future success ??Papadaki and Chami, 2002).

43 Many of those empirical studies have tended to focus on the relationship between the characteristics of the  
44 owner/manager and firm growth. Within the broad category of owner-manager characteristics, Woldie et al.,

45 ??2008) suggests five elements which are likely to influence growth, these are: Age, Gender, Education, Previous  
46 work experience and family back ground of the owner managers. According to Lucas' theory, the variation in levels  
47 of business acumen is the major determinant of business growth which does mean that difference in education  
48 level and experience about the business under consideration will have a direct impact in business decision and  
49 MSE growth. Alternatively, as proposed by Ishengoma and Kappel (2008), the major determinant of business  
50 growth is the differing taste for risk among individuals in which females are risk averse than males in making  
51 business decision.

52 The purpose of this paper is to explore how owner manager characteristics may affect MSE growth in Ethiopia  
53 1 Abstract-The research study evaluated owner manager characteristics as a determinant of MSE growth. On  
54 this, analysis of variance was carried out to examine the variation in the growth of MSEs with respect to the  
55 variation in each of the independent variables. As two dependent variables were used to measure growth in this  
56 study, the result shows different statistical value for both of them. The ANOVA and t-test result indicates, there  
57 is a significant variation on the growth of MSEs in relation to the variations of gender, work experience and  
58 family back ground if growth is measured using asset growth. If growth is measured using employment growth,  
59 the deference in experience and family back ground brings difference in growth. But the result shows there is no  
60 significant difference in growth with respect to the difference in education level whether it is measured with asset  
61 or employment growth.

62 that attention paid to owner manager characteristics as a role it play in MSE growth. Moreover, it is believed  
63 that, in effort to help mushrooming of MSEs, especially by establishing business incubators, academicians can  
64 provide consultancy service to MSEs through such researches. Last but not least, the knowledge of the effect of  
65 owner manager characteristics on MSE growth will allow proprietors not only to learn their true efficiency level  
66 but also to increase their firms' efficiency by means of investing in their own human capital or cut their level of  
67 investment if it has no effect.

## 68 2 II.

## 69 3 Literature

70 Even if there is a disagreement on level of digits between the government and some international institution like  
71 World Bank and International Monetary Fund, everybody agrees that there is a fast growth in Ethiopia for the  
72 last nine years. As the country lacks large industries, the contribution of MSE to this growth is undeniable. That  
73 is why the government of Ethiopia gave greater attention to the promotion and development of MSEs, especially  
74 for women as a strategy for poverty alleviation and increasing for employment creation. But those policies of  
75 the government failed to address those factors responsible for the graduation of MSE. Despite the countries  
76 heterogeneity with regard to MSEs composition and level of growth, the centrality of MSE in the process of  
77 economic development is by now widely recognized and essentially beyond debate. In addition, the MSE sector  
78 may serve as an entrepreneurial training ground in which tomorrow's business leaders can find success and gain  
79 valuable experience (A. McPherson and Rous, 2010).

80 In the world, there is no commonly accepted definition of micro and small enterprises. Depending on the  
81 prevailing realities and objectives, each country has its own definitions. Based on the purpose for which the  
82 identification is required different definitions have been instituted by researchers in the same country at different  
83 point of time. Thus, the definition of MSEs may be based on persons employed, annual growth of sales, fixed  
84 capital invested, or a combination of the above criteria. In Ethiopia the demarcation between micro and small  
85 enterprise was made based on the capital employed and number of employees. Again the demarcation depends  
86 on the sector of the business whether it is industry or service.

87 There are dozen researches on the area in developed countries and only a little is known in developing countries  
88 like Ethiopia. Present descriptive evidence from several countries suggests that small-firm growth differs according  
89 to a number of proprietor characteristics (Rahel, 2010; ??oldie et al., 2008; ??ansen and Hamiltan, 2011;Serazul,  
90 2012;Qureshi et al., 2012). The vast majority of those researchers conclude that owner/ manager profile like  
91 education level, age, family back ground, gender and previous work experience will have much impact on MSE  
92 growth. The conclusions of those variables are summarized as follows III.

## 93 4 Age of Owner/Manager and its

### 94 Influence on Growth

95 Available theoretical discussion explaining the influence of the age of the owner/manager advocates for the  
96 younger owner/manager; the argument here rests on the fact that the younger owner/manager has the necessary  
97 motivation, energy and commitment to work and is more inclined to take risks (Doern, 2009; ??asra et al,  
98 2008). The logic is that the older owner/manager is likely to have reached his/her initial aspiration. It is  
99 also suggested in the literature that younger individuals may be more willing to assume risks and grow their  
100 business. Following Federico et.al argument, a younger individual may have a higher need for additional income.  
101 The burden of supporting a family and meeting mortgage payments generally declines with age (woldie et al.,  
102 2008). An older individual who continues to be the owner-manager of a small firm is more likely to have reached  
103 his/her initial aspirations. However, while younger individuals have more motivation to expand their business

104 they also may have fewer financial resources and fewer networks. The limited empirical evidence suggests that  
105 the ownermanager's age tends to be negatively related to growth (A. .

106 Hypothesis 1: There is significant relationship between the age of the owner/manager and the level of growth  
107 attained; consequently, firms run by younger owner/managers tend to have a higher growth probability than  
108 those run by their older counterparts IV. Gender of the Owner/Manager and its Influence on Growth

109 The previous analysis suggested that maleheaded MSEs are likely to expand more rapidly than ones operated by  
110 females (Qureshi et al.,2012; ??oad et al.,2008). The survey results indicated that femaleheaded MSEs generally  
111 grew at an average rate of only about 7% per year, while those headed by males grew at approximately 11%  
112 per year ??Woldie et.al.,2008). One of the explanations for this difference is that enterprises owned by women  
113 are often concentrated in more slowly growing sectors. Even when controlling for other variables such as sector  
114 and location, however, enterprises owned by women grew at a significantly slower rate. Possible explanations for  
115 these gender differences include such factors as the dual domestic and productive responsibilities of women, or  
116 possible differences in the business objectives of females and males.

117 Females may also be more risk-averse than their male counterparts, reflecting their responsibilities for  
118 maintaining the welfare and perhaps even the survival of the household. This may lead them to use any available  
119 funds for diversification into new activities rather than for an expansion of existing ones ( mead et al.,1998;Brown  
120 et al., 2004; ??koten et al., 2006).

121 Akoten et al, (2006) provide an insightful analysis of many of the challenges constraining women's opportunities  
122 for MSE growth. All too often, women face asymmetrical rights and obligations limiting their labor mobility  
123 and burdening them with disproportionate household responsibilities. Due to gender-specific roles and time  
124 constraints, even university-trained women may choose to weave tapestries within the household. Temporal  
125 discontinuities in women's ability to work frequently leads to a loss of economic skills, and at times even lowers  
126 career and educational aspirations. Women in some countries face greater problems with in numeracy, illiteracy,  
127 and a lack of business skills. In addition, women commonly have unequal access to markets. Studies have  
128 shown that men travel farther geographically than women to buy inputs, enabling them to enjoy lower prices  
129 and higher quality ??Bwisa et al., 2011). Men also sell in multiple markets more frequently than women,  
130 allowing them additional growth opportunities. As a result of such factors, women frequently focus their MSEs  
131 on a relatively narrow range of industries. It has been proposed in the literature that women may have fewer  
132 opportunities to develop relevant experiences may have fewer networks to get assistance and may have greater  
133 difficulty in assembling resources (Serazul, 2012). There is some evidence that banks may impose more stringent  
134 requirements on women business owners in regard to collateral for loans, and therefore limit their ability to grow  
135 (Brown et al., 2004). Women may also be more family oriented and be less keen in pursuing economic goals  
136 related to expansion of the firm (Serazul, 2012). Hansen and Hamilton,(2011) found that being female had a  
137 negative impact on the growth of small ventures but had no impact on the survival of the firm.

138 Hypothesis 2: There is significant relationship between the gender of the owner/manager and firm growth;  
139 male-owned/managed firms exhibit higher growth than female-owned/managed firms.

140 V.

## 141 5 Formal Education of Owner/Manager and its Influence on 142 Growth

143 In the past it was generally been believed that small business owners would be less likely to have pursued a  
144 formal education than those holding managerial positions in larger organizations, as individuals "followed in  
145 their father's footsteps. There is no question as to the fact that basic education enhances the overall quality of  
146 the owner/manager by providing him/her with basic numeric and literacy skills, thus increasing the chance of  
147 survival ??Tiruneh,2011; ??asra et al.,2011; ??oldie et al.,2008). Literature's discuss on the educational level  
148 of the owner/manager tends to be split into two schools of thought. Some studies state that the fact that a  
149 manager has a higher education degree or even a postgraduate degree seems to stimulate the growth of the  
150 firm, thus having an impact on both survival and growth. The converse argument is that owner/managers of  
151 MSEs who had degrees generally achieved lower rates of growth than those less well educated (Reid and Xu,  
152 2009). The link between owner-managers' education and firms' performance as well as growth is addressed  
153 in the economic literature. One among the categories of human capital effects on firms' competitiveness is  
154 allocative effect. This effect is related to owner-managers' education, in that those with a relatively higher  
155 level of education have a greater ability to efficiently allocate resources to more productive lines of business and  
156 to select profit maximizing inputs/combinations (Federico et al.,2008). Qureshi et al., (2012), emphasize the  
157 role of entrepreneurial/business education in the growth/performance of the firm. They argue that a firm whose  
158 management has business/entrepreneurial education is likely to perform better than those without managers with  
159 these types of education. Loan providers use owner-managers' education levels as an indication of the latter's  
160 ability to utilize resources to generate profit and be able to meet their obligations. Thus, firms with relatively more  
161 educated owners are likely to have more access to external finance. Hypothesis 3: There is significant relationship  
162 between the educational qualification of the owner/manager and the level of growth attained; growth is higher  
163 in firms where the owner/manager has a college or university degree and above.

## 164 6 VI. Previous Experience and its Influence on Growth

165 Any development practitioner or businessperson can attest that MSE owner/managers acquire a substantial  
166 amount of skills and knowledge while operating their firms. Such work experience proves to be highly important  
167 for developing capabilities within MSEs, as entrepreneurs with more years of work experience typically have  
168 faster-growing MSE. For example, one empirical study found that Kenyan entrepreneurs with at least seven  
169 years of work experience expanded their firms more rapidly than those without such experience (Doern, 2009).  
170 While the

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172 Volume XV Issue IV Version I Year ( ) C benefits of on-the-job experience are frequently mentioned, the  
173 importance of prior work experience may be even more helpful, especially if that experience came within the same  
174 sector or in micro to small-sized enterprises. An empirically rigorous study of high-growth entrepreneurs provides  
175 telling insights about the importance of skills and business contacts gained during past employment (Tiruneh,  
176 2011). Among Latin American and East Asian entrepreneurs, contacts were found to be a key benefit of work  
177 experience, helpful in identifying business opportunities, obtaining financing and other resources, and alleviating  
178 management challenges (Brown et al., 2004). Other developing regions, such as Africa, are characterized by a  
179 systematic lack of opportunities to gain relevant work experience.

180 A study carried out by Serazul, (2012) found that MSE owner/managers with little experience at the start-up  
181 phase could have problems remaining solvent with an increase in expenditure in relation to their earnings. Nichter  
182 and gold mark, (2005) in their study found no relationship between prior MSE experience and firm growth. Coad,  
183 (2008) found reasonable evidence indicating a negative relationship between being unemployed before starting a  
184 business and subsequent business growth. Knowledge gained from industry experience provides the entrepreneur  
185 with certain key competencies and inside information needed to recognize and exploit opportunities. Through  
186 work experience, people develop information and skills that facilitate the formulation of entrepreneurial strategy,  
187 the acquisition of resources, and the process of organizing. Industry experience is also important in reducing  
188 risks and uncertainty. Thus, industry experience is expected to be associated with entrepreneurial orientation  
189 (woldie et al.).

## 190 8 , 2008).

191 Hypothesis 4: There is significant relationship between the previous experience of the owner/manager and firm  
192 growth; growth is positively influenced by previous experience of the owner/managers, especially those who have  
193 prior MSE experience.

194 VII. Family Back Ground / Family who Owned a Business/ Coad, (2008) discusses the importance of the  
195 entrepreneur's family background in instilling the need for achievement, the need for independence and control  
196 of an unstructured environment, and patterning later modes of behaviour. One important dimension of family  
197 background, which seems to affect entrepreneurial outcomes, is business history. Entrepreneurs born into business  
198 families are more likely to have positive attitudes toward risks, be prepared in part by the family's accumulated  
199 business experience and have links with the family's age-old ties and business networks. A family's business  
200 background is also a source of previous work experience, another influential personal life experience. This  
201 characteristic is probably more critical in developing countries like Ethiopia, given the relative strength and  
202 cohesiveness of the family unit in such countries. Therefore, family business history is expected to be related  
203 to higher levels of entrepreneurial orientation. Approximately three-quarters of MSE owners have some family  
204 connection with business ownership, with men being much more likely to 'inherit' a business than women.  
205 Individuals who have business owning parents are much more likely to pursue their own business ventures than  
206 those who do not (Davidsson et al., 2002). In addition, he further says, spouses of micro or small business owner  
207 are more likely to be business owners themselves than those who have employed spouses.

208 A number of studies have shown that entrepreneurs are more likely to be from families in which the parents  
209 owned a business. It is assumed that young individuals develop knowledge of what is involved in running a  
210 business (Krasniqi, 2012), and that they are more likely to perceive entrepreneurship as a viable career choice.  
211 There is indeed some empirical evidence to suggest that coming from an entrepreneurial family background  
212 increases the likelihood of survival (woldie et al., 2008). However, there is little evidence on the impact of family  
213 background on the growth prospects of an entrepreneurial venture. One study has found no relationship between  
214 entrepreneurial background and growth of a small venture (Hansen and Hamilton, 2011). Hypothesis 5: Growth  
215 is higher for businesses whose owners during childhood had close family membersparents or siblings -that were  
216 entrepreneurs.

## 217 9 VIII. Methodology

218 The aim of this research is to explore the influence of the owner/manager characteristics on the growth of the  
219 firm. Utilizing a self administered questionnaire, data were collected from two sub-cities of Addis Ababa, where a  
220 large number of MSEs are located, namely: Addis ketema sub-city and Arada subcity. The sample for this survey  
221 consisted of 99 MSE owner/managers. Questionnaires are good research methods as they yield information about  
222 the past and present and offer the best means of obtaining standardized stimuli ??Woldie et al., 2008).

223 The data collected from the self administered questionnaire were analyzed by using descriptive statistics based  
224 mainly on frequency distribution and percentage value. In addition, ANOVA test and t-test were used to check  
225 the relation between dependent and independent variables. The ANOVA test is used when there are more than  
226 two alternatives. The t-test is used for variables having two alternatives to check whether Many different variables  
227 have been used to measure the firm's growth. Employment, sales, and total asset are mostly used as growth  
228 measurement in literature. This shows that, there is little agreement in the existing literature on how to measure  
229 growth, and scholars have used a variety of different measures. In measuring growth, although theoretically  
230 alternative measurement tools such as growth rate of sales or profits could give more precise results, in practice  
231 they are not as credible as the employment and asset growth measure because of entrepreneurs' hesitation to  
232 report the true values of their sales and profits. This hesitation, which leads to measurement errors, makes the  
233 employment and asset-based measure preferable in studies considering enterprise growth. Again, employment  
234 growth is relatively easy for respondents to remember and that is uncontaminated by price changes. Moreover,  
235 job creation may be an important social goal, and policies to support MSE's are frequently justified on their  
236 supposed employment effects. But the use of employment or asset criteria could also depend on the sector under  
237 study. For highly capitalized firms, such as those belonging to certain manufacturing subsectors, variation in  
238 assets would be a more accurate measure of growth than variation in the workforce. But, this criterion cannot  
239 be used in the service sector, which is more labor-intensive. Therefore, this paper used both employment 2 IX.  
240 Findings from the Research and asset growth as a growth measure. Employment Growth is the difference between  
241 average employment at inception and current average employment; whereas total asset growth is the difference  
242 between the total asset at the current and total asset at the beginning plus unpaid amount of debt.

243 The study sample consisted of 99 MSEs in which large number of them is owned by females. This is because  
244 of the fact that; in our country; as the number of females in formal education is less in number, most of them  
245 are participating in the business. The numbers of females joining government offices are very much less due to  
246 their less participation in formal education and business is their best area of selection. That means women in  
247 developing countries like us have a strong tendency to enter the MSE sector, in part because of ease of entry and  
248 their limited access to alternate opportunities. Again females are good from marketing point of view than males  
249 as they have a natural ability to attract and negotiate customer. Therefore, it is perhaps not surprising to see  
250 more number of females in business area than males in this country.

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252 Volume XV Issue IV Version I Year ( ) As it is indicated in the above t-test table result, 38 MSEs in this study  
253 are owned/ managed by male owners. In terms of growth performance, enterprises run by male individuals' shows  
254 an average asset growth of  $2.55*10^5$  and employment growth of 4.74 during their operation time. The remaining  
255 61, MSEs involved in this study are owned/ managed by female individuals. In terms of performance MSEs in  
256 this category shows on average asset growth of  $1.14*10^5$  and employment growth of 2.84 . Concerning both,  
257 asset and employment growth, the mean growth is larger for the male category. These suggest, therefore, that  
258 enterprises with a male owner/ manager exhibit greater likelihood of having higher growth than enterprises whose  
259 owner/ manager is females. Possible explanations for these gender differences include such factors as the dual  
260 domestic and productive responsibilities of women, or possible differences in the business objectives of females  
261 and males, or education difference between females and males in which most of the time in our country females  
262 do not go to school for cultural reason. Again, females may also be more risk-averse than their male counterparts,  
263 reflecting their responsibilities for maintaining the welfare and perhaps even the survival of the household. The  
264 table above shows 13 enterprise owner/ managers of this study have an education status of no schooling which  
265 means that they did not join formal education in their life time. Enterprises owned/managed by individuals with  
266 no education level have an average asset growth of  $2.64*10^5$  and employment growth of 5 in their whole life till  
267 now.C

268 The other 19 enterprise owner/ managers of this study have an education status of elementary school which  
269 means that they have been in a formal education for some years with a maximum of grade 8. Enterprises owned/  
270 managed by peoples with this level of education have an asset growth of  $1.80*10^5$  and employment growth of  
271 1.58 in their life time Again the other 42 enterprise owner/manager of this study have an education status of  
272 high-school which means that their maximum level of education is to grade 12 starting from grade 9. Enterprises  
273 owned/ managed with peoples of this level of education have a total asset growth of  $1.17*10^5$  and employment  
274 growth of 3.24 during their operation

275 The remaining 25 MSEs involved in this study are owned/ managed by individuals having an education level  
276 of collage/ university status. This educational status category of the owners/manager includes those who join  
277 college or university to have further education. This category includes those owners/managers having diploma  
278 or first degree and above. Regarding performance of the enterprises in this category of the educational level of  
279 the owners/manager of the enterprises; on average they showed an asset growth of  $1.96*10^5$  and employment  
280 growth of 4.88 since their establishment.

281 Over all, the result shows that education does not have such implication on asset and employment growth as  
282 expected. It is not surprising to see such things in our country in which most of the educated peoples are not  
283 involved much in business. In our country the more peoples are educated, the more they are far from business  
284 and they consider it as a minor activity left for jobless people which most of the time is the uneducated part

## 11 X. HYPOTHESES TESTING

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285 of the society. The no schooling part develops those businesses from scratch and knows everything about the  
286 business environment due to enough experience for the industry. Again even if they are not educated they have  
287 passed whole of their life in business and they know what to do than many of the educated person who is new  
288 in the area. So this knowledge of the area may make them develop more when compared with more educated  
289 parties. Again the education level attained by the educated parties may not be related with the activity they are  
290 undertaking. Even if lacks of education have negative implication on business growth, the result of this study  
291 shows that mean asset and employment growth is higher for no schooling.

292 Concerning the employment growth the possible reason that no schooling category has high growth is due to  
293 the fact that they are uneducated, they should have to work through others that they should hire many employees  
294 which are appropriate for the position and this may increase the number of employees at their organization. The  
295 third variable considered in this study as the success factor for growth of MSEs is the age of the owner/ manager  
296 of the enterprises. To examine the variation in the growth of the enterprises in different age categories, the sample  
297 is grouped into four age groups as depicted in the table above. In many studies it is stated that, the young have  
298 high probability of business development and as peoples become older their energetic effort to develop their  
299 business will decrease. In this study what is needed to be known is which category of this young age particularly  
300 have a high probability of business growth and which older part have a least growth. From where this least  
301 growth starts will be answered after business owners are categorized in to four age groups.

302 As it is indicated in the table, from the total sample taken 10 enterprises are possessed by owners/manager  
303 with the age of less than or equal to 25. This category is the youngest of all the listed categories. When we look  
304 at the growth of those MSEs in this age category on average they show an asset growth of 95,700 and employment  
305 growth of 5 from the time of establishment to to-date.

306 The The other variable in this study is the owner/manager experience 3 The third category of MSEs in this  
307 table shows that 34 enterprises are included under this category and in the business industry which is expected  
308 to create variations on the growth of MSEs operating in Addis Ababa.

309 From the above, 20 owner/ managers of MSEs in this study have less than 5 years work experience in any  
310 other field either being employed in other organizations or working in their own independent enterprises before  
311 the current one. In terms of growth those 20 enterprises owned/ managed by individuals with less than 5 years  
312 work experience demonstrates an average asset growth of 17,817 and employment growth of -15.

313 Again the same table shows that, 28 MSEs are owned/ managed by owners which have a prior management  
314 experience of between 5 to 10 years. With respect to the growth of those enterprises in this category on average  
315 they show an asset growth of 29,493 and employment growth of 1.29 during their operation owned/ managed by  
316 individuals with a work experience of 10 to 15 years. Concerning growth those business with in this category  
317 have an average asset growth of 249,726 and employment growth of 5.91.

318 The remaining 17 MSEs in this study are owned/ managed by individuals who have a prior work experience  
319 of more than 15 years. The growth of the enterprises in this category shows that they have an asset growth of  
320 410,744 and employment growth of 7 starting from the beginning to to-date.

321 This shows that the increase in the owner/manager experience will increase the average growth of those  
322 enterprises. This is because of the fact that owner managers having an experience before, knows different tactics  
323 of solving problems. Again the liability of newness does not affect experienced individuals. As they know what  
324 is happening in the area, they may have special techniques in using an opportunity and decreasing a threat.  
325 The negative value of employment growth of those businesses within the age range of less than 5 years shows  
326 that, there is high probability that those businesses are unstable and go out of business at that stage. But small  
327 businesses passing this stage have high probability of growth. The fifth variable of this study is the family back  
328 ground of the owner/ manager. This deals with whether the owner/ manager have a family who participate in  
329 business before. Having being born from business families would have relation to the performance of MSEs and  
330 determine their success in the business environment they are working in. As shown on the above table, 53 MSEs  
331 are owned/ managed by individuals whose families are in the business before. When we look at the growth of  
332 MSEs in this category, it shows an average asset growth of  $2.58 \times 10^5$  and employment growth of 4.72 during their  
333 life time.

334 On the other hand, from the same table you can see that, 46 sample enterprises in this study are owned/  
335 managed by individuals whose families didn't participate in businesses. That is their families have been  
336 participating in another activity which is different from business. Looking to the performance of the enterprises  
337 in terms of the asset growth, on average they show a  $6.53 \times 10^4$  and in terms of employment it shows 2.24 during  
338 their operation.

339 Generally from this statistical data, those enterprises owned/managed by individuals whose owners is from  
340 business family perform better in terms of growth compared to those possessed by individuals whose owners are  
341 from non business family. The possible reason is that, being coming from families that have exposure for business  
342 will decrease the liability of newness as he/she grows with families always talking about business. Again, those  
343 individuals may have learned to expect difficulties and be less disheartened in the face of unfavourable events.

## 344 11 X. Hypotheses Testing

345 The following ANOVA and t-test result is used to identify whether those variables are determinates or not.  
346 The above table shows that, the Asset growth is significantly different with the gender of the owner/ managers

347 (t=2.638, df=97, p=0.010). So, with respect to the asset growth the hypothesis which states that, there is  
348 significant difference on the MSE growth operated by owners with different gender can be accepted. The result  
349 indicates there is a significant difference on the asset growth of MSE run by male and female.

350 Again with respect to employee growth, the above analysis suggested that there is no statistically different  
351 employment growth between male-headed and female headed SMEs (t=1.287, df=97, p=.201). Even if the  
352 average employment growth for male headed (4.74) enterprises are larger when compared with female headed  
353 (2.84) enterprises there is no significant difference in employment growth for both of them. The survey results  
354 indicated that male and female-headed MSEs generally grew at insignificant difference. With respect to the  
355 employment growth the hypothesis which states that, there is a significant difference on the MSE growth operated  
356 by owners with different gender is rejected

357 To sum up about the gender variable as one factor that contribute to the growth of MSEs, the t-test provide  
358 table with different results. In terms of asset growth gender is statistically different for male and females. But, for  
359 employee growth it is statistically insignificant for the difference in the gender of owner/ manager. Based on this  
360 it can be concluded that, gender is not the determinants for growth, if growth is measured by employee growth  
361 and is the determinants of growth if growth is measured by using asset growth. The above table shows that,  
362 the asset growth among different educational levels is not statistically different (F=1.97, df=3, 95, p=0.315) and  
363 at the same time employment growth is not statistically different for the difference in education level (F=0.968.  
364 df=3, 95, p=0.411). The ANOVA result suggests that there is a weak relationship between the owner/ manager  
365 educational level and the asset and employment growth. The result suggested that educational attainment of the  
366 owner /manager has no effect on MSE growth. Such findings may suggest that enrolment in formal schooling is a  
367 poor measure of skill creation, or that creating skills without opportunities to use them does not foster economic  
368 growth.

369 As a result the hypothesis of the study which states that, there is a significant difference on the as-  
370 set/employment growth of MSE in relation to the difference on the education level of the owner/manager is  
371 rejected. Even so the ANOVA result shows that there no significant relation between the educational level of  
372 the owner/ manager and the MSE growth, the mean asset/employment growth is high for no schooling part of  
373 the educational level which includes those individual who didn't join formal education Hence, the hypothesis of  
374 this study which states, there is significant difference on the performance of enterprises in relation to the owner/  
375 manager age will be rejected. That means age of the owner manager does not affect business growth But, the  
376 result of asset growth shows that there is a significant difference between asset growth and age of owner/ manager  
377 (F=1.479, df=3, 95, P=0.000). This shows that having young owner/ manager do have a significant effect on  
378 asset growth. Those businesses whose the owner/ manager is young grow more than the others.

379 Hence, the hypothesis of this study which states, there is significant difference on the performance of enterprises  
380 in relation to the owner/ manager age will be accepted. That means being young have an effect on asset growth.

381 To conclude, the age of the owner/ manager is the determinants of growth if growth is measured by asset  
382 growth but is not the determinants of growth if the growth is measured by using employment growth. This is to  
383 mean that those businesses owned/ managed by young individual have a large asset growth but have no effect on  
384 employee growth. Irrespective of the age of owner/ manager, the employment growth is almost similar. The above  
385 ANOVA table shows that the owner manager experience have a direct relation to both asset and employment  
386 growth (F=6.063 and 14.930, df=3,95, P=0.001 and 0.000). That means statistically there is a significant relation  
387 between the owner/manager experiences and business growth. This is to mean that businesses owned/managed  
388 by experienced people will As a result, the hypothesis of this study which states, there is a significant difference  
389 on MSE growth with the difference in experience is accepted for both asset and employment growth. To conclude  
390 the ANOVA result, the table shows us that owner/ manager experience is the determinants of MSE growth.  
391 The above t-test result shows that businesses owned/managed by individuals who is from a family member that  
392 owned a business at childhood has a positive effect and statistically significant for asset growth (t=3.832, df=97,  
393 P=.000). But the t-test for employee growth shows that the result is statistically insignificant. That means  
394 coming from families within business industry have no effect on employment growth. Some reason set for this  
395 is that being from business family may contribute to the successful start-up of MSEs, but not necessarily to its  
396 growth, when more specific skills necessary to managing growth may be required. Now, based on the above t-test  
397 result the hypothesis of this study that states, there is a significant difference on the growth of enterprises with  
398 respect to the difference in the family back ground of the owner is accepted if growth is measured by using asset  
399 or rejected if growth is measured by employee growth. To conclude the result of the above t-test table MSEs  
400 owned/ managed by individuals who came from business family is the determinants of business growth if growth  
401 is measured by using asset growth and not a determinant if growth is measured by using employee growth.

## 402 12 XI. Conclusion

403 Numerous studies have tried to identify the determinants of firms' growth, mainly in order to isolate those factors  
404 which would allow us to distinguish the successful businesses of tomorrow from those which will fail to grow.  
405 Ideally, this would allow the implementation of better-targeted economic policies, since growing firms greatly  
406 contribute to the creation of jobs and wealth. Nevertheless, the bulk of such research tends to concentrate on  
407 MSEs in developed countries; very limited studies have provided such research on MSEs in Africa. To the best

## 12 XI. CONCLUSION

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408 of my knowledge, this paper is the first to quantitatively investigate the relationship between MSE growth and  
409 owner/ managers characteristics in our country; Ethiopia and it will fill this gap of knowledge.

410 In this study, while some of the findings support commonly held beliefs, others suggest that some popular  
411 concepts regarding small business growth may need to be re-examined. The study supports the idea that, there  
412 is a significant variation in the growth of MSEs operating in this town with respect to the gender, experience  
413 and family back ground differences if asset is used as a growth measurement. That means the variation in those  
414 variables will result in the variation of growth if the measurement of growth is asset growth. But the study shows  
415 there is no significant difference between MSE growth with respect to the variation in the level of education of  
416 the owner/ managers whether the growth is measured by using asset growth or employment growth. The study  
417 found no evidence to support a common perception linking formal higher education with higher incidence of  
418 business success and growth.

419 The statistical result for the second dependent variable that is employment shows, there is a significant variation  
420 in the growth of MSE with respect to experience and family back ground, if growth is measured using employment  
421 growth. With respect to this variable, the statistical result shows there is no difference in growth between MSE  
422 with respect to the difference in gender and age of the owner / manager.

423 Based on the finding, as enterprises owned/ managed by individuals with high previous experience shows better  
424 growth; stakeholders of the sector should work on preparing training programs so that they can share experience  
425 with one another especially to those entering into the sector without any previous business background. Again  
426 education level which is expected to have an effect on MSE growth doesn't affect growth here. This is because  
427 of the fact that the education system of the country is more of theory based than practical. So it is good if the  
428 education system of the country is practical rather than a theory based and other subjects about business should  
be given at lower grades that everybody who joins school can get it. 1 2 3 4 5



Figure 1:

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**1**

Employment growth	Male	38 4.74	7.232	1.173
	Female	61 2.84	7.090	.908
asset growth	Male	38 2.55E5 312419.567		50681.146
	Female	61 1.14E5 217739.999		27878.750

Figure 2: Table 1 :

**2**

Education status of owner/manager	Asset growth	Employment growth
no schooling	Mean 263950.00	5.00
	N 13	13
elementary	Mean 180471.05	1.58
	N 19	19
high-school	Mean 116745.71	3.24
	N 42	42
collage/university	Mean 195676.16	4.88
	N 25	25
Total	Mean 168237.62	3.57
	N 99	99

Figure 3: Table 2 :

**3**

Age of the owner /manager	Asset growth	Employment growth
	Mean 95,700.00	5.00
less than 25	N 10	10
greater than or equal to 25 and less than 35	Mean 271,305.07 N 54	4.54 54
greater than or equal to 35 and less than 45	Mean 19,940.00 N 25	2.20 25
greater than or equal to 45	Mean 54,955.00 N 10	.30 10
Total	Mean 168,237.62 N 99	3.57 99

Figure 4: Table 3 :

**4**

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Figure 5: Table 4 :

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5

		Group Statistics					
		Family ownership of business		N	Mean	Std. Deviation	Std. Error mean
Employment growth	Yes			53	4.72	6.640	.912
	No			46	2.24	7.590	1.119
asset growth	Yes			53	2.58E5	302604.984	41565.991
	No			46	6.53E4	166525.236	24552.807

Figure 6: Table 5 :

6

		T-test for Equality of Means					95% Confidence Inte		
		Sig.	Mean	Std.	Er-	Difference	Difference	Lower	U
		(2-		t Df	tailed)	Difference	53316.168	34845.901	2
asset growth	Equal variances assumed	2.638	97 .010		140663.735				
Employment growth	Equal vari- ances as- sumed	1.287	97 .201		1.901		1.477	-1.030	4

Figure 7: Table 6 :

7

ANOVA Table	Sum of Squares	Df	Mean Square	F Sig.

Figure 8: Table 7 :

		ANOVA Table		
		Sum of Squares	Df	Mean Square
				Sig.
Employment growth * age of the owner /manager	Between Groups	22417.97	3	74.932479
	Within Groups	4811.526	95	.225
	Total	5036.323	98	50.648
asset growth * age of the owner /manager	Between Groups	(Combined)	1.304E12	3 4.348E11 7.356
	Within Groups	5.615E12	95	5.910E10
	Total	6.919E12	98	

The above ANOVA results indicated that there is no significant difference in employment growth of different MSEs owned/managed by peoples in different age level ( $F=7.356$ ,  $df=3, 95$ ,  $P=0.225$ ). That is, the relation between owner /manager age and employee growth is not statically different. Holding other business and owner characteristics constant, being young, does not seem to affect employee growth performance.

Figure 9: Table 8 :

ANOVA Table				
Sum of Squares	Df	Mean Square	F	Sig.

Figure 10: Table 9 :

		95% Confidence Interval of the					
		t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Difference
Employment variances as- growth sumed	1.733 97		.086	.2478	1.430	-.360	5.316
Equal variances not assumed	1.716 90.199		.090	2.478	1.444	-.390	5.346
asset growth variances as- growth sumed	3.832 97		.000	192212.696	50157.321	92664.299	291761.094
Equal variances not assumed	3.982 82.949		.000	192212.696	48275.997	96192.805	288232.588

Figure 11: Table 10 :

<sup>1</sup>According to the Ethiopian MSE development Strategy, Micro enterprises are business with less than 5 employees and capital of less than 100,000 birr. Again Small enterprises are business with employees of 6-30 and capital of less than 1.5 million birr.

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<sup>4</sup>Workers here includes even working owners (entrepreneurs), since job creation for owners may be equally as valuable, from a social point of view, as jobs created for others. On the other hand, unpaid family helpers are excluded, both because their relationship is more frequently part-time and casual (as well as unpaid), and because they cannot be reliably measured. Employment is defined as the sum of regular workers, contract workers, and working entrepreneurs.

<sup>5</sup>Experience here includes the work done by the owner/manager other than this position held. It is the total number of years the person spent on work.

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