





The impact of entrepreneurial orientation on business performance: Mediating role of socio-emotional wealth in family businesses in West Sumatra, Indonesia

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ABSTRACT

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The social emotional wealth (SEW) of family members in managing the family business must be strengthened through innovation and creative thinking, which are part of Entrepreneurial Orientation (EO). Although much of the existing literature focuses on measuring research performance by prioritizing economic aspects, it often overlooks how SEW influences the management process in family businesses. This study examines whether EO, through SEW, affects performance in family companies in West Sumatra, Indonesia. It employs explanatory research with a survey method, utilizing a quantitative approach. Data were collected from 100 family businesses, and analysis was conducted using Structural Equation Modeling - Partial Least Square (SEM-PLS). The study hypothesizes that EO has a significant effect on business performance (BP) through SEW in family companies in West Sumatra, Indonesia. Limitations include the sample size, and future research could incorporate both qualitative and quantitative methods to explore SEW more deeply. The findings can contribute to the development of research on ethnic family businesses.

Contribution/Originality: This article reveals that the role of EO for BP by examining non-economic factors. SEW contributes to ethnic family firms in Indonesia. Ethnic family firms are very limitedly discussed, and this study provides an initial contribution to the literature.

1. INTRODUCTION

According to Brigham and Payne (2019), a family business is one that is run collaboratively by family members. The global economy depends heavily on family firms, which make up a sizable portion of all businesses in many nations and contribute significantly to employment and GDP. The significance of understanding how certain elements associated with family ownership and management impact business strategy and performance is underscored by entrepreneurial orientation in family enterprises (Kellermanns & Eddleston, 2004). The global economy depends significantly on family firms, and entrepreneurial attitude is part of the understanding of how such firms prosper, expand, and evolve in a setting that is rapidly changing (Chrisman, Chua, Pearson, & Barnett, 2012). Entrepreneurial orientation, when considered in the context of family firms, can involve product or service innovation, expanding markets, diversification of business portfolios, and operating on long-term growth strategies. However, the challenges faced by family businesses in achieving an entrepreneurial orientation may also be distinct from those of non-family businesses, such as decision-making, conflicts of interest, and generational leadership changes (Cruz & Nordqvist, 2012). Past research has established that family businesses tend to possess distinctive traits like

sustainability orientation, high family values, and long-term orientation (Daspit, Randerson, Seaman, & Barredy, 2020). These variables could impact how much family businesses embrace and implement an entrepreneurial orientation in their business strategy.

One of the interesting and relevant areas of study is the impact of entrepreneurial orientation on family firm performance. Family businesses may have unique variables affecting their decisions, strategies, and overall performance. Family businesses are an interesting topic to study in the context of entrepreneurial orientation since they are influenced by personal relationships, family traditions, and heritage (Chua, Chrisman, & De Massis, 2015). Essentially, entrepreneurial orientation involves attitudes, behavior, and decisions that are directed towards creating added value, innovation, and growth in an organizational context (Nordqvist, van Helvert-Beugels, & Melin, 2020). In the view of extant literature, an entrepreneurial orientation has the potential to impact the profitability, sales growth, and competitive advantage of an organization. Other distinctive factors, such as intergenerational relationship management, sustainability, and family traditions, may also play a role in shaping entrepreneurial orientation in family businesses. For instance, the desire to preserve the family legacy or fulfill the aspirations of the next generation might influence business decision-making in family businesses (Madison, Chrisman, & Kim, 2021). Entrepreneurial intention of family businesses emphasizes the significance of innovative business models in enhancing the profitability of family businesses in developing economies. This study informs us about how entrepreneurial thinking can fuel the emergence of dynamic capabilities that facilitate business model innovation (Chen, Guo, & Zhu, 2021).

Socio-emotional capital (SEW) is one of the exclusive characteristics that make family businesses different from non-family businesses and successful. "SEW" refers to the social and emotional benefits that families accrue by running and owning their own enterprises. According to Gomez-Mejia, Cruz, Berrone, and De Castro (2011), SEW comprises a number of factors including social relationships, which are preferred by families to be sustained within the company, family identity, emotions, and family domination (Gomez-Mejia et al., 2011). Entrepreneurial orientation (EO) and socio-emotional wealth (SEW) are two key concepts in family business research. While SEW is the social and emotional capital of the family firm, EO comprises factors such as creativity, initiative, and risk-taking. Understanding how EO affects business performance through SEW can be useful knowledge for family firms that desire to improve their performance (Jaskiewicz & Dyer, 2017). Existing literature has shown that SEW not only affects the internal dynamics of family firms but also has external impacts, such as customer, supplier, and community relationships. For example, high SEW family firms will have stronger customer loyalty and better relationships with local communities since they operate with values supporting and honoring long-term relationships (Brigham & Payne, 2019).

Although there has been extensive research emphasizing the significance of SEW, there remains much to investigate, particularly how SEW interacts with other variables in a dynamic and rapidly changing business environment. This study aims to further explore the role of SEW in family businesses, focusing on its impact on firm performance and company sustainability amid contemporary opportunities and challenges (Brigham & Payne, 2019).

West Sumatra, which is predominantly Minang ethnically, is well known for entrepreneurship. Many businesses operated there are family-owned. In addition to being influenced by Minang culture, these businesses are also affected by the matrilineal system, a system of descent traced through the mother's line. This results in many companies being inherited by daughters, who are recognized as the lineage controlling inheritance and family assets, thereby enabling family businesses to grow rapidly (Primadona, 2019). Given the numerous elements that may affect the growth of family businesses, the impact of entrepreneurial orientation on business performance will be a crucial subject to research.

According to recent studies in this field, family businesses' long-term viability, profitability, and sales growth can all be significantly impacted by entrepreneurial orientation (Cruz & Nordqvist, 2012). To adequately comprehend the intricate dynamics that exist between business success, family organization, entrepreneurial orientation, and their

connection to SEW, further research is still needed. Research in this field can further investigate the operation of entrepreneurial orientation in family businesses, including the determinants of its adoption and implementation, as well as its influence on long-term business success (Sharma, Kumar, & Kaur, 2020). For family business owners, managers, and executives, this research can provide insightful information on how to manage their businesses effectively and sustainably. This research is significant as it can be related to other variables, such as SEW, as a mediating factor in the context of family businesses.

2. LITERATURE REVIEW

2.1. Entrepreneurial Orientation

Because of its central role in the creation of innovation, expansion, and competitive edge for a company, entrepreneurial orientation has received considerable attention in business management literature (Eddleston, De Massis, & Rovelli, 2021). Entrepreneurial orientation plays an increasingly important role in shaping organizational strategy and performance in today's dynamic business environment. This review of literature examines recent trends in understanding entrepreneurial orientation, focusing on its definition, measurement, determinants influencing it, and its effects on business success. Entrepreneurial orientation is not limited to family or small businesses, but can be employed to describe large corporations, e.g., start-ups and expansions, according to Lumpkin and Dess (1996). Family firms can become more competitive, innovate better, and maintain business continuity across generations by cultivating an entrepreneurial culture (Kraus, Harms, & Fink, 2020; Naldi, Nordqvist, Sjöberg, & Wiklund, 2007).

According to Chua et al. (2015), there are numerous factors concerning family structure, leadership, and values that may impact entrepreneurial orientation in family businesses. From these factors, we observe that: (1) family values and heritage, i.e., family businesses are typically driven by firm family values and heritage that they aim to preserve. Entrepreneurial orientation in this context would entail efforts towards balancing innovation and growth without compromising family values' integrity (Chen et al., 2021) (2) The characteristics of family relationships, such as politics, the desire to preserve family autonomy, and long-term orientations, may influence decision-making within family businesses (Drover, Hoy, & Poutziouris, 2021). For the improvement of business performance, the study investigated how family ownership and governance are implicated in the relationship between entrepreneurial orientation and business performance. Other results indicate the significance of contextual factors such as decision-making and family dynamics in moderating the relationship. The process can trap entrepreneurial inclination, as business operations may be subjected to various levels of familial approval and consent. (3) Leadership change variables, in which family firms may find it challenging to manage intergenerational leadership transitions, are also significant. Leadership transitions may affect entrepreneurial orientation, as the new generation might introduce new visions and means of innovating and expanding (Gomez-Mejia et al., 2011). (4) Organizational flexibility factor, i.e., the ability of family firms to adjust to changes in the business environment, typically involves more flexible organizational structures. To this end, responding to new market opportunities or growing challenges in a timely fashion can be seen as an entrepreneurial approach (Kammerlander, Löhrer, & Mahto, 2016).

This study can continue to investigate the dynamics that influence entrepreneurial attitudes in family businesses and how these characteristics can impact long-term firm performance, based on current references. According to Madison et al. (2021) there are various ways in which family firm studies on entrepreneurial orientation are not complete. (1) Limitations of theoretical theories: Theoretical perspectives to framing entrepreneurial orientation in the context of family businesses may have been limited heretofore. A more overarching conceptual model that explicitly deals with the unique dynamics involved in family ownership and control is required. (2) Absence of longitudinal studies: Most of the studies on entrepreneurial orientation in family businesses are cross-sectional, i.e., they consider only a single point in time. In order to determine how entrepreneurial thinking evolves over time in family businesses and how it affects firm performance in the long run, longitudinal studies are needed (Eddleston et al., 2021). (3) Contextual Factors: How family culture, history, and ownership structure affect entrepreneurial

orientation in family firms is poorly understood. The special context within which family firms operate ought to be a research emphasis area (Chrisman et al., 2012) and (4) Suitable measurement: In the context of family firms, studies can sometimes face challenges in accurately measuring entrepreneurial orientation as well as firm performance. To have valid study results, it's necessary to develop study instruments that are reliable and valid for these variables.

Entrepreneurial Orientation Dimensions Based on Lumpkin and Dess (1996). Five primary dimensions of entrepreneurial orientation assist in the definition and investigation of entrepreneurship in an organizational setup. They include the following alongside their indicators:

1. The predisposition of an organization to seek and foster novel ideas, experiment, and engage in creative processes that could result in new products or services is referred to as innovativeness. One measure is the firm's ability to promote the creation of novel ideas and innovative technologies.
2. Risk-taking is the capability of a firm to engage in risky undertakings, tolerate uncertainty, and accept probable financial losses. The inclination to venture into high-risk businesses and invest in initiatives that might not succeed are some of the indicators.
3. The ability of the company to pursue new opportunities, anticipate future demand, and act proactively in making profitable adjustments is referred to as proactiveness. Examples include the ability to find and exploit new market opportunities, as well as the ability to get ahead of the competition.
4. A company's inclination towards competing aggressively and directly with others in an effort to become competitive is known as competitive aggressiveness (Aggressive in Competing). Some indicators of aggressive action against competitors include expanding production capacity, speeding up product development, and improving the quality of a product.
5. Autonomy (Autonomy) is a measure of the independence and initiative of individuals or teams in making decisions and taking action without the necessity of obtaining permission from higher management levels. Indicators include decision-making freedom and individual responsibility in performing duties.

Depending on the organizational context and the business environment, each of them can have varying degrees of impact on the company's entrepreneurial performance (Felgueira & Rodrigues, 2020). For family firms, Lumpkin and Dess (1996) dimensions and indices of entrepreneurial orientation might be applied. According to research, the performance and survival of family firms can be enhanced by an entrepreneurial spirit. According to a study by Kraiczy, Hack, and Kellermanns (2015), family firms can benefit greatly from the innovative potential of an entrepreneurial mindset and all its dimensions. The use of an entrepreneurial mindset in family firms can also help overcome the particular challenges they face, including intergenerational relationships and leadership succession.

2.2. Socio Emotional Wealth (SEW)

The most significant idea in family business is socioemotional wealth, or SEW. SEW comprises non-monetary elements, such as emotional values, family identity, and cultural heritage, which the family aims to preserve and that influence business behavior and decision-making. SEW is important in family business for various reasons, including family identity and affective attachment. The first is that SEW involves a strong emotional relationship between family members and the business (Jaskiewicz & Dyer, 2017). Since family identity and business success tend to be intertwined, long-term interests are typically factored into decisions rather than short-term financial gain. Family businesses, for instance, can be less risky in taking risks that may jeopardize the reputation and legacy of the family (Lumpkin, Stambaugh, Mitchell, Brigham, & Coglisier, 2020). The second aspect is leadership succession and sustainability; for family businesses, SEW plays a critical role in the process of leadership succession. Due to strong emotional involvement, families are naturally more concerned about the long-term survival of the firm in the hands of subsequent generations. Empirical findings indicate that family companies with higher SEW are more likely to sustain leadership changes than those with lower SEW. Finally, decision-making, along with innovation, are additional key factors that explain how the presence of SEW influences decision-making in family firms, which often

diverges from the decision-making processes typical of non-family firms. Family firms, for instance, might be more cautious in adopting new technology but quicker to respond to the requirements of local consumers and to retain them as customers. This is due to their ethics and emotional ties, which influence their decision-making. High SEW family firms also possess higher employee loyalty, which can be attributed to the quality and commitment of their workers. Workers tend to be more committed to the prosperity of the company and perceive that they belong to a 'big family.' Such a more stable and productive working environment may result from this (Akram, Ghosh, & Sharma, 2022). In addition to promoting family unity and dedication to the company (Newbert & Craig, 2017), socioemotional wealth the accumulation of social and emotional resources within the family business also has a big impact on business decision-making and flexibility (Akram et al., 2022). An appropriate setting for examining the relationship between socioemotional wealth and entrepreneurial orientations such as innovation is family firms, which are distinguished by a unique fusion of family and company dynamics. One of the key factors influencing the long-term performance of family businesses is innovation, which is recognized as a catalyst for growth and the ability to enhance adaptability in a constantly changing corporate environment (Cabrera-Suárez, García-Almeida, & De Saá-Pérez, 2018).

Much of the current literature on family firm finance policies has been oblivious to the non-economic and socioemotional character of family firms (Gomez-Mejia et al., 2011) and heterogeneity in family firm behavior (De Massis, Frattini, & Lichtenthaler, 2013). To bridge this gap, a number of recent papers have explored the effect of family-focused goals on debt financing (Molly, Uhlaner, De Massis, & Laveren, 2019) and how board composition may serve as a moderator (López-Delgado & Diéguez-Soto, 2020; Molly et al., 2019). The results of these papers do, however, have major limitations in that they study contextual factors concerning families only partially.

Kinship relations that provide group benefits, i.e., intimate networks, are one way through which SEW is expressed. Singh, Garg, and Deshmukh (2008) point out that the relationships include other stakeholders like vendors, customers, and suppliers in addition to family members. These external relationships enable family businesses to remain competitive and responsive by facilitating the adoption of new technology and allowing quick adaptation to environmental changes. FIBER is an abbreviation that refers to the five primary elements of Socioemotional Wealth (SEW), and the term Strategic Entrepreneurship (SEW) is frequently used in family business studies. The FIBER aspects are explained below, along with current citations to studies focusing on SEW within the context of family businesses. We will describe the five dimensions of FIBER. The first factor is family control and influence, which describes how much the family decides how the business is run. This covers managerial roles, ownership of shares, and active participation in decision-making (Kraiczy et al., 2015). Second, family members' identification with the company demonstrates how much family members identify with the business and frequently view it as an extension of themselves (Memili, Fang, Chrisman, & Tang, 2021). The third dimension is binding social ties, which encompass close social bonds with coworkers and family members. This includes loyalty, trust, and emotional connections (Minola, Brumana, Cassia, Massis, & Cruz, 2015). The fourth factor is family members' emotional tie to the business, which frequently affects business choices in ways that may not be logical from an economic standpoint (Miller & Le Breton-Miller, 2021), and the fifth is dynastic succession, which strengthens family ties. This involves the family's wish and attempts to preserve family customs and values by passing on ownership and management of the business to the following generation.

2.3. Business Performance

Future research can focus on bridging the knowledge gap regarding the entrepreneurial orientation of family firms and its influence on business performance, utilizing recent citations and identified gaps. Industrialized nations tend to have good infrastructure, advanced technology, and a rapidly changing business environment. Therefore, studies on the influence of entrepreneurial orientation on the business performance of family firms within such nations are of particular interest (Rauch, Wiklund, Lumpkin, & Frese, 2009). However, entrepreneurial orientation and familial relationships in such an environment could have some features that differentiate family businesses from those

in less developed countries. The relationship between entrepreneurial orientation and firm performance within family businesses in developed countries is the focus of recent studies.

Family firm governance research is current in this systematic review, which highlights its relevance to entrepreneurial orientation and firm performance. It offers insights into how organizational structure, decision-making, and ownership by family affect entrepreneurial orientation and firm performance (Uhlener, Massis, Jorissen, & Du, 2021). Subsequent research can better understand entrepreneurial orientation in family businesses in developed economies and how contextual elements like family ownership and governance influence the relationship between entrepreneurial orientation and business performance by taking into account the results of these more recent studies (Cuervo-Cazurra, Andersson, Brannen, Nielsen, & Reuber, 2016).

As family businesses frequently constitute the economies' backbone for developing nations, research on the impact of entrepreneurial attitude on entrepreneurial success in those businesses is greatly applicable. Given this, entrepreneurial mindset's influence on business performance can be intervened by dynamic business environments, availability of limited resources, and culture (Cho & Lee, 2018). According to recent studies, entrepreneurial behavior plays a significant role in influencing business performance, including sales development, profitability, and competitive advantage (Hughes, Hughes, Hodgkinson, Chang, & Chang, 2022). However, contextual factors including industry, geography, and company characteristics may affect this influence differently (Lumpkin et al., 2020).

3. RESEARCH METHOD

The research methodology employed in this study is explanatory research. This study uses quantitative methods in an explanatory survey. Bougie and Sekaran (2016) studied one hundred family-run companies in West Sumatra as the sample.

The business owner, who also manages the company, is the unit of analysis. Primary data was used in this investigation. Additionally, in accordance with earlier research Arosa, Iturralde, and Maseda (2010) and Diéguez-Soto, López-Delgado, and Rojo-Ramírez (2015) this study excludes companies without general information (name, address, or field of activity), companies from the financial, insurance, and public sectors, and companies affected by special circumstances (bankruptcy process, closure, liquidation, or period of no activity). To ensure that the focus is solely on medium-sized family firms, it also excludes large enterprises (those with more than 250 employees) and organizations with fewer than 50 employees.

The aspects of risk-taking, proactive, innovation, autonomy, aggressive competitiveness, and sustainability, all employed by Lumpkin and Dess (1996), were used in this study to gauge entrepreneurial orientation. According to Wu and Zhao (2008), business performance encompasses the following dimensions: ability, resources, environment, strategy and process, work results and goals, and Non-Financial Performance Indicator (NFPI).

Additionally, family influence and control, family members' identification with the company, binding social ties, family members' emotional attachment, and the renewal of family ties through dynastic succession are the dimensions used to measure socio-emotional wealth (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). A Likert scale questionnaire was employed as the data gathering tool in this investigation. The Structural Equation Modeling-Partial Least Square (SEM-PLS) approach was utilized for data analysis (Hair, Hult, Ringle, & Rstedt, 2014). The Hair, Hult, Ringle, and Sarstedt (2017) hypothesis, which makes use of the path coefficient's importance, was applied in the mediation testing technique. The research conducted measured the variables used and for SEW refers to previous studies that have been submitted, such as Gomez-Mejia, but more specifically for SEW using FIBER measurement (Borrone, Colleoni, & Brondoni, 2012). The measurement was conducted using a questionnaire with a Likert scale, where responses ranged from 1 to 5, representing strongly disagree, disagree, neutral, agree, and strongly agree.

4. RESULTS AND DISCUSSION

4.1. Respondent Characteristics

After tabulating the data, the characteristics of the 100 family-owned business owners in West Sumatra can be grouped as shown below.

Table 1. Description of respondents based on respondent characteristics.

Respondent characteristics		Frequency	Percentage
Gender	Man	19	19.0
	Woman	81	81.0
Age	17 - 30 years	1	1.0
	31 - 45 years	18	18.0
	46 - 55 years	46	46.0
	> 55 years	35	35.0
Education	Elementary school	7	7.0
	Junior high school	14	14.0
	Senior high school	47	47.0
	Bachelor	32	32.0
Length of business	Less than 5 years	24	24.0
	5 – 10years	27	27.0
	Greater than 10 years	49	49.0
Number of employees	Small than 5 people	26	26.0
	5 - 10 people	29	29.0
	Larger than 10 people	45	45.0
Product marketing	Local / West Sumatra	44	44.0
	Indonesia	7	7.0
	Abroad	1	1.0
	Local/ West Sumatra, Indonesia and abroad	13	13.0
	Local and Indonesian	35	35.0
Income	Small 10 million	29	29.0
	10 - 20 million	16	16.0
	21 - 30 million	20	20.0
	Greater than 31 million	35	35.0
n = 100			

Table 1 shows that the majority of family business owners who participated in this study were women, totaling 81 individuals (81%), with an age range of 46 to 55 years, comprising 46 individuals (46%). Most respondents had a high school education, accounting for 47 individuals (47%). The duration of business operation generally ranged from 10 years, involving 49 individuals (49%), with the number of employees typically between 10 and 45 people (45%). Business owners primarily marketed their products locally or within the West Sumatra region, with 44 individuals (44%), and their income generally ranged from 31 million to 35 million, representing 35% of the total respondents.

4.2. Measurement Model (Outer Model)

The relationship between each block of indicators and its latent variables is specified by the measurement model. Convergent and discriminant validity tests are used to assess construct validity, and Cronbach's alpha and composite reliability are used to assess construct reliability (Hair et al., 2014). Examining the relationship between the item score and the construct score yields the convergent validity value. If an indicator's outer loading value is greater than 0.70 and its Average Variance Extracted (AVE) is greater than 0.50, it is deemed genuine. Additionally, outer loading can employ a value > 0.50 if the AVE value is > 0.50 (Hair et al., 2014). Large outer loading values between 0.50 and 0.60 are still acceptable throughout the research development stage, but (Ghozali, 2014). The composite reliability and Cronbach alpha values must therefore be above 0.70 in order to call a construct reliable (Hair et al., 2014). Table 2 displays the test findings as follows.

Table 2. Outer loading, AVE, composite reliability and Cronbach alpha test results.

Variable	Indicator	Early stage		Reestimation			
		Outer loading	AVE	Outer loading	AVE	Cronbach's alpha	Composite reliability
BP	BP1	0.408	0.457	-		0.962	0.965
	BP10	0.608		0.617			
	BP11	0.747		0.750			
	BP12	0.751		0.753			
	BP13	0.722		0.711			
	BP14	0.753		0.770			
	BP15	0.655		0.655			
	BP16	0.701		0.705			
	BP17	0.676		0.670			
	BP18	0.758		0.757			
	BP19	0.705		0.704			
	BP2	0.654		0.658			
	BP20	0.657		0.653			
	BP21	0.606		0.599			
	BP22	0.709		0.707			
	BP23	0.707		0.727			
	BP24	0.674		0.680			
	BP25	0.737		0.754			
	BP26	0.691		0.703			
	BP27	0.727		0.735			
	BP28	0.781		0.793			
	BP29	0.786		0.795			
	BP3	0.734		0.718			
	BP30	0.716		0.698			
	BP31	0.721		0.735			
	BP32	0.751		0.764			
	BP33	0.669		0.664			
	BP34	0.766		0.769			
	BP4	0.453		-			
	BP5	0.458		-			
	BP6	0.399		-			
	BP7	0.641		0.636			
	BP8	0.714		0.703			
	BP9	0.458		-			
EO	EO1	0.699	0.428	0.698		0.928	0.938
	EO10	0.659		0.664			
	EO11	0.712		0.728			
	EO12	0.755		0.763			
	EO13	0.679		0.663			
	EO14	0.423		-			
	EO15	0.810		0.820			
	EO16	0.710		0.710			
	EO17	0.768		0.783			
	EO18	0.712		0.713			
	EO19	0.652		0.662			
	EO2	0.738		0.751			
	EO20	0.320		-			
	EO21	0.668		0.681			
	EO3	0.688		0.691			

	EO4	0.709		0.726			
	EO5	0.789		0.789			
	EO6	0.490		-			
	EO7	0.654		0.623			
	EO8	0.378		-			
	EO9	0.414		-			
Socio-emotional wealth	SEW1	0.694	0.441	0.679		0.946	0.952
	SEW10	0.750		0.745			
	SEW11	0.687		0.696			
	SEW12	0.666		0.680			
	SEW13	0.652		0.645			
	SEW14	0.422		-			
	SEW15	0.704		0.712			
	SEW16	0.653		0.660			
	SEW17	0.689		0.690			
	SEW18	0.343		-			
	SEW19	0.813		0.823			
	SEW2	0.406		-			
	SEW20	0.412		-			
	SEW21	0.802		0.805			
	SEW22	0.437		-			
	SEW23	0.824		0.830			
	SEW24	0.697		0.702			
	SEW25	0.698		0.699			
	SEW26	0.712		0.720			
	SEW3	0.690		0.691			
	SEW4	0.645		0.638			
	SEW5	0.706		0.698			
	SEW6	0.768		0.782			
	SEW7	0.683		0.674			
	SEW8	0.706		0.707			
	SEW9	0.667		0.671			

Source: Results of primary data processing (2024).

In Table 2, it can be observed that the AVE value at the initial stage for the variables entrepreneurial orientation, socio-emotional wealth, and business performance was < 0.50 . Consequently, statement items that were invalid were excluded or deleted, and the construct validity test was repeated. In this study, the outer loading value used was > 0.50 . Based on this criterion, the following items did not meet the requirements: entrepreneurial orientation items 6, 8, 9, 14, and 20; socio-emotional wealth items 2, 14, 18, 20, and 22; and business performance items 5, 6, 9, and 14. The outer loading values for these items were less than 0.50, leading to their exclusion or deletion, and the construct validity test was repeated.

According to the re-estimation results, the AVE values for the variables business performance, socio-emotional wealth, and entrepreneurial orientation are all greater than 0.50. Considering the necessary outer loading value of 0.50, all statement items resulting from the re-estimation for all variables used have satisfied the requirements, with each statement item's loading exceeding 0.50. This indicates that the statements meet the convergent validity requirements and can proceed to the discriminant validity test. All variables in Table 2, entrepreneurial orientation, socio-emotional wealth, and company performance, have Cronbach's Alpha and composite reliability values above 0.70, indicating that they are reliable. For more details, see Figure 1.

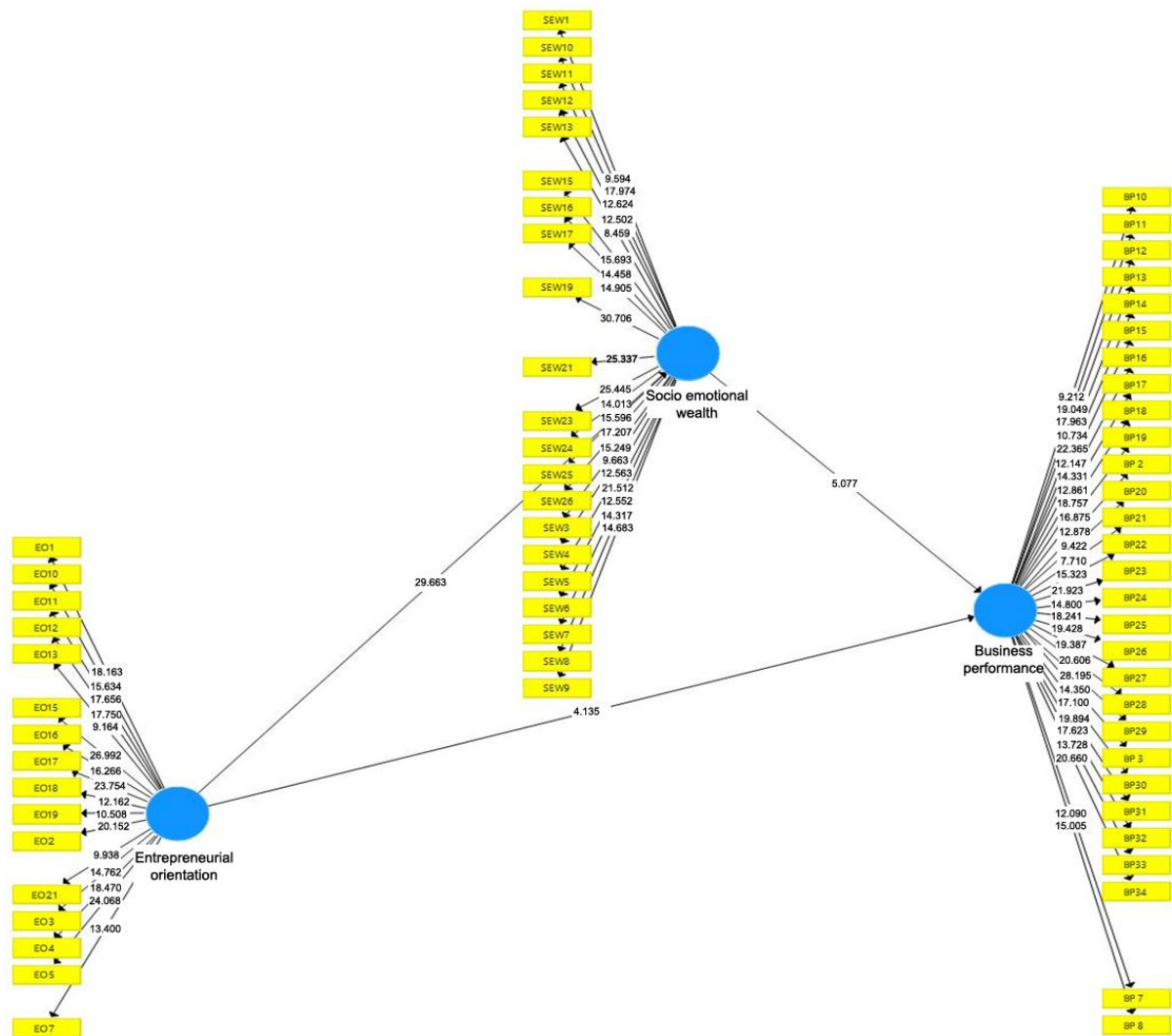


Figure 1. Loading factor.

Cross-loading constructs are used to test the assessment's discriminant validity. The requirements are as follows: the latent construct predicts the measure in its block more accurately than the measure in the other block if the correlation between the construct and the measurement item is larger than the magnitude of the other construct (Hair et al., 2014).

Table 3. Results of discriminant validity testing using cross-loading.

Indicator	Socio-emotional wealth (SEW)	Business performance (BP)	Entrepreneurial orientation (EO)
BP10	0.549	0.617	0.592
BP11	0.696	0.750	0.692
BP12	0.709	0.753	0.709
BP13	0.648	0.711	0.664
BP14	0.701	0.770	0.607
BP15	0.602	0.655	0.600
BP16	0.570	0.705	0.612
BP17	0.638	0.670	0.609
BP18	0.689	0.757	0.668
BP19	0.623	0.704	0.648
BP2	0.606	0.658	0.641
BP20	0.600	0.653	0.556
BP21	0.540	0.599	0.552
BP22	0.627	0.707	0.615

Indicator	Socio-emotional wealth (SEW)	Business performance (BP)	Entrepreneurial orientation (EO)
BP23	0.649	0.727	0.582
BP24	0.583	0.680	0.586
BP25	0.675	0.754	0.597
BP26	0.671	0.703	0.607
BP27	0.654	0.735	0.593
BP28	0.727	0.793	0.733
BP29	0.733	0.795	0.698
BP3	0.660	0.718	0.712
BP30	0.670	0.698	0.690
BP31	0.625	0.735	0.655
BP32	0.645	0.764	0.685
BP33	0.597	0.664	0.544
BP34	0.732	0.769	0.725
BP7	0.593	0.636	0.610
BP8	0.695	0.703	0.659
EO1	0.598	0.594	0.698
EO10	0.625	0.547	0.664
EO11	0.620	0.612	0.728
EO12	0.682	0.715	0.763
EO13	0.608	0.554	0.663
EO15	0.693	0.748	0.820
EO16	0.599	0.693	0.710
EO17	0.676	0.738	0.783
EO18	0.588	0.651	0.713
EO19	0.598	0.653	0.662
EO2	0.619	0.711	0.751
EO21	0.554	0.624	0.681
EO3	0.531	0.522	0.691
EO4	0.573	0.593	0.726
EO5	0.694	0.706	0.789
EO7	0.536	0.587	0.623
SEW1	0.679	0.670	0.659
SEW10	0.745	0.647	0.654
SEW11	0.696	0.603	0.614
SEW12	0.680	0.594	0.473
SEW13	0.645	0.569	0.584
SEW15	0.712	0.656	0.610
SEW16	0.660	0.620	0.614
SEW17	0.690	0.602	0.630
SEW19	0.823	0.741	0.671
SEW21	0.805	0.737	0.715
SEW23	0.830	0.771	0.698
SEW24	0.702	0.664	0.563
SEW25	0.699	0.630	0.546
SEW26	0.720	0.682	0.570
SEW3	0.691	0.648	0.611
SEW4	0.638	0.551	0.542
SEW5	0.698	0.643	0.607
SEW6	0.782	0.731	0.704
SEW7	0.674	0.632	0.542
SEW8	0.707	0.587	0.589
SEW9	0.671	0.603	0.561

Source: Results of primary data processing (2024).

Table 3 shows that there is a higher association between the variables' indicators and other factors than between the variables' entrepreneurial orientation, socio-emotional wealth, and company performance. This demonstrates that

latent conceptions are more accurate in predicting measurements within their block than those in other blocks (Hair et al., 2014).

4.3. Structural Model Testing (Inner model)

To evaluate the hypothesis, the structural assessment model employs the significance of parameter coefficients, the t-test, and R-squared. The capacity of the independent latent variable to explain whether the dependent latent variable has meaningful explanatory ability is evaluated using the R-squared value (Hair et al., 2014). Table 4 displays the estimated R-squared value.

Table 4. R-squared assessment.

Variables	R square
Socio-emotional wealth (SEW)	0.732
Business Performance (BP)	0.881

Source: Results of primary data processing (2024).

The results of the study, as shown in Table 4, indicate an R-squared value of 0.732 for the SEW variable, which suggests that 73.2% of the variance in SEW can be explained by EO variables. The remaining 26.8% may be influenced by other factors, such as social capital, which have not been examined. Additionally, other variables, such as business performance, based on Table 4, with a value of 0.881, can explain 88.1% of SEW. EO can also account for business performance in family companies, while the remaining variance may be affected by other variables.

4.4. Hypothesis Testing

Based on the results of the study, the research conducted has significant value because it has a significance value of less than 0.05, so it can be concluded that the results of this study for hypothesis testing are accepted. Since this research examines both direct and indirect influences, it is further explained in Table 5.

Table 5. Path coefficient and indirect effect test results.

Hypothesis	Variable	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values	Information
H1	Entrepreneurial orientation -> Socio-emotional wealth	0.855	0.857	0.029	29.663	0.000	accepted
H2	Entrepreneurial orientation -> Business performance	0.442	0.429	0.107	4.135	0.000	accepted
H3	Socio-emotional wealth -> Business performance	0.532	0.546	0.105	5.077	0.000	accepted
H4	Entrepreneurial orientation -> Socio-emotional wealth -> business performance	0.455	0.469	0.094	4.845	0.000	accepted

Source: Results of primary data processing (2024).

4.5. The Influence of Entrepreneurial Orientation on Socio-Emotional Wealth

Looking at the desired results in this study, as described in the research hypothesis regarding how entrepreneurial orientation (EO) affects socio-emotional wealth (SEW), the results will likely differ in various cases. For family businesses, the data indicates a positive influence with a value of 0.855. This suggests that EO has a significant impact on SEW in the context of family businesses. The study clearly explains that the better the implementation of entrepreneurial orientation such as risk-taking, proactivity, innovation, autonomy, competitive

aggressiveness, and sustainability the greater the socio-emotional wealth in family companies in West Sumatra, Indonesia. When considering business actors in general, their businesses range from 10 years of operation to 49 employees (49%). This indicates that the longer a business is operated, the more experience is gained regarding entrepreneurial orientation, which enhances control over socio-emotional wealth. The researchers found that, in this context, the sustainability dimension has a greater influence on socio-emotional wealth in family companies in West Sumatra, as evidenced by the highest average score of 4.04. This demonstrates that most business actors who participated in the research agree that the sustainability dimension is well-implemented. This is because, over time, business actors have consistently prioritized this aspect, considering the present and future of their business. They also believe that their business's existence reflects regional and community identity, which needs to be preserved. Additionally, their businesses have been passed down through generations and contribute to the economic well-being of the local community. Furthermore, business actors aim for their businesses to develop at the local and national levels in the coming years and hope that every employee will eventually become an entrepreneur in this field. All these factors influence the socio-emotional wealth of business actors.

Next, business actors also consider the aggressive competitive dimension more, as indicated by the next highest average score of 3.97. This suggests that the majority of business actors who responded to the research agree that the aggressive competitive dimension is also well-implemented. This is because when companies are able to face competition by improving product quality, aggressive competition will develop among fellow business actors, which can affect their socio-emotional wealth. Lumpkin and Dess (1996) stated that competitive aggressiveness is a company's tendency to directly and intensely challenge its competitors with the aim of achieving competitive advantage.

Entrepreneurial orientation and socio-emotional wealth are two important concepts in family business research (Jaskiewicz & Dyer, 2017). By developing an entrepreneurial orientation, family firms can strengthen their competitive position, innovate more effectively, and ensure business continuity across generations (Kraus et al., 2020; Naldi et al., 2007). Meanwhile socio socio-emotional wealth refers to non-economic aspects that influence family company decisions and behavior, such as emotional values, family identity, and cultural heritage that one wants to maintain (Jaskiewicz & Dyer, 2017).

4.6. The Influence of Entrepreneurial Orientation on Business Performance

This study reveals that EO significantly affects business performance in family companies in Indonesia, thereby supporting the second hypothesis of this research. With a positive data processing result of 0.442, EO in family businesses has been able to explain the achievement of business performance in Indonesia. This indicates that family business actors in West Sumatra, Indonesia, who are respondents in this research, consider the ability to implement entrepreneurial orientation as influential to their business performance. Generally, most of these businesses have been operational for around 10 years, with 49 respondents (49%). Product marketing is primarily conducted locally or within the West Sumatra region, involving 44 respondents (44%). Their income typically ranges around 31 million rupiahs, with 35 respondents (35%) falling into this category. This suggests that the longer a business is run, the greater its marketing area and income tend to be, as business actors can maximize their entrepreneurial orientation to improve their business performance.

Researchers found that in the application of entrepreneurial orientation, the most considered dimensions in sequence were sustainability, aggressive competitiveness, willingness to take risks, proactiveness, autonomy, and finally innovation. Innovation was considered last because most family business entrepreneurs who participated in the research agreed that their companies excelled in technology and innovation. However, the tendency of these companies to engage in and support new ideas, novelty, experimentation, and creative processes that could lead to new products or services tends to be limited. Generally, family companies operate sustainably and maintain their characteristics, which can restrict innovation in certain areas, such as the use of technology for production and

packaging, increased promotions through digital marketing, or the development of additional product variants aligned with current trends.

The results of this research concur with earlier research findings that entrepreneurial orientation greatly contributes to firm performance, such as sales growth, profitability, and competitive advantage (Hughes et al., 2022). This effect conforms to contextual drivers, like industry, region, and firm, affecting industry (Lumpkin et al., 2020). For entrepreneurial family firms, other unique drivers for entrepreneurial orientation, such as family tradition, continuity, and managing intergenerational dynamics, may apply. For example, family business decision-making may be motivated by requirements to continue the family heritage or meet future-generation expectations (Madison et al., 2021). Family business entrepreneurial orientation highlights the importance of business model innovation in improving family business performance in emerging economies. This research offers an appreciation of how family business entrepreneurial orientation can drive dynamic capability development to facilitate business model innovation (Chen et al., 2021).

4.7. The Influence of Socio Emotional Wealth on Business Performance

Furthermore, the study will explain the confirmation of the third hypothesis, where SEW positively affects business performance with a value of 0.532. The influence observed in this study indicates a positive and significant relationship between the two variables, supporting the hypothesis. This aligns with the research results, which show that the SEW variable, through its various dimensions, can enhance business performance in family businesses, particularly in Indonesia.

The results of testing the third hypothesis show that the original sample value for the influence of socio-emotional wealth on business performance is positive at 0.532, indicating a positive direction of influence. The t-statistic value is 5.077, which is greater than 1.96, with a p-value of 0.000, less than 0.05. Based on the analysis of socio-emotional data, wealth has a significant effect on business performance in family companies in West Sumatra, Indonesia. Therefore, the third hypothesis is accepted. This suggests that the greater the socio-emotional wealth, such as family influence and control, identification of family members with the company, social ties, emotional attachment of family members, and the renewal of family ties through dynastic succession, the higher the business performance of family companies in West Sumatra, Indonesia.

Tracing the actors from family businesses in West Sumatra, Indonesia, reveals a general age range of 46 to 55 years old, with 46 individuals (46%) falling within this bracket. Most of these actors have completed high school education, totaling 47 individuals (47%). This indicates that family business actors are still prioritized; the owners are typically individuals raised within the family or those who pioneered the business. Their relatively advanced age contrasts with their educational level, which is mostly limited to high school. This indicates that family identity is a symbol of the family company that is run. Brigham, Gapenski, and Ehrhardt (2022) stated that family identity is often closely related to the success of a company, so decisions are usually made to consider long-term interests rather than short-term profits. For example, family companies may be more cautious about taking risks that could threaten the family's reputation and legacy (Brigham et al., 2022).

The results of this study reveal that understanding SEW involves not only expressing the treatment of dimensions collectively but also examining the attachment to individual dimensions. We found that the emotional attachment of family members influences family business performance in Indonesia, as evidenced by the highest average response of 4.11. In Indonesian family companies, there are certain weaknesses, such as weak management, particularly among Minang ethnicity, where management is sometimes temporary, and concern for business management is low. However, this study also found that the emotional tension experienced by family business owners can be expressed through their management of the family business. This is in line with previous research conducted by Miller and Le Breton-Miller (2021) clearly explaining that in decision-making in family businesses, the

consideration of emotional attachment is often able to influence business decisions specific to the Minang ethnic group in Indonesia.

Looking at the data from the research conducted on the SEW dimension, specifically regarding the aspect of family member identification, it has the largest contribution to SEW, with an average value of 3.96. Based on this result, it can be inferred that, so far, family members have contributed to managing the family business through identification in decision-making processes. This fosters a sense of concern and belonging among family members, which impacts the success of managing the family business. Although many family members tend to run their own businesses rather than participate in the family business, especially if the business is not a priority for them. Creating a sense of belonging and a strong sense of responsibility for participation are the main resources in family business management. However, the contribution of non-economic resources has often been overlooked or neglected. As stated by Memili et al. (2021), the participation of family members through openness and engagement needs to be considered, even though many actors in family companies are unaware of the impact of such efforts. Previous research has demonstrated the importance of these efforts.

SEW is a concept that describes the emotional and social values that families derive from owning and managing their businesses. SEW includes various elements such as family identity, emotional ties, family control, and social relationships that the family aims to maintain within the company (Gomez-Mejia et al., 2011). Recent studies show that SEW not only impacts internal aspects of family firms but also has external implications, such as relationships with customers, suppliers, and communities. For example, family firms high in SEW tend to have stronger customer loyalty and better relationships with local communities because they operate with values that respect and maintain long-term relationships (Brigham & Payne, 2019).

4.8. The Influence of Entrepreneurial Orientation on Business Performance through Socio-Emotional Wealth

In this study, the results for the hypothesis regarding the influence of EO on business performance through SEW are significant, with a positive value of 0.455. We can conclude that SEW greatly contributes to the success of family businesses by considering the dimensions discussed within the SEW variables. This is supported both directly and indirectly; both relationships are positive and can form a complementary mediation, specifically partial mediation. This finding aligns with previous research, including the work of Hair et al. (2017), which is often cited and further reinforces earlier findings.

When exogenous variables can directly affect endogenous variables without the use of mediator variables, this is known as partial mediation. This suggests that, independent of socioemotional income, entrepreneurial inclination can have a direct impact on company performance. However, because socio-emotional wealth is perceived in terms of family control and influence, business actors consider it a mediator of the relationship between entrepreneurial orientation and business performance in family businesses in West Sumatra, Indonesia. This includes the identification of family members with the company, the establishment of binding social ties, emotional attachment to family members, and the renewal of family ties through dynamic succession.

Family control and influence refer to the extent to which the family exerts influence and control over the firm's strategic decisions. It includes share ownership, managerial functions, and active decision-making involvement (Schulze & Kellermanns, 2022). Identification of the family members with the firm describes the extent to which the family members identify with the firm so that the firm is an extension of themselves (Memili et al., 2021). Bonding social relations entail intimate social relationships between relatives and with the remaining employees of the company. These entail feelings, trust, and loyalty (Minola et al., 2015). Family members' affective ties refer to the emotional attachment of family members to the firm, which often influences business decisions in a way that may not be economically logical (Miller & Le Breton-Miller, 2021) and family continuity through dynastic succession includes the wishes and efforts of the family to maintain ownership and control of the firm within the subsequent generation and uphold family values and traditions.

Socio-emotional wealth refers to non-economic aspects that influence family company decisions and behavior, such as emotional values, family identity, and cultural heritage that one wants to maintain. Socio-emotional wealth is very important in family companies because there are several reasons for emotional attachment and family identity. The first SEW includes a strong emotional attachment between family members and the company (Jaskiewicz & Dyer, 2017). Understanding how entrepreneurial orientation influences business performance through socio-emotional wealth can provide important insights for family companies seeking to improve their performance (Jaskiewicz & Dyer, 2017).

5. CONCLUSION

Based on the results of the analysis of research and discussions conducted on family companies, it is evident from the hypothesis presented at the beginning of the study that it is valid. Entrepreneurial orientation has a significant effect on socio-emotional wealth, entrepreneurial orientation has a significant effect on business performance, and the variable socio-emotional wealth has a significant effect on business performance. Additionally, entrepreneurial orientation influences business performance through socio-emotional wealth in family companies in West Sumatra, Indonesia. The results of this study clearly support all four hypotheses, indicating that each has an effect. This suggests that the development of the socio-emotional wealth (SEW) theory in improving business performance, particularly in family companies, requires further in-depth study considering other aspects. However, the evidence from this study has fulfilled the research objectives.

This study presents several important findings for family business actors in West Sumatra, Indonesia, emphasizing the need to focus on entrepreneurial orientation and socio-emotional wealth to enhance business performance. According to the research results, family business actors should prioritize increasing innovation, as it received the lowest assessment, by improving responsiveness to adopting new technological innovations, even when decisions consider values and emotional relationships they wish to preserve. Additionally, maintaining product characteristics is essential; the company should be capable of making quick product changes without eliminating existing features, such as adding variations to marketed products. For sustainable business development, further research on family companies is also recommended.

According to the results of the research, some important efforts that must be made by family business actors in West Sumatra, Indonesia, to increase socio-emotional wealth are by paying attention to the renewal of family ties through dynastic succession, as it receives the lowest valuation, while maintaining the heritage and tradition of the family business as an important goal, even if it is renewed or innovated in the business operations. Family owners tend to evaluate their investments in the short term to observe the progress of the business. When family members are unlikely to consider selling the family business, business actors must find ways to sustain the business by following updates through innovation in promotion, marketing, and technology, while still making decisions based on family consensus. A significant contribution of this research is that entrepreneurial orientation for family business owners is influenced not only by economic factors but also by non-economic factors such as the SEW (socio-emotional wealth) variant. Under certain conditions, whether managed directly by family members or not, a family company's sustainability is greatly affected. In Indonesia, where regional cultures vary significantly, this also impacts family business sustainability beyond the SEW factor. For example, family companies managed within a matrilineal system are greatly influenced by decision-making processes rooted in this system. In a matrilineal system, inheritance and sustainability are passed down through maternal descendants, affecting decision-making and business continuity. This contrasts with previous studies, such as those by Hauck, Matzler, and Vögele (2016), which applied SEW measurements using only five metrics without considering their application in developing countries, specific ethnicities, or matrilineal systems. The results of this study, conducted within a matrilineal context, significantly contribute to understanding SEW measurements and can inform the implementation of family businesses within different ethnic groups.

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Transparency: The authors state that the manuscript is honest, truthful, and transparent, that no key aspects of the investigation have been omitted, and that any differences from the study as planned have been clarified. This study followed all writing ethics.

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