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## INFLUENCE OF ENTREPRENEURIAL SELF-EFFICACY TO ENTREPRENEURIAL ORIENTATION ON FAMILY FIRM PERFORMANCE WITH SOCIO-EMOTIONAL WEALTH AS THE MODERATOR

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### ABSTRACT

This research explores the relationship between Entrepreneurial Self-efficacy, Entrepreneurial Orientation, Socio-emotional Wealth, and Firm Performance within family businesses. Employing a quantitative approach, data were collected through questionnaires distributed to 118 family members actively involved in their family enterprises. The data were analyzed using the Structural Equation Model (Partial Least Squares). The findings reveal that: (1) Entrepreneurial self-efficacy exerts a positive influence on firm performance in family businesses; (2) Entrepreneurial self-efficacy positively impacts entrepreneurial orientation in family businesses; (3) Entrepreneurial orientation is positively associated with firm performance in family businesses; (4) Entrepreneurial orientation serves as a positive mediator between entrepreneurial self-efficacy and firm performance in family businesses; and (5) Socio-emotional wealth moderates the relationship between entrepreneurial orientation and firm performance in family businesses. This study contributes to a deeper understanding of the dynamic factors that drive the success of family-owned firms.

**KEYWORDS:** - : Entrepreneurial Self-efficacy, Entrepreneurial Orientation, Firm Performance, Socio-emotional Wealth.

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### 1.0 INTRODUCTION

Family firms play a crucial role in national economic development, contributing significantly to income and employment. According to Rachmawati et al. (2020), family firms contribute 45% to

70% of a state's income and employ a large portion of the workforce. The largest 500 family corporations generate US\$8.02 trillion in revenue and employ 24.5 million people globally, highlighting their impact on economic growth (EY and University of St. Gallen, 2023). These businesses are characterized by substantial family ownership and control across generations. Family businesses have consistently demonstrated remarkable long-term sustainability, often operating for decades or even centuries. Based on a survey conducted by Robertsson (2023), 75% of family businesses have been in operation for more than 50 years.

Other than its remarkable sustainability, it is found that family businesses typically excel in overcoming economic downturns. During 2008-2009 GDP decline, the returns on equity of non-family firms dropped significantly, whereas those of family firms remained relatively stable. This phenomenon prompts further investigation into why family and non-family businesses perform differently. Berrone et al. (2012) theorize that the distinction lies not in the companies themselves but in their members. Family firms possess a unique element called socio-emotional wealth, which non-family firms lack. Socio-emotional wealth may explain why family businesses better withstand economic downturns, influencing the firm's performance in a positive way.

According to previous research, it suggests that socio-emotional wealth does not directly impact firm performance but moderates the relationship between entrepreneurial orientation and firm performance (Hernández-Linares et al., 2020; Hernández-Perlines et al., 2021). Entrepreneurial orientation, characterized by innovativeness, risk-taking, proactiveness, competitive aggressiveness, and autonomy, significantly influences firm performance. However, some studies find no significant relationship (Rachmawati et al., 2020). Other studies have found another factor that might influence the performance of a firm, which is entrepreneurial self-efficacy. Self-efficacy is the belief in one's own ability to successfully perform and complete a task (Cassia & Magno, 2021), which in this case is entrepreneurial tasks. According to Shen et al., (2021) and Seet et al. (2020), entrepreneurial self-efficacy is able to influence the leader's behavior and choices; therefore, influencing the overall firm performance. The influence could be through direct influence or mediation by entrepreneurial orientation (Al-Kwafi et al., 2022; Seet et al., 2020).

Given the current understanding and gaps in research, this study seeks to bridge the knowledge gap by examining the relationships among entrepreneurial self-efficacy, entrepreneurial orientation, socio-emotional wealth, and family firm performance to provide insights into why family businesses perform differently. This research also aims to find if entrepreneurial self-efficacy would still have a positive impact on firm performance in family business, as it has previously never been researched in the context of family business, and how socio-emotional wealth moderates these dynamics.

## **2.0 LITERATURE REVIEW**

Research on family businesses has historically borrowed theories from financial, economic, and strategic management, often applied to large public corporations, which might not fully express the unique dynamics of family-owned enterprises (Berrone et al., 2012). To address this gap, Gomez-Mejia et al. (2007) introduced the concept of Socio-emotional Wealth (SEW), which emphasizes non-financial goals such as preserving family identity and influence. According to SEW theory,

family businesses make strategic decisions based on protecting their endowment as a top priority, sometimes even at the sacrifice of financial profits (Berrone et al., 2012).

Firm performance in family businesses is multidimensional, consisting of both financial and non-financial indicators (Rachmawati et al., 2020). Family firms face the challenge of balancing financial success with the preservation of family values and SEW (Rachmawati et al., 2020). SEW serves as a guiding principle in decision-making processes, influencing strategic choices that may prioritize long-term family goals over immediate financial gains (Jin et al., 2021). According to Palmer et al. (2019) in Shen et al. (2021), firm performance can be measured through four indicators, which are:

1. Sales Growth: The Firm's growth in sales compared to direct or indirect competitors
2. Profit Growth: The Firm's growth in profit compared to direct or indirect competitors
3. Employee Growth: The Firm's growth in the number of employees compared to direct or indirect competitors
4. Market Shares Growth: The Firm's growth in market shares compared to direct or indirect competitors

Entrepreneurial self-efficacy refers to an individual's confidence in their ability to act entrepreneurially, manage a business, and achieve successful outcomes (Al-Kwafi et al., 2022; Shen et al., 2021). It motivates individuals to engage in entrepreneurial activities, recognizing and seizing opportunities (Seet et al., 2020). Influenced by internal factors like past experiences and emotional states, as well as external factors such as secondhand experiences and verbal persuasion, entrepreneurial self-efficacy significantly impacts performance outcomes. Higher levels of entrepreneurial self-efficacy enable individuals to approach challenging tasks with confidence, leading to better business performance (Cassia & Magno, 2021). Entrepreneurial self-efficacy can be measured through several indicators (McGee & Peterson, 2017, as cited in Shen et al., 2021), which are:

1. Searching: Identify product or service needs that will satisfy customers' needs and wants.
2. Marshalling: Get networks to believe in the vision and exchange information.
3. Planning: Estimate demands and needs to run the business.
4. Implementing Financial: Organize, interpret, and manage financial information.
5. Implementing People: Supervise and train employees.

H1: Entrepreneurial Self-efficacy has a significant effect on Firm Performance

Entrepreneurial self-efficacy can significantly influence entrepreneurial orientation by impacting an individual's choices, dedication, and creativity, leading to more innovative and proactive behaviors (Al-Kwafi et al., 2022; Seet et al., 2020). This entrepreneurial orientation, characterized by risk-taking, opportunity-seeking, and competitive leadership, in turn, affects firm performance by shaping the relationships and values within family businesses, influencing both financial and non-financial outcomes (Berrone et al., 2012 as cited in Hernández-Perlines et al., 2021; Rachmawati et al., 2020). Additionally, entrepreneurial orientation can mediate the relationship between entrepreneurial self-efficacy and firm performance, suggesting that higher self-efficacy fosters an

entrepreneurial mindset that drives better business performance (Seet et al., 2020; Shen et al., 2021). Entrepreneurial orientation can be indicated through several measurements (Li et al., 2009 as cited in Zhang & Aumeboonsuke, 2023), which are:

1. Innovativeness: Willingness to support creativity and experimentation in introducing new products/services, and novelty, technological leadership, and R&D in developing new processes.
2. Risk-taking: Tendency to take bold actions such as venturing into unknown new markets, committing a large portion of resources to ventures with uncertain outcomes, and/or borrowing heavily.
3. Proactiveness: Related to market opportunities by seizing the initiative in the marketplace.
4. Competitive aggressiveness: Reaction to competitive trends and demands that already exist in the marketplace.
5. Autonomy: Independent action by an individual or team aimed at bringing forth a business concept or vision and carrying it through to completion.

H2: Entrepreneurial Self-efficacy has a significant effect on Entrepreneurial Orientation.

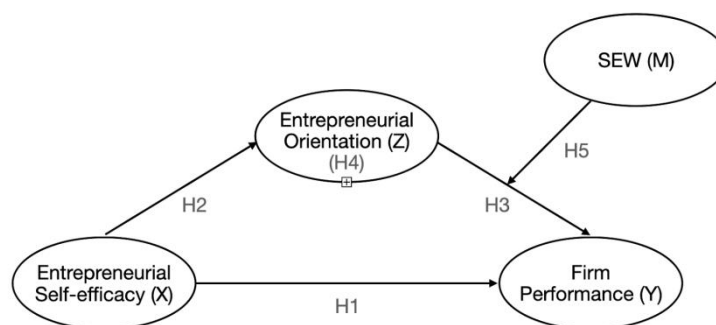
H3: Entrepreneurial Orientation has a significant effect on Firm Performance.

H4: Entrepreneurial Orientation mediates the relationship between Entrepreneurial Self-efficacy and Firm Performance.

However, the influence of entrepreneurial orientation on performance may vary in family businesses due to the moderating effect of SEW. Empirical studies support the influence of SEW on strategic decisions in family businesses. For instance, firms may choose less diversification or technology adoption to maintain family control and preserve SEW (Gomez-Mejia et al., 2010, 2011). On the other hand, some family firms prioritize environmental protection over financial returns to uphold SEW (Berrone et al., 2010). SEW is deeply rooted in family control and bonding, affecting not only business decisions but also individual behaviors within the family firm (Berrone et al., 2012). While entrepreneurial orientation typically fosters firm growth, the preservation of SEW may lead family firms to adopt more conservative strategies, thus moderating the relationship between entrepreneurial orientation and performance (Hernández-Linares et al., 2020). Socio-emotional wealth can be measured through several indicators (Berrone et al., 2012, as cited in Hernández-Perlines et al., 2021), which are:

1. Family Control and Influence: Exerting control over the family firm.
2. Identification of Family Members with the Firm: Sense of belonging and personal meaning of the firm.
3. Binding Social Ties: Trust, connection, and relationship between family members and non-family members in the firm.
4. Emotional Attachment of Family Members: Emotional ties to the firm and between family members in the firm.
5. Renewal of Family Bonds Through Dynastic Succession: Continuing the legacy and tradition of the firm to the next generation.

H5: Socio-emotional Wealth moderates the relationship between Entrepreneurial Orientation and Firm Performance.



**Figure 1. Research Framework**

Source: Data Processed (2024)

### 3.0 RESEARCH METHODS

This study employs quantitative research methods to explore the relationships between variables in family businesses in Java, Indonesia. Quantitative research involves the analysis of numerical data and the quantification of variables using statistical methods (Taherdoost, 2022). Specifically, this research will utilize correlational research, which is used to determine if two factors are related in a way that when one changes, the other also changes (Ghanad, 2023). The population of this research, which is the individuals, social groupings, objects, or events that are members of a specific group and share certain characteristics (Fah & Hoon, 2021), is family members who are actively working in their family business in Java, Indonesia. This is a suitable population to uncover the patterns and correlations among entrepreneurial self-efficacy, entrepreneurial orientation, family firm performance, and socio-emotional wealth, as the study focuses specifically on family businesses. However, it is an unknown population as no data shows the exact number of family businesses in Java, Indonesia.

To gather the data, sampling will be utilized, which involves selecting a subset of a population that accurately represents the whole (Schneider, 2019). In this study, judgment sampling, also known as purposive sampling, was used. This method entails selecting participants based on specific criteria rather than random selection. Essentially, the researcher determines the necessary information and seeks individuals who can provide it based on their expertise or experience (Etikan, 2016). The criteria of the respondents are as follows:

1. The respondents' family business main operations must be in Java, Indonesia.
2. The respondents must be family members actively working in his/her family business with at least 1 other family member, either nuclear or intermediate family members.
3. The respondents must be actively involved in the family business for at least 1 year.
4. The respondents' family business must have been running for at least 5 years.

The sample size is determined using the unknown population method by Hair et al. (2010), which is calculated by multiplying a number between five to ten with the number of indicators used in this study. The number six is used as the multiplier, resulting in a calculation as follows:

$$\begin{aligned}n &= (\text{number of indicators}) \times 6 \\&= 19 \times 6 \\&= 114\end{aligned}$$

Therefore, the required minimum amount of sample for this research is 114 data points. This falls perfectly under the range between 100-200, which is the recommended sample size for studies utilizing PLS-SEM according to Hair et al. (2010). Data collection process involves the distribution of questionnaires as the main source of data to family members working in family businesses in Java, Indonesia, supplemented by secondary data from published journals, papers, publications, and official websites. The questionnaire method ensures confidentiality and accurate depiction of respondents' thoughts and opinions (Fah and Hoon, 2021). To ensure the research yields accurate and dependable results, the questionnaire will evaluate the data's validity and reliability. Instruments are considered valid if they measure what they are intended to measure, and they are deemed reliable if they consistently produce the same data when used repeatedly on the same subject.

The survey data are processed and analyzed using PLS-SEM to derive meaningful insights into the research inquiries. The researcher employs a 4-point Likert scale to quantify variables, avoiding neutral answers by ranging from strongly disagree to strongly agree. Taherdoost (2019) highlights the Likert scale as a fundamental and widely used method in social science research, known for its simplicity and reliability. Respondents use the scale to express their agreement or disagreement with various statements about attitudes, objects, people, or events. In this study, the scale is represented numerically from 1 to 4, corresponding to Strongly Disagree, Disagree, Agree, and Strongly Agree.

#### **4.0 RESULT**

The research successfully gathered responses from 118 family members working in their family businesses by distributing a Google Form questionnaire to family business communities, friends, and relatives. The collected data was analyzed using SmartPLS, a tool commonly used for processing statistical data, especially in studies involving mediating and moderating variables. Based on Table 1 below, the data revealed a nearly equal gender distribution among respondents, indicating no gender bias in the responses and showing that women in Java, Indonesia, are almost as involved in family businesses as men.



**Table 1 - Respondents' Gender Classification.**

Gender	Number of Respondents	Percentage
Male	61	51.7%
Female	57	48.3%
Total	118	100%

Source: Data Processed (2024)

As for the generational involvement in these businesses, based on the Table 2 below, the highest percentage (62.7%) of respondents were from the second generation, suggesting that most family businesses in Java have been passed down to the children of the founders. The third generation accounted for 32.2% of the respondents, while the fourth generation made up less than 1%, aligning with previous surveys indicating that very few family businesses successfully transition beyond the third generation (Baron, 2021). Most of the respondents' family businesses' main operations are located in East Java, accounting for 68.6% of the respondents. 18.6% are from Central Java, and the rest are spread throughout DI Yogyakarta, West Java, and DKI Jakarta, as seen in Table 3 below.

**Table 2 - Respondents' Family Business Generations Passed.**

Generations	Number of Respondents	Percentage
1st	5	4.2%
2nd	74	62.7%
3rd	38	32.2%
4th	1	0.8%
Total	118	100%

Source: Data Processed (2024)

**Table 3 - Respondents' Family Business Generations Passed.**

Generations	Number of Respondents	Percentage
East Java	81	68.6%
Central Java	22	18.6%
DI Yogyakarta	2	1.7%
West Java	9	7.6%
DKI Jakarta	4	3.4%
Banten	0	0%
Total	118	100%

Source: Data Processed (2024)

The collected data was tested for validity and reliability to ensure the accuracy and consistency of the results. The validity of the data was assessed using two types of validity tests: convergent validity and discriminant validity. Convergent validity was evaluated through outer loadings and the Average Variance Extracted (AVE) of each variable, with an AVE value above 0.5 considered valid (Singh, 2022). As shown in Table 3 below, each variable's AVE value exceeds 0.5, signifying its validity. Discriminant validity was assessed using the Fornell-Larcker Criterion, cross loadings, and the Heterotrait-Monotrait Ratio (HTMT), all of which yielded results well within the accepted thresholds, indicating that the data pass the discriminant validity test. Reliability was evaluated using Cronbach's Alpha and Composite Reliability (CR) values for each variable, with minimum accepted values of 0.7 and 0.6, respectively (Ghozali, 2011). Based on Table 3 below, each variable surpassed the minimum value required for the reliability test, thus supporting the reliability of the data. Therefore, both validity and reliability are supported.

**Table 4 - Validity and Reliability.**

Variables	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)	Notes
Entrepreneurial Orientation (Z)	0.862	0.901	0.645	Valid & Reliable
Entrepreneurial Self-efficacy (X)	0.863	0.900	0.644	Valid & Reliable
Firm Performance (Y)	0.904	0.933	0.777	Valid & Reliable
Socio-emotional Wealth (M)	0.886	0.910	0.590	Valid & Reliable

Source: Data Processed (2024)

Partial least square (PLS) analysis combines principal component analysis, which evaluates measurement models, with path model analysis, which estimates relationships between latent variables, including intervening or mediating variables. A relationship is considered significant if the T-statistics are above 1.96, which indicates that the observed effect is statistically distinguishable from zero. Furthermore, the relationship is deemed positive if the original sample value is positive, suggesting a direct positive correlation between the variables. Additionally, the findings can be accepted if the p-value is below 0.05, demonstrating that the result is unlikely due to chance.



**Table 5 - Partial Least Square Results.**

Variables	Original Sample	T Statistics	P Values
EO -> FP	0.456	7.992	0.000
ESE -> EO	0.351	3.764	0.000
ESE -> FP	0.206	2.799	0.006
EO*SEW -> FP	0.128	2.359	0.020
SEW -> FP	0.229	3.059	0.003
ESE -> EO -> FP	0.160	3.093	0.002

Source: Data Processed (2024)

Therefore, based on the result of SEM-PLS as presented in Table 4 above, it can be concluded:

1. The relationship between entrepreneurial self-efficacy and firm performance in family business is significant based on the value of the t-statistic of 2.799, which is above the minimum value of 1.96 to be deemed significant. Entrepreneurial self-efficacy influences firm performance positively according to the value of the original sample, as it stands in the positive range. As the p-value is below 0.05, the first hypothesis is accepted, meaning entrepreneurial self-efficacy positively influences firm performance in family businesses.
2. The relationship between entrepreneurial self-efficacy and entrepreneurial orientation in family business is significant based on the value of the t-statistic of 3.764, which is above the minimum value of 1.96 to be deemed significant. Entrepreneurial self-efficacy influences entrepreneurial orientation positively according to the value of the original sample, as it stands in the positive range. As the p-value is below 0.05, the second hypothesis is accepted, meaning entrepreneurial self-efficacy positively influences entrepreneurial orientation in family business.
3. The relationship between entrepreneurial orientation and firm performance in family business is significant based on the value of the t-statistics of 7.992, which is above the minimum value of 1.96 to be deemed significant. Entrepreneurial orientation influences firm performance positively according to the value of the original sample, as it stands in the positive range. As the p-value is below 0.05, the third hypothesis is accepted, meaning entrepreneurial orientation positively influences firm performance in family businesses.
4. The relationship between entrepreneurial self-efficacy and firm performance mediated by entrepreneurial orientation in family business is found to be significant based on the value of the t-statistics of 3.093, which is above the minimum value of 1.96 to be deemed significant. Entrepreneurial orientation mediates entrepreneurial self-efficacy and firm performance positively according to the value of the original sample as it stands the positive range. As the p-value is below 0.05, the fourth hypothesis is accepted, meaning entrepreneurial orientation positively mediates the relationship between entrepreneurial self-efficacy and firm performance in family business.
5. The relationship between entrepreneurial orientation and firm performance moderated by socio-emotional wealth in family business is found to be significant based on the value of the t-statistics of 2.359, which is above the minimum value of 1.96 to be deemed significant. Socio-emotional wealth moderates entrepreneurial orientation and firm performance positively according to the value of the original sample as it stands the positive range. As the p-value is below 0.05, the fifth hypothesis is accepted, meaning socio-emotional wealth

positively moderates the relationship between entrepreneurial orientation and firm performance in family business.

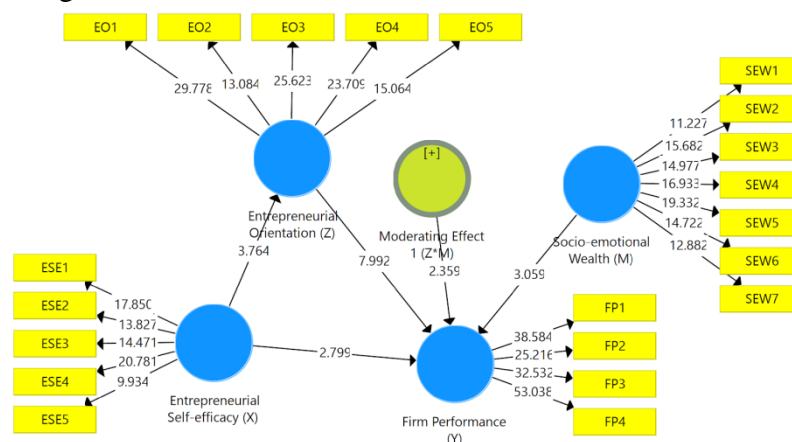
The F-square value or effect size measures how much influence independent variables have on dependent variables. It's considered as a small effect for values between 0.02 and 0.15, a moderate effect for values between 0.15 and 0.30, and a large effect for values greater than 0.30 (Cohen, 1988). As shown in Table 5, are all above zero, meaning they are well-constructed. Entrepreneurial orientation has the most substantial impact on firm performance, with a large effect size of 0.344. This suggests that entrepreneurial orientation has the most significant influence on firm performance.

**Table 6 - Effect Size (F-Square).**

Exogenous		Endogenous	F2	Notes
Entrepreneurial (X)	Self-efficacy	Entrepreneurial Orientation (Z)	0.141	Small Effect
Entrepreneurial (X)	Self-efficacy	Firm Performance (Y)	0.141	Small Effect
Entrepreneurial (Z)	Orientation	Firm Performance (Y)	0.344	Large Effect
Moderating Effect 1 (Z*M)		Firm Performance (Y)	0.025	Small Effect
Socio-emotional Wealth (M)		Firm Performance (Y)	0.091	Small Effect

Source: Data Processed (2024)

Therefore, based on the calculated results, it is found that entrepreneurial self-efficacy positively influences firm performance with and without the mediation of entrepreneurial orientation. Moreover, the influence of entrepreneurial orientation to firm performance is positively moderated by socio-emotional wealth. Hence, hypotheses 1 to 5 are all accepted. The model of the partial least square can be seen in Figure 2 below.



**Figure 2. Partial Least Square Model**

Source: Data Processed (2024)

## 5.0 DISCUSSION

This research was conducted to find the relationship between entrepreneurial self-efficacy, entrepreneurial orientation, firm performance, and socio-emotional wealth to help family businesses maximize their firm performance. Based on the findings of this research, it was found that entrepreneurial self-efficacy has positive influence toward firm performance in family business, which means that the leader's confidence in designing products or services that suits the market need, as well as in networking, estimating capital needed, managing financial assets, and supervising employees have significant and positive effect toward the performance of a firm, both financial and non-financial aspects. This finding is aligned with previous study conducted by Shen et al. (2021), which found that entrepreneurial self-efficacy has a positive effect toward firm performance. Therefore, one of the ways for a family business to improve their firm performance is by leveling up the leader's entrepreneurial self-efficacy.

Aside from firm performance, entrepreneurial self-efficacy can also have a positive effect toward entrepreneurial orientation. The leader being confident in designing products or services, networking, planning, managing assets, and supervising employees can have a positive effect toward the innovativeness, proactiveness, risk-taking, competitiveness, and autonomy of the firm. Therefore, entrepreneurial self-efficacy can have a positive influence toward entrepreneurial orientation. This study is consistent with a previous study researched by Al-Kwafi et al. (2022), which found that entrepreneurial self-efficacy has a positive impact on entrepreneurial orientation since creativity and turning ideas into a reality, which are part of the searching, marshaling, planning, and implementing phase, is very correlated to entrepreneurial orientation. Therefore, in order to improve the entrepreneurial orientation level of a company, including a family business, one of the ways is by improving the leader's entrepreneurial self-efficacy level.

Firm performance is also positively affected by entrepreneurial orientation in family businesses based on the result of this research. Entrepreneurial orientation is highly associated with the firm being innovative, proactive, risk-taking, competitive, and autonomous. These characteristics highly affect firm performance in family businesses as it is found to have the biggest effect size based on the F-square test. This finding is aligned with a previous study by Hernández-Perlines et al. (2021) that found entrepreneurial orientation has a significant and positive effect on the performance of a firm in a family business. Entrepreneurial orientation itself can have a large effect as it can explain 38.7% of the firm's performance construct. Therefore, if a company would like to further improve its performance, whether it is its financial or non-financial performance, it can try to improve the entrepreneurial orientation level of its firm.

The influence of entrepreneurial self-efficacy on firm performance can also be mediated through entrepreneurial orientation, which in this study yields a positive result. Positive mediation can happen as improving leaders' confidence can have a positive result on the entrepreneurial orientation, which then results in the improvement of the firm's performance. Hence, if a family business would like to further improve their firm performance, they can improve confidence in creating products or services, networking, planning, managing assets, and supervising employees through continuous training and support, which then improves the company's innovative, proactive, risk-taking, competitiveness, and autonomy level of the firm, which eventually will enhance the

performance of the firm both financially and non-financially. However, as the influence from entrepreneurial self-efficacy to firm performance was found to be positive, the mediation influence in this case is considered as partial mediation. Supported by a previous study by Seet et al. (2020), entrepreneurial self-efficacy positively influences firm performance through the partial mediating role of entrepreneurial orientation. Therefore, even if entrepreneurial self-efficacy has a positive and significant effect on the performance of a firm, it is also important to pay attention to the entrepreneurial orientation tendency of a firm since, through the mediation of entrepreneurial orientation, the effect on firm performance is larger.

Last but not least, it is found that the influence of entrepreneurial orientation on firm performance can also be positively moderated by socio-emotional wealth. Socio-emotional wealth is highly linked to the relationships and emotions within the family business and between the family members. Therefore, to enlarge the effect of entrepreneurial orientation that it can have toward firm performance, it is important for the family members to maintain good relationships with each other by frequently gathering in family meetings or activities to strengthen the family bond. This study aligns with Hernández-Perlines et al. (2021), who found that socio-emotional wealth positively moderates the relationship between entrepreneurial orientation and firm performance in family businesses. Socio-emotional wealth directly enhances family firm performance, and it can boost the impact of entrepreneurial orientation.

### **Managerial Implications**

Based on the findings and discussions, it can be concluded that the performance of a family business firm can be improved through enhancing entrepreneurial self-efficacy, entrepreneurial orientation, and socio-emotional wealth as they all can positively and significantly influence firm performance either directly or through mediation or moderation. Hence, the implications that can be made to improve the firm performance of a family business first from entrepreneurial self-efficacy construct, which is by gathering feedback from customers to help them create better products and services that suit the needs of the customers, participating in conferences and organizations to expose and train themselves to approach new people that can become business network, conducting research and regular financial reviews to accurately estimate working capital need, creating internal company's software systems to track financial assets and hire financial advisors if needed, and joining a leadership training program or read books about leadership to improve confidence in leading and supervising employees. Thereby, the entrepreneurial self-efficacy of the leader can be enhanced.

The improvement can also be done from the entrepreneurial orientation construct. As a lot of family business was found to be lacking in being innovative and taking risk, improvement can be made through conducting market research to know products or services in line with the business 'industry that is currently needed and in trend, hiring a marketing team to help market out new products and services and reach the intended target market, replacing old production methods with new production methods that utilize new technologies that can improve production efficiency, and analyzing the risk of a higher return project and measure out if the return is worth the risk. If it does, create plans or strategies on how to minimize the risk or face the risk when it arises. Hence, the entrepreneurial orientation level of the firm can be improved.

As from the socio-emotional wealth construct, as one of the core differentiator between family business and non-family business, it is wise to maintain the endowment by holding regular family meetings where every family member gets to share concerns, plans, stories, and updates focusing on their personal lives, go on a family trip or activities where everyone can spend some quality time together, celebrate big days and holidays together as a family to share meaningful memories together and strengthen bonds, and support and encourage each other during crisis or difficult times. Therefore, the socio-emotional wealth of the family business can be improved.

### **Limitations and Future Research Suggestions**

This research was conducted on family members working in their family businesses, meaning that not all respondents were the leaders of their businesses. While the results were positive, the findings might be more accurate if the research targeted the leaders of each family business. Therefore, for future researchers interested in studying the effects of entrepreneurship, such as entrepreneurial self-efficacy and entrepreneurial orientation on family businesses, and the role of socio-emotional wealth, it is recommended that the research be conducted directly with the leaders of family businesses for more precise results. Additionally, future research should strive for a more balanced distribution of family businesses across Java to ensure the findings better represent the region as a whole.

Researchers should also investigate whether socio-emotional wealth moderates the relationship between entrepreneurial self-efficacy and firm performance in family businesses, as theories suggest these elements are deeply rooted in individuals and potentially influence each other. Furthermore, to expand the research scope, future studies could include entrepreneurial education, as Pham & Le (2023) indicate that it impacts entrepreneurial self-efficacy. By exploring these aspects further, future studies can provide a more comprehensive understanding of the factors influencing family business performance.

### **6.0 CONCLUSION**

According to the results of this research conducted on family businesses operating in Java, Indonesia, several key conclusions can be drawn. First, entrepreneurial self-efficacy has a positive and significant effect on firm performance, as well as on entrepreneurial orientation. Similarly, entrepreneurial orientation positively and significantly impacts firm performance. Furthermore, the relationship between entrepreneurial self-efficacy and firm performance is positively mediated by entrepreneurial orientation through partial mediation. Additionally, socio-emotional wealth positively moderates the relationship between entrepreneurial orientation and firm performance.

To enhance the performance of family businesses, both financially and non-financially, it is essential to improve leaders' confidence in designing products or services that meet customers' needs, networking, planning, managing financial assets, and supervising employees. Family businesses are also encouraged to take on higher-return projects, even if they involve higher risk. To remain competitive, it is crucial to stay innovative and regularly introduce new products and services. Lastly, maintaining good relationships within the firm, especially among family members, is vital. This intra-family relationship is a unique asset that differentiates family businesses from non-family businesses, helping them manage uncertainties and sustain long-term success.

## 7.0 LIMITATION

This research produced significant and positive insights into the relationships between entrepreneurial self-efficacy, entrepreneurial orientation, socio-emotional wealth, and firm performance in family businesses. However, a limitation of the study is that it included family members working in the business, some of whom were not the leaders or individuals with the highest authority. Moreover, the distribution of the provinces of the family businesses is not spread evenly. Most of the respondents' family businesses are located in East Java, as the researcher's network is mostly from East Java. While this approach provided a broad overview, future research focusing directly on the leaders of family businesses and even spreading the questionnaire could produce more accurate results. Therefore, it is recommended that future studies on the impact of entrepreneurial self-efficacy, entrepreneurial orientation, and socio-emotional wealth on family businesses target the leaders of family businesses and spread the questionnaire evenly throughout Java to achieve more precise findings.

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