CHAPTER-V

Entrepreneurial Orientation and Family Business Success: Role of Socioemotional Wealth

5.1 Introduction

Entrepreneurial Orientation (EO) is a critical construct in the domain of strategic management and entrepreneurship, reflecting the processes, practices, and decision-making activities that lead to new business opportunities and innovation. Within the context of Family Business (FB), EO often takes on a unique dimension as it intersects with Socio- Emotional Wealth (SEW), a concept which captures the non-financial goals and emotional value that family members derive from their involvement in the business. The interplay between EO and SEW has garnered significant attention, as it influences both the strategic choices and the performance outcomes of . Unlike Non-Family Business (NFB), operate with dual objectives: achieving financial success while preserving the socioemotional priorities of the owning family. The balancing act between fostering innovation and maintaining traditional family values creates a complex dynamic, raising an essential question: how does EO influence Family Business Success (FBS), and what role does SEW play in this relationship? This chapter aims to explore this relationship by investigating whether SEW mediates the impact of EO on FBS. FBS, in this context, is measured using subjective performance indicators that reflect both financial and non-financial outcomes. EO is conceptualized through its three dimensions i.e., risk-taking (RT), innovativeness (IN), and proactiveness (PR), while SEW is captured through dimensions such as “family control, emotional attachment, and the perpetuation of family values”. The chapter examines how EO influences SEW and, in turn, how SEW impacts FBS, thereby positioning SEW as a mediating factor in the EO- performance relationship. By examining these interconnections, this chapter provides a nuanced understanding of the drivers of performance in . It highlights the importance of aligning entrepreneurial activities with socioemotional priorities, offering valuable insights for scholars, practitioners, and stakeholders aiming to achieve long-term sustainability and success.

5.2. Scales Used

To ensure the constructs are measured accurately and reliably, this study employs established scales validated in prior research. The selection of these scales is guided by their relevance, adaptability to the Indian context, and alignment with the study's objectives. The constructs are assessed using multi-dimensional scales that capture their nuances and provide a comprehensive understanding. Table 5.1 outlines the scales used for each construct, along with their dimensions.

Table 5.1: Scales used in the Study

Construct	Variable type	Scale Used	Dimensions
EO	IDV	Miller/Covin and Slevin (1989)	RT, PR and IN
SEW	Mediator	REI Scale (Hauck et al., 2016)	Renewal of family bonds, Emotional attachment of family members, Identification of family members with the business
FBS	DV	Subjective Performance	Sales, Profits, Market share, Return on capital Employee growth

***IDV**- independent Variable; **DV**- Dependent Variable; **FBS**- Family Business Success; **EO**- Entrepreneurial Orientation; S**EW**- Socioemotional Wealth; **RT**- Risk taking; **IN**- Innovation; **PR**- Proactiveness*

***Source:** Compiled by the Researcher*

The Miller/Covin & Slevin (1989) scale is employed for measuring EO. This scale captures three sub-dimensions of EO: RT, IN, and PR, with each dimension assessed using three items. It has demonstrated high reliability and validity across multiple studies and contexts. Furthermore, its use in Indian settings ensures its relevance and applicability to this study. The scale aligns with theoretical consistency, measuring EO as a composite dimension, making it ideal for analysing its impact on FBS. SEW is measured using the REI Scale (Hauck et al., 2016), a refined version of the FIBER scale (Gómez-Mejía et al., 2011). The REI scale simplifies the measurement process, reducing the original 17 items to 9, without compromising reliability or validity. It evaluates critical SEW dimensions such as emotional attachment, family identification, and the renewal of family bonds. Given its validation across cultural contexts, it is particularly suitable for analysing in Assam. FBS is assessed using perceptual measures, focusing on growth indicators such as sales, profit, market share, and employee growth. These subjective measures, anchored on a five-point scale, allow comparisons with competitors. This approach captures a broader

understanding of performance beyond financial metrics, aligning with prior research that uses growth as a proxy for business performance. This structured methodology ensures a comprehensive and contextually relevant assessment of the constructs, facilitating robust analysis in the study.

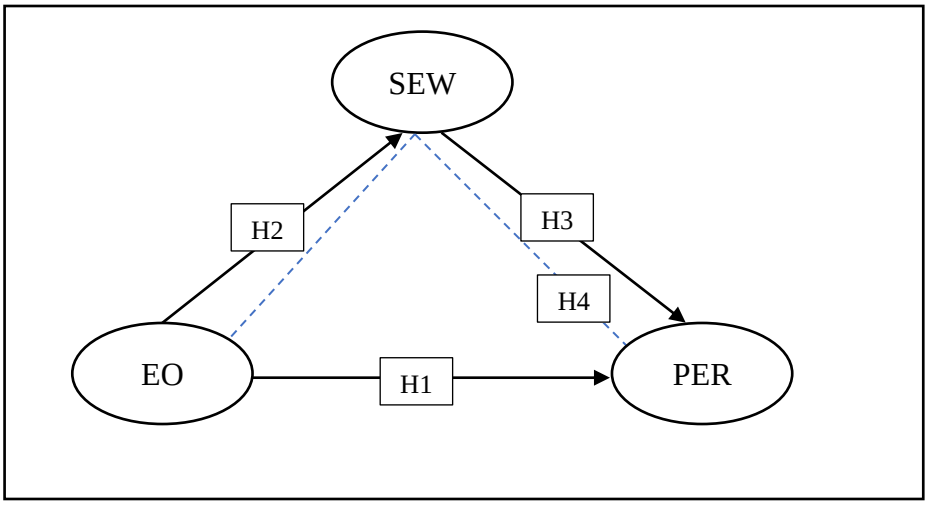
5.3. Methodological Approach

This section outlines the methodological steps adopted to test the proposed research framework. The analyses include development of the conceptual model, measurement model validation, structural model evaluation, mediation analysis, and multi-group analysis. Each step is designed to ensure methodological rigor and provide robust insights into the relationships among entrepreneurial orientation (EO), socioemotional wealth (SEW), and family business performance.

5.3.1. Conceptual Model

The conceptual model provides a structured representation of the hypothesized relationships among EO, SEW, and family business success. Serving as the foundation for empirical testing, it integrates theoretical perspectives with the study's objectives. The model is presented in figure 5.1.

Figure 5.1: Conceptual Model



Source: *Compiled by the researcher*

5.3.2. Conceptualizing the Higher-Order Constructs

Understanding the structure of complex constructs such as EO and SEW requires a hierarchical modeling approach. In this section, EO and SEW are conceptualized as Higher- Order Constructs (HOC) made up of distinct yet interrelated dimensions, known as Lower- Order Constructs (LOC). This modeling technique enables a more holistic representation of the latent variables and allows for greater precision in measurement and structural analysis (Edwards, 2001; Jarvis, MacKenzie, & Podsakoff, 2003; Hair et al., 2019). Higher-order modeling is particularly relevant when the construct being measured is inherently multidimensional and cannot be captured effectively by a single factor or indicator group (Sarstedt et al., 2019).

A. Higher Order and Lower Order Constructs

Both EO and SEW are modelled as HOC composed of LOC (dimensions). This hierarchical structure is outlined in table 5.2.

Table 5.2: Higher Order and Lower Order Constructs

HOC	LOC	Indicators
EO	Risk-taking, Proactiveness, Innovativeness	3 items for each Lower Order Construct
SEW	"Renewal of family bonds", "Emotional attachment of family members", "Identification of family members with the business"	3 items for each Lower Order Construct

Source: *Compiled by the Researcher*

B. Reflective and Formative Models

In SEM, constructs can be classified as reflective or formative depending on the relationship between the latent construct and its indicators (Hanafiah, 2020).

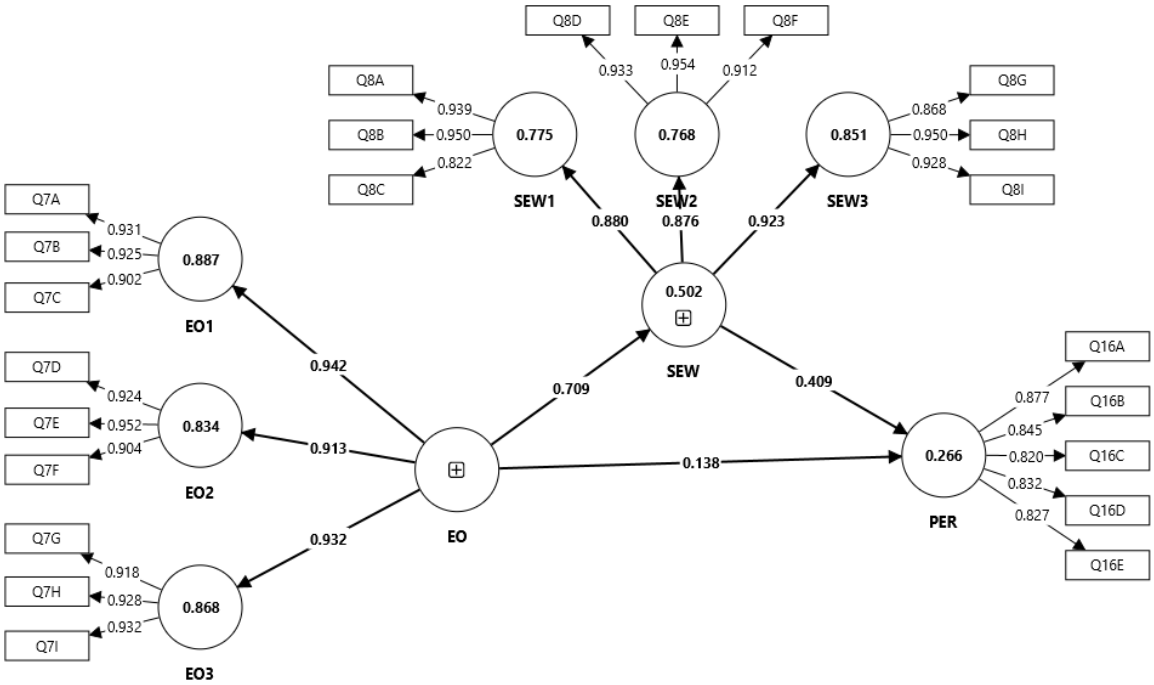
- EO and SEW are reflective-reflective HOC.
- PER is a reflective zero-order construct.

"Quality of the constructs in the study is assessed based on the evaluation of the measurement model. The assessment of the quality criteria starts with evaluation of the factor loadings which is followed by the construct reliability and construct validity" (Cheung et al., 2024, p.53).

5.3.3. Measurement Model Assessment

Prior to testing the structural relationships in the model, it is essential to validate the measurement model to ensure reliability and validity of the constructs. This step ensures that the constructs used accurately represent the underlying theoretical concepts and that the observed variables reliably measure their intended latent constructs. This process typically involves examining the reliability of internal consistency, as well as evaluating convergent validity, and discriminant validity (Hair et al., 2019; Henseler, Ringle, & Sinkovics, 2009). In this section, the measurement model for both HOC and LOC is assessed to confirm that the data meet the necessary psychometric standards required for further structural analysis.

Figure 5.2: Measurement Model



Source: *Compiled by the researcher*

C. Factor Loadings

Factor loading represents the degree to which each item in the correlation matrix is associated with a specific principal component. According to Pett et al. (2003), factor loadings range from -1.0 to +1.0, with higher absolute values indicating a stronger correlation between the item and the underlying factor. In this study, all items had factor loadings above the recommended threshold of 0.50 (Hair et al., 2016), and therefore, no items were removed. The factor loadings are detailed in Table 5.3.

Table 5.3: Factor Loadings LOC

Items	EO1	EO2	EO3	SEW1	SEW2	SEW3	PER
7A	0.931						
7B	0.925						
7C	0.902						
7D		0.924					
7E		0.952					
7F		0.904					
7G			0.918				
7H			0.928				
7I			0.932				
8A				0.939			
8B				0.950			
8C				0.822			
8D					0.933		
8E					0.954		
8F					0.912		
8G						0.868	
8H						0.950	
8I						0.928	
16A							0.877
16B							0.845
16C							0.820
16D							0.832
16E							0.827

Source: *Compiled by the researcher*

D. Reliability Analysis of LOC

Mark (1996) defines reliability as the extent to which a measurement tool consistently produces similar results across repeated applications. In this study, reliability has been assessed using two widely used approaches which are Cronbach's alpha and Composite Reliability (CR). Table 5.4 presents the results of both measures. Cronbach's alpha values range between 0.888 to 0.925, and CR values fall between 0.890 to 0.925. As recommended by Hair et al. (2011), these values exceed the acceptable thresholds, indicating satisfactory internal consistency and construct reliability.

Table 5.4: Reliability and Convergent Validity

LOC	Cronbach's alpha	CR
EO1	0.908	0.909
EO2	0.918	0.918
EO3	0.917	0.917
SEW1	0.888	0.890
SEW2	0.925	0.925
SEW3	0.903	0.903
PER	0.896	0.898

Source: *Compiled by the Researcher*

E. Construct Validity of Lower Order Constructs

Construct validity refers to the extent to which a measurement instrument accurately represents and measures the theoretical latent variable it is intended to capture (Bagozzi, et al., 1991). In the context of PLS-SEM, establishing construct validity involves assessing two key components: convergent validity and discriminant validity. In this study, construct validity for all LOC was tested and established using these criteria.

Convergent Validity

Convergent validity refers to the extent to which different measures intended to assess the same concept are in agreement. Bagozzi et al. (1991) explain that valid measures of a concept should exhibit a high degree of covariance. According to Fornell and Larcker (1981), convergent validity is established when the Average Variance Extracted (AVE)

value meets or exceeds the recommended threshold of 0.50. In this study, all constructs have AVE values above the required threshold, indicating that the items effectively converge to measure their respective underlying constructs. Thus, convergent validity is confirmed. Table 5.5 presents the AVE values for each construct.

Table 5.5. Convergent Validity of LOC

LOC	AVE
EO1	0.845
EO2	0.859
EO3	0.858
SEW1	0.82
SEW2	0.87
SEW3	0.839
PER	0.706

Source: Compiled by the Researcher

Discriminant Validity

Discriminant validity (DV) refers to the extent to which measures of different concepts are distinct. According to Bagozzi et al. (1991), if two or more concepts are truly unique, their valid measures should not exhibit excessively high correlations. Discriminant validity can be assessed using three key methods: the Fornell-Larcker Criterion, the HTMT ratio, and Cross Loadings.

(a) *Fornell and Larcker Criterion*

According to the Fornell and Larcker (1981) criterion, discriminant validity is established when the square root of the AVE for a construct is greater than its correlations with all other constructs. In this study, the square roots of the AVE for each construct were consistently higher than their corresponding inter- construct correlations, as presented in Table 5.6 providing strong support for the establishment of discriminant validity of the measurement model.

Table 5.6: Discriminant Validity: Fornell and Larcker Criterion

LOC	EO1	EO2	EO3	PER	SEW1	SEW2	SEW3
EO1	***0.919***						
EO2	0.790	***0.927***					
EO3	0.833	0.760	**0.926**				
PER	0.412	0.389	0.389	***0.840***			
SEW1	0.605	0.508	0.608	0.496	***0.905***		
SEW2	0.611	0.578	0.671	0.390	0.621	***0.933***	
SEW3	0.582	0.527	0.594	0.473	0.748	0.720	***0.916***

Note: Bold and Italics represent the Square-root of AVE

Source: *Compiled by the Researcher*

(b) Heterotrait- Monotrait Ratio

The Heterotrait- Monotrait Ratio (HTMT) is used to estimate the correlation between constructs and assess discriminant validity. Discriminant validity is considered established when the HTMT ratio falls below a specified threshold. However, the acceptable threshold for HTMT has been debated in existing literature. Kline (2011) suggested a conservative threshold of 0.85, while Teo et al. (2008) proposed a more liberal threshold of 0.90. In this study, the HTMT results (table 5.7) indicate that most HTMT ratios are below the threshold of 0.90, except for one case, correlation between EO3 and EO1, which exceeds the threshold with a value of 0.913*. Despite this exception, discriminant validity is largely supported.

Table 5.7: Discriminant Validity: HTMT

LOC	EO1	EO2	EO3	PER	SEW1	SEW2	SEW3
EO1							
EO2	**0.864**						
EO3	0.913*	**0.827**					
PER	0.458	0.430	**0.428**				
SEW1	0.676	0.564	0.676	**0.556**			
SEW2	0.666	0.627	0.728	0.427	**0.687**		
SEW3	0.642	0.579	0.653	0.525	0.836	**0.787**	

Source: *Compiled by the Researcher*

(c) Cross Loading

Cross- loadings are used to assess discriminant validity by examining whether each measurement item loads more strongly on its intended construct than on any other construct in the model (Wasko and Faraj, 2005). As shown in table 5.8, all items display the highest factor loadings on their respective constructs. For instance, item 7A has a loading of 0.931 on EO1, which is greater than its loadings on EO2 (0.741), EO3 (0.793), and the remaining constructs, indicating that it reliably measures EO1. Similarly, 8A shows a strong loading of 0.939 on SEW1, clearly higher than its loadings on other constructs, confirming that it represents the SEW1 dimension. Performance items such as 16A exhibit the strongest loading on the performance construct (PER = 0.877), with all cross-loadings on EO and SEW constructs below 0.45. These results confirm that each item aligns best with its intended construct and not with others, thereby providing strong support for discriminant validity based on cross-loading analysis.

Table 5.8: Discriminant Validity: Cross Loadings

Items	EO1	EO2	EO3	SEW1	SEW2	SEW3	PER
7A	0.931	0.741	0.793	0.550	0.590	0.534	0.360
7B	0.925	0.689	0.752	0.549	0.555	0.514	0.367
7C	0.902	0.747	0.753	0.570	0.540	0.556	0.410
7D	0.729	0.924	0.672	0.481	0.515	0.499	0.381
7E	0.721	0.952	0.669	0.458	0.529	0.479	0.360
7F	0.744	0.904	0.769	0.471	0.563	0.488	0.342
7G	0.749	0.733	0.918	0.565	0.595	0.536	0.344
7H	0.772	0.670	0.928	0.561	0.609	0.541	0.343
7I	0.794	0.708	0.932	0.563	0.660	0.574	0.393
8A	0.548	0.465	0.543	0.939	0.553	0.713	0.446
8B	0.517	0.436	0.504	0.950	0.519	0.695	0.454
8C	0.580	0.478	0.607	0.822	0.617	0.621	0.446
8D	0.605	0.530	0.665	0.618	0.933	0.655	0.356
8E	0.564	0.521	0.639	0.567	0.954	0.646	0.353
8F	0.540	0.567	0.574	0.553	0.912	0.714	0.381
8G	0.552	0.521	0.575	0.625	0.767	0.868	0.451
8H	0.535	0.478	0.543	0.725	0.602	0.950	0.433
8I	0.511	0.448	0.514	0.706	0.608	0.928	0.415
16A	0.341	0.333	0.337	0.444	0.363	0.442	0.877
16B	0.333	0.330	0.287	0.401	0.318	0.374	0.845

Items	EO1	EO2	EO3	SEW1	SEW2	SEW3	PER
16C	0.359	0.331	0.327	0.413	0.288	0.377	0.820
16D	0.370	0.321	0.362	0.415	0.347	0.404	0.832
16E	0.329	0.323	0.319	0.407	0.317	0.386	0.827

Source: *Compiled by the Researcher*

The results of this study confirm that discriminant validity is established based on all three criteria. The Fornell and Larcker criterion demonstrates that the square root of the AVE for each construct is greater than its correlations with other constructs. The HTMT ratio shows that most values are below the acceptable threshold, with only one exception that does not significantly impact the overall validity. Lastly, the cross-loadings indicate that all items load more strongly on their respective constructs than on others. For example, item 7A loaded 0.931 on EO1 but had significantly lower loadings on other constructs, such as 0.741 on EO2 and 0.360 on PER. Together, these results provide robust support for the establishment of discriminant validity.

F. Validating HOC

As part of the measurement model assessment, the higher-order constructs were validated for reliability, convergent validity, and discriminant validity. Following the recommendations of Sarstedt et al. (2019), each higher-order construct was evaluated in relation to its lower-order constructs.

(a) Reliability and Convergent Validity

Reliability was confirmed as all constructs demonstrated Cronbach's alpha and CR values above the recommended threshold of 0.70 (Hair et al., 2011), indicating internal consistency among the items. Additionally, convergent validity was established, as the AVE for all higher-order construct exceeded the minimum threshold of 0.50, signifying that the constructs explain more variance in their indicators than the variance attributed to the measurement error (table 5.9).

Table 5.9: Higher Order Construct Reliability and Convergent Validity

HOC	Cronbach's alpha	CR	AVE
EO	0.892	0.933	0.822
SEW	0.872	0.921	0.796

Source: *Compiled by the Researcher*

(b) Discriminant Validity

Discriminant validity was assessed using the Fornell and Larcker criterion and the HTMT ratio. The Fornell and Larcker criterion demonstrated that the square root of the AVE for each construct was greater than its correlations with all other constructs, thereby supporting discriminant validity (table 5.10). Additionally, the HTMT ratio analysis showed that the HTMT values for all constructs were below the threshold of 0.90, further confirming the establishment of discriminant validity (table 5.11).

Table 5.10: Higher Order Discriminant Validity: Fornell and Larcker (1981) Criterion

Constructs	EO	PER	SEW
EO	***0.929***		
PER	0.427	**1**	
SEW	0.709	0.507	***0.893***

Source: *Compiled by the Researcher*

Table 5.11: Higher Order Discriminant Validity: HTMT

Constructs	EO	PER	SEW
EO			
PER	0.445		
SEW	0.790	0.543	

Source: *Compiled by the Researcher*

The reliability and validity assessments confirm that all higher-order constructs meet the necessary thresholds for reliability and convergent validity. Additionally, discriminant validity between HOC and LOC is supported by the Fornell and Larcker Criterion and HTMT analysis.

5.3.4. Structural Model Assessment

The next step in structural equation modelling involves evaluating the hypothesized relationships to test the proposed hypotheses

Hypothesis Testing

H1: Entrepreneurial Orientation (EO) positively influences Family Business Performance (FBS).

EO → PER

This hypothesis examines whether EO has a significant positive effect on FBS. The analysis results reveal that EO has a positive but weak direct effect on FBS, with a path coefficient of $\beta = 0.135$, a t-value of 2.086, and a p-value of 0.037. While the p-value is below the 0.05 threshold, indicating marginal significance, the effect size is relatively small and does not meet the stricter conventional significance threshold of $p < 0.001$. Therefore, H1 is marginally supported.

These findings suggest that while EO has some positive impact on FBS, its direct effect is limited, emphasizing the need to explore additional factors, such as mediators, that may explain this relationship more robustly.

H2: *EO positively influences Socioemotional Wealth (SEW).*

EO → SEW

This hypothesis examines whether EO has a significant positive effect on SEW. The analysis results demonstrate that EO has a strong, positive, and statistically significant influence on SEW, with a path coefficient of $\beta = 0.709$, a t-value of 24.631, and a p-value < 0.001. Therefore, H2 is **supported**.

These findings indicate that with higher levels of EO are more likely to enhance their SEW. This suggests that entrepreneurial activities, such as RT, IN, and PR, are strongly aligned with socioemotional priorities like preserving family legacy, emotional attachment, and maintaining trust among stakeholders.

H3: *SEW positively influences FBS.*

SEW → PER

This hypothesis examines whether SEW has a significant positive impact on PER. The analysis results indicate that SEW significantly influences PER, with a path coefficient of β = 0.411, a t-value of 6.449, and a p-value < .001 Therefore, H3 is supported

SEW has a strong and significant positive effect on PER. This shows that socioemotional factors significantly enhance FBS, highlighting the central role of SEW in driving success. The results are summarized in table 5.12 and the structural model (figure 5.3).

Table 5.12: Direct Relationship Results

Relationship	SM	SD	T statistics	P values
H1: EO -> PER	0.135	0.065	2.086	0.037
H2: EO -> SEW	0.709	0.029	24.631	0.000
H3: SEW -> PER	0.411	0.064	6.449	0.000

SM- Sample Mean; SD- Standard Deviation

Source: *Compiled by the Researcher*

5.3.5. Mediation Analysis

H4: *SEW mediates the relationship between EO and FBS.*

Mediation analysis, following the approach proposed by Nitzl et al. (2016) for testing mediation effects in PLS- SEM, was conducted to assess the mediating role of SEW in the relationship between EO and FBS. The analysis involved two key steps.

Step 1: Determining the significance of indirect effects and their magnitude

In the first step, the significance and magnitude of the indirect effects were determined using bootstrapping with 5000 resamples. The results, as summarized in Table 5.13, revealed a significant mediating effect of SEW. Specifically, the indirect effect of EO on PER through SEW was found to be significant, with a path coefficient of β = 0.292, a t-

value of 6.049, and a p-value of < 0.001. These findings provide robust support for H4, confirming that SEW significantly mediates the relationship between EO and PER.

Table 5.13: Specific Indirect Effect

Relationship	SM	SD	T statistics	P values
EO -> SEW -> PER	0.292	0.048	6.049	0.000

Source: *Compiled by the Researcher*

Step 2: Determining the type of effect and/or mediation

In Step 2, the type of mediation effect was identified. According to the mediation literature, there are two main types of mediation: full mediation and partial mediation. Partial mediation can be further categorized into complementary and competitive partial mediation. The results showed that the total effect of EO on FBS was significant, with a path coefficient of β = 0.427, a t-value of 10.308, and a p-value of < 0.001 (Table 5.14). However, after including SEW as the mediator in the model, the direct effect of EO on FBS decreased and became marginally significant, with a path coefficient of β = 0.135, a t-value of 2.086, and a p-value of 0.037. These findings indicate partial mediation**,** confirming that SEW partially mediates the relationship between EO and FBS.

Table 5.14: Total Effect

Relationship	SM	SD	T statistics	P values
EO -> PER	0.427	0.041	10.308	0.000

Source: Compiled by the Researcher

Results Overview

- The results demonstrate that while EO has a modest direct effect on performance, its indirect effect through SEW is substantial.
- SEW plays a critical mediating role, emphasizing that socioemotional priorities are pivotal in converting entrepreneurial orientation into improved FBS.

- The findings highlight the importance of considering both direct and mediated pathways when evaluating the impact of EO on FBS.

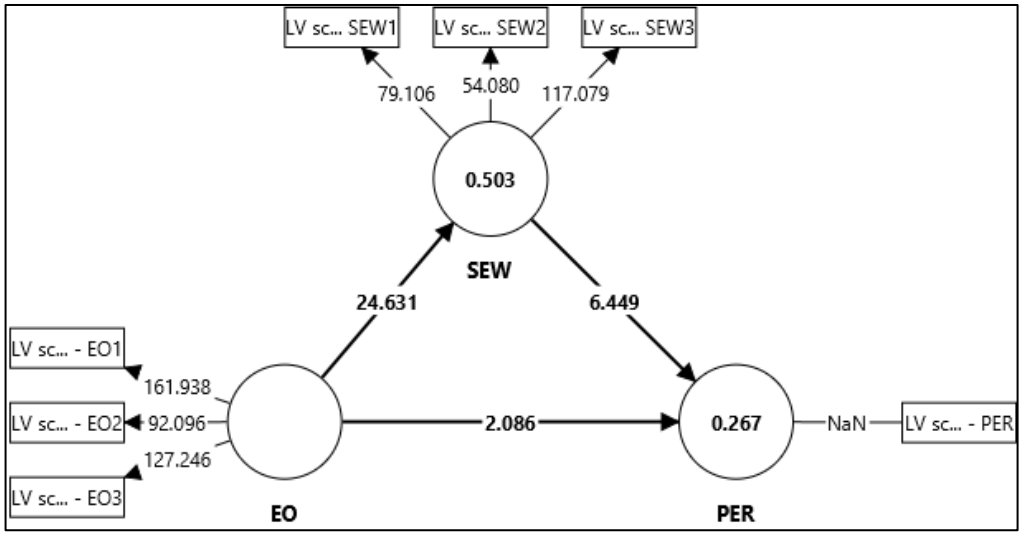
Interpretation in Context:

- The findings highlight that SEW explains a large portion of the relationship between EO and FBS.
- The direct pathway (EO → FBS) is relatively weak when the mediator (SEW) is included, indicating that EO alone is not sufficient to drive performance without the socioemotional aspects of the business being leveraged.
- This emphasizes the importance of socioemotional wealth practices in , suggesting that EO- driven strategies must align with socioemotional goals to achieve optimal business performance.

The mediation analysis confirms that SEW partially mediates the relationship between EO and FBS. While EO has a direct but marginally insignificant effect on FBS, the inclusion of SEW as a mediator significantly enhances this relationship, demonstrating the critical role of SEW in explaining FBS.

Figure 5.3 presents the structural model with t-statistics, visually representing the strength and significance of the hypothesized relationships among the constructs. The t-values indicate whether the paths between variables are statistically significant, providing critical insights into the validation of the proposed hypotheses.

Figure 5.3: Structural Model with t statistics



Source: *Compiled by the researcher*

5.3.6. Multigroup Analysis

In the final part of the structural model analysis, a Multi-Group Analysis (MGA) was conducted to explore whether the structural relationships among EO, SEW, and FBS differ significantly across micro and small/medium enterprises. The primary objective of this analysis was to determine whether business size moderates the influence of EO and SEW on performance outcomes.

In this study, small and medium enterprises were grouped together to form a single analytical category due to their comparable organizational structures, strategic orientations, and resource profiles, which tend to differ markedly from those of micro-enterprises (OECD, 2005). Additionally, the sample size for medium enterprises was relatively small (n = 48), which could limit the statistical reliability of results if analysed as a standalone group. By combining small and medium enterprises, the analysis ensured greater statistical robustness while preserving theoretical relevance, as these two categories often exhibit similar growth patterns and managerial practices within the MSME sector in India (Kumar & Kober, 2012).

Before examining group differences, construct reliability and validity were assessed separately for micro and small/medium groups. Tables 5.15 and 5.16 present the reliability and convergent validity statistics for both LOC and HOC. All constructs exhibited strong

internal consistency, with Cronbach's alpha and CR values exceeding the recommended threshold of 0.70. The AVE for each construct was also above 0.50, indicating good convergent validity (Hair et al., 2019).

Table 5.15: Reliability and Convergent Validity of LOC (Robustness Check)

LOC	Micro			Small/Medium		
	Cronbach's alpha	CR	**AVE**	Cronbach's alpha	CR	AVE
EO1	0.904	0.906	0.839	0.893	0.893	0.823
EO2	0.898	0.897	0.831	0.92	0.92	0.862
EO3	0.927	0.928	0.873	0.889	0.889	0.818
SEW1	0.885	0.889	0.816	0.875	0.878	0.804
SEW2	0.92	0.92	0.862	0.926	0.926	0.872
SEW3	0.892	0.893	0.823	0.906	0.905	0.842
PER	0.901	0.905	0.716	0.884	0.885	0.683

Source: *Compiled by the researcher*

Table 5.16: Reliability and Convergent Validity of HOC (Robustness Check)

HOC	Micro			Small/Medium		
	Cronbach's alpha	**CR**	**AVE**	**Cronbach's alpha**	**CR**	**AVE**
EO	0.868	0.919	0.791	0.905	0.941	0.841
SEW	0.876	0.924	0.802	0.872	0.921	0.794

Source: *Compiled by the researcher*

Discriminant validity was assessed using the Fornell and Larcker criterion, where the square root of AVE for each construct (shown in italics and bold in tables 5.17 and 5.18) exceeded its correlation with other constructs. These results confirm discriminant validity for both micro and small/medium groups.

Table 5.17: Discriminant Validity: Fornell and Larcker Criterion *(Micro)*

LOC	EO1	EO2	EO3	PER	SEW1	SEW2	SEW3
EO1	***0.916***						
EO2	0.815	***0.912***					
EO3	0.863	0.755	**0.934**				
PER	0.437	0.366	0.356	***0.846***			
SEW1	0.618	0.504	0.628	0.38	***0.903***		
SEW2	0.681	0.644	0.731	0.319	0.584	***0.928***	
SEW3	0.582	0.525	0.603	0.433	0.75	0.679	***0.907***

Note: Bold and Italics represent the Square-root of AVE

Source: *Compiled by the Researcher*

Table 5.18: Discriminant Validity: Fornell and Larcker Criterion *(Small/Medium)*

LOC	EO1	EO2	EO3	PER	SEW1	SEW2	SEW3
EO1	***0.907***						
EO2	0.719	***0.928***					
EO3	0.766	0.714	**0.904**				
PER	0.317	0.342	0.354	***0.826***			
SEW1	0.557	0.468	0.565	0.537	***0.897***		
SEW2	0.535	0.506	0.613	0.406	0.623	***0.934***	
SEW3	0.539	0.482	0.549	0.458	0.723	0.735	***0.918***

Note: Bold and Italics represent the Square-root of AVE

Source: *Compiled by the Researcher*

The results of the direct path relationships across micro and small/medium enterprises are presented in table 5.19. Notably, the results indicate that the direct relationship between EO and SEW (H2) is statistically significant across both micro ($\beta = 0.679$, $t = 11.636$, $p < 0.001$) and small/medium enterprises ($\beta = 0.648$, $t = 11.536$, $p < 0.001$), suggesting that EO consistently fosters the development of SEW regardless of business size. Similarly, the relationship between SEW and performance (H3) was significant for both micro ($\beta = 0.431$, $t = 3.262$, $p = 0.001$) and small/medium business ($\beta = 0.524$, $t = 5.766$, $p < 0.001$), indicating that SEW contributes positively to performance in both categories.

However, the direct effect of EO on performance (H1) was not statistically significant in either micro ($\beta = 0.044$, $t = 0.283$, $p = 0.777$) or small/medium enterprises ($\beta = 0.040$, $t = 0.401$, $p = 0.688$). This finding stands in contrast to the complete sample, where the EO

→ Performance path was found to be significant (β = 0.135, t = 2.086, p = 0.037), highlighting a potential mediating role of SEW in smaller business contexts. The lack of significance in the subgroups suggests that business size may influence how EO translates into performance outcomes, possibly due to differences in resource capacity, decision-making autonomy, or the role of family involvement.

Table 5.19: Direct Relationships (Robustness Check)

Relationship	Micro				Small/Medium			
	SM	SD	T statistics	P values	SM	SD	T statistics	P values
H1: EO -> PER	0.044	0.138	0.283	0.777	0.04	0.093	0.401	0.688
H2: EO -> SEW	0.679	0.059	11.636	0.000	0.648	0.056	11.536	0.000
H3: SEW -> PER	0.431	0.136	3.262	0.001	0.524	0.093	5.766	0.000

***Source**: Compiled by the researcher*

The findings of this study offer nuanced insights into the complex interplay between EO, SEW, and FBS. While EO is widely recognized as a key driver of business success, the results of this study suggest that its direct influence on FBS is limited. Instead, SEW emerges as a critical mediating factor that strengthens the impact of EO on performance outcomes. This discovery has important implications for understanding the unique dynamics of, which are often influenced by both financial and non-financial objectives (Gomez-Mejia et al., 2007).

The Limited Direct Impact of EO on FBS

EO, defined by characteristics such as RT, IN and PR, is often considered essential for gaining a competitive edge (Lumpkin & Dess, 1996). However, the study finds that the direct impact of EO on FBS is marginal (β = 0.135, t = 2.086, p = 0.037), falling short of conventional significance thresholds. This suggests that may not always fully realize the benefits of entrepreneurial activities in terms of performance unless other facilitating factors, such as SEW, are present. Several reasons may explain this limited effect:

1. **Resource Constraints**: often operate with limited resources, which may hinder their ability to implement entrepreneurial initiatives effectively (Sharma & Nordqvist, 2008).
2. **Risk Aversion**: Despite the focus on risk-taking in EO, may prioritize stability and the preservation of family wealth over more aggressive entrepreneurial ventures (Miller & Le Breton-Miller, 2006).
3. **Strategic Misalignment**: Entrepreneurial efforts may not always align with the unique goals and values of, reducing their effectiveness (Zahra et al., 2008).

These limitations highlight the importance of contextual factors, such as SEW, in enabling to translate EO into tangible performance benefits.

SEW as a Mediator: Bridging EO and FBS

The study confirms that SEW plays a pivotal role in enhancing the effectiveness of EO. A strong relationship between EO and SEW ($\beta = 0.709$, $t = 24.631$, $p < 0.001$) underscores the contribution of entrepreneurial activities to strengthening socioemotional capital. SEW, in turn, significantly influences PER ($\beta = 0.411$, $t = 6.449$, $p < 0.001$), confirming that socioemotional priorities are critical in driving superior performance in (Gomez-Mejia et al., 2007). The partial mediation effect ($\beta = 0.292$, $t = 6.049$, $p < 0.001$) demonstrates that SEW mediates the relationship between EO and PER. This suggests that FBs achieve the greatest benefits when entrepreneurial behaviors are aligned with socioemotional priorities. Specifically:

1. **Preservation of Family Legacy**: Entrepreneurial initiatives can drive innovation and ensure the long-term survival of the, reinforcing the family's legacy (Zellweger et al., 2010).
2. **Enhanced Stakeholder Relationships**: By leveraging SEW, can strengthen trust and loyalty among employees, customers, and other stakeholders, leading to improved business outcomes (Habbershon & Williams, 1999).
3. **Intergenerational Continuity**: EO fosters adaptability and renewal, which are essential for passing the business to future generations while maintaining family values (Chrisman et al., 2015).

5.4. Chapter Summary

This chapter analysed the structural model of the relationships between EO, SEW, and FBS. The findings reveal that while EO has a marginal direct impact on FBS, it significantly influences SEW. SEW, in turn, positively impacts FBS and partially mediates the EO- PER relationship. These results highlight the critical role of SEW in enhancing the effectiveness of EO, emphasizing that thrive when entrepreneurial strategies align with their socioemotional priorities. This underscores the importance of integrating entrepreneurial behaviours with family- centric values to achieve superior performance and resilience.

Furthermore, the MGA revealed that the direct relationship between EO and PER was insignificant in both micro and small/medium enterprises, suggesting that business size may influence how EO directly contributes to FBS. However, the EO- SEW and SEW-FBS paths remained significant across both groups, reaffirming SEW's mediating role regardless of business size.