

## THE EFFECT OF ENTREPRENEURIAL ORIENTATION ON FAMILY BUSINESS PERFORMANCE WITH ORGANIZATIONAL BUSINESS CULTURE AND FAMILY INVOLVEMENT AS MODERATING VARIABLES IN BLACK COPRA SMEs IN PALU CITY, CENTRAL SULAWESI

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**Abstract:** This study aims to examine the effect of entrepreneurial orientation on family business performance moderated by family involvement and organizational business culture. The variables used in the study are entrepreneurial orientation, family business performance, family involvement and organizational business culture. The population in this study were Black Copra family business SME entrepreneurs in Palu, Central Sulawesi. The sampling technique used was purposive sampling. The questionnaire was distributed through an offline questionnaire to respondents who were owners of Black Copra SME businesses in Palu, Central Sulawesi. This study obtained 200 samples that were suitable for analysis. The data were analyzed using Smart PLS software and using path analysis. The results of this study indicate that entrepreneurial orientation has an effect on family business performance moderated by family involvement and organization business culture of SMEs in the Black Copra family business in Palu, Central Sulawesi.

**Keywords:** *Entrepreneurial orientation, family business performance, family involvement, organization business culture*

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### 1. Introduction

Family businesses account for nearly 85 percent of all businesses worldwide (La Porta, et.al., 1999). In Indonesia, family businesses contribute 61 percent to the Gross Domestic Product and employ 97 percent of the total workforce (Kemenko Perekonomian, 2023). The competitive landscape in the 21st century is highly dynamic, driving the need for organizations to become entrepreneurial organizations (Bettis & Hitt, 1995; Hamel, 2002). Many academics argue that entrepreneurial organizations are important for the survival and prosperity of companies (Ireland, et al., 2003; Li & Atuahene-Gima, 2001), leading to a focus on entrepreneurial orientation (EO) in research (Covin, et al., 2006; Lumpkin & Dess, 1996; Miller, 1983). Generally, EO enhances performance, growth, and the survival of family businesses (Upton et al., 2001; Zahra et al., 2004). Thus, family businesses can leverage the positive aspects of increased generational involvement (Chirico & Sirmon, 2010).

Increased generational involvement can heighten the potential for conflict due to gaps in

understanding how values are generated across generations and the diversity of the family business's top management team (including the responsible generation, the number of family employees, and the number of generations employed) (Chirico & Nordqvist, 2010; Ling & Kellermanns, 2010). Additionally, the presence of generational shadows, particularly the founder's shadow; company typology (comprising simple companies, larger planning companies, and organic companies); and ownership, family involvement, and the length of the founder's tenure (Davis & Harveston, 1999; Miller, et al., 2003; Zahra, 2005) can undermine the relationship between EO and performance in family businesses. Harvey and Evans (1994) noted that family businesses are "fertile fields for conflict."

Increased generational involvement will increase conflict (Chirico & Sirmon, 2010), but if managed well through participative strategies and team input, it will reduce conflict (Dess, et al., 1997). The heterogeneous yet complementary knowledge and experience of various generations can be combined and utilized more effectively to reduce conflict. Thus, generational involvement will positively moderate the relationship between EO and performance. The introduction includes the background to the issue or problem as well as the urgency and rationalization of activities (research or service).

## **2. Literature Review**

### **2.1. The Relationship between Entrepreneurial Orientation and Family Business Performance**

The concept of entrepreneurial orientation (EO) was first proposed by Miller (Miller, 1983). Miller defined entrepreneurial orientation as business behavior characterized by innovative traits in markets and products; proactively introducing innovations first; and engaging in risky ventures. Subsequent research has defined entrepreneurial orientation in terms of the extent of innovation, risk-taking, and competitive aggressiveness (Wiklund & Shepherd, 2005; George & Marino, 2011). However, entrepreneurial orientation can also be linked to a family business's internal and external capabilities. Internally, it relates to innovation, risk-taking, and pioneering new actions within the company (Engelen, et al., 2015). Externally, it is related to the company's desire to outperform and surpass competitors in terms of innovation, generating new ideas, and launching new products (Miller & Friesen, 1983; Kropp, et al., 2006; Chandra, et al., 2009) to meet current and future market demands (Lumpkin & Dess, 2001) ; taking risks by boldly using significant resources (Kraus, 2012) with high failure costs and potential returns (Lumpkin & Dess, 2001), and being proactive and aggressive in using resources and launching new products before competitors (Rauch, et al. 2009; Wiklund & Shepherd, 2005) by capitalizing on emerging opportunities and shaping a continuously evolving competitive environment. Product innovation, proactivity, and risk-taking are key components of entrepreneurial orientation.

Risk-taking in family firms is an important and distinct dimension of entrepreneurial orientation (Naldi, et al., 2007). The risk-taking dimension has a negative relationship with entrepreneurial orientation. Although family businesses take risks in entrepreneurial activities, they take lower risks than non-family businesses. Risk-taking in family businesses also has a negative relationship with performance. However, other dimensions of entrepreneurial orientation, such as proactivity and innovation, have a positive relationship in family businesses.

A proactive attitude increases employment opportunities in family businesses (Kellermanns et al., 2008). Similarly, enhancing innovative capacity improves performance in

family businesses (Eddleston et al., 2008). Consistent with these two studies, Casillas et al. (2010) show that innovation and proactivity enhance the growth of family businesses. In fact, 81 percent of fast-growing family businesses are highly proactive and willing to take risks in pursuing entrepreneurial opportunities.

Factors influencing entrepreneurial orientation in family businesses include the presence of the next generation of the family, the presence of non-family managers (Casillas & Moreno, 2010); the size of the family business (Weismeier & Sammer, 2011); the age of the family business (Zellweger & Sieger, 2012); and socio-emotional factors (Garces-Galdeano, et al., 2016). Entrepreneurial orientation in family businesses is an important success factor (Kellermanns, et al., 2012) and enhances family business performance (Schepers, et al., 2014; Hernandez-Perlines, 2017; Zahra & Covin, 1995). Entrepreneurial orientation can also have a mediating effect (Khedhaouria & Gurau, 2015; Alfin, 2015; Roxas & Chadee, 2013; Rosenbusch, et al., 2013) and a moderating effect (Luu, 2016; Celec, 2014; Wales, 2013; Mehdivand et al., 2012).

H1: Entrepreneurial orientation has a positive impact on the performance of family businesses.

## **2.2. The Relationship Between Entrepreneurial Orientation, Family Business Performance and Family Involvement**

Casillas & Moreno (2010) demonstrate the influence of family involvement on the relationship between entrepreneurial orientation and company growth. The results reveal the influence of innovation and proactivity on company growth. However, when family involvement is included as a moderating variable, new influences on growth emerge from the interaction between innovation and family involvement and the interaction between risk-taking and family involvement. The proactive and autonomy dimensions of entrepreneurial orientation are the most significant dimensions in company success. When family involvement is used as a moderator, the overall influence of the entrepreneurial orientation dimensions decreases significantly (Akhtar, et al., 2015). This is due to the entrepreneurial business culture environment. This indicates that entrepreneurs are subject to norms, cultural values, and a cultural environment that hinder certain aspects of entrepreneurial activities, thereby limiting entrepreneurial growth in a country.

Family involvement in ownership and management is a unique resource (Habbershon & Williams, 1999) and the primary attribute distinguishing family and non-family firms (Kim & Gao, 2013). This involvement provides a competitive advantage for family businesses (Barney, 1991) and superior performance (Chu, 2009). The components of the involvement approach fail to explain family involvement as a unique corporate resource for the performance of family businesses (Chrisman, et al., 2005). An alternative approach is to consider the dynamic capabilities approach (Teece & Pisano, 1994; Eisenhardt & Martin, 2000; Zahra, et al., 2006; Barreto, 2010) with the involvement of family members in management within family-owned companies. Thus, this family involvement is a dynamic resource that needs to be communicated through appropriate branding strategies (Micelotta & Raynard, 2011).

Family members need to be involved in management. However, to achieve sustainable competitive advantage, the family's history, values, and identity must be communicated to influence consumer behavior (Gallucci et al., 2015). This uniqueness can be communicated through brand strategies at the company or product level (Reuber & Fischer, 2011). Thus, when consumers purchase, they are not only buying the product but can also learn about and experience the family's history, values, and identity during the transaction.

Based on behavioral model analysis, the moderating role of family involvement between various types of risk and diversification decisions in small companies is evident. Under stable conditions, family businesses tend to avoid risk, but when the sustainability and survival of these family businesses are threatened by an unstable environment, they become more willing to take risks (Herrero, 2017).

Generally, research on family involvement and family business performance is inconsistent. Some studies show a positive influence, such as Anderson & Reeb (2003). Others show a negative influence, such as Filatotchev et al., 2005; and some show no relationship, such as Dailly & Dollinger, 1992; Villalonga & Amit, 2006. Thus, family involvement in management can improve, worsen, or have no effect on the performance of family firms.

These differences can be seen from two approaches: agency theory and stewardship theory. According to agency theory, there are two different objectives between family managers and family and business owners. Family managers tend to behave selfishly by avoiding responsibilities, taking advantage of free benefits, and consuming excessive facilities. This creates an agency problem that negatively impacts business performance (Lubatkin et al., 2007; Schulze et al., 2002).

Conversely, stewardship theory explains that family managers will set aside personal interests for the collective interests of the business. Family managers see greater benefits in cooperative behavior, thereby contributing positively to company performance (Gomez-Mejia et al., 2007; Tosi et al., 2003). Thus, the research hypothesis is:

H2: Family involvement moderates the influence of entrepreneurial orientation on family business performance

### **2.3. The Relationship Between Entrepreneurial Orientation, Family Business Performance and Organizational Business Culture**

Family businesses are greatly influenced by family members and kinship ties (Gagne, et.al., 2014). Family businesses are embedded in both family and business systems. Thus, the organizational forms in family businesses are theoretically different from those in non-family businesses. These differences are particularly evident in the areas of values and goals; leadership and power; trust and fairness; and conflict. The interaction between the family system and the business system shapes the family business culture.

The dominant culture in family businesses is rooted in beliefs, business values that span multiple generations, objectives, history, and the family's social relationships. Understanding these cultural patterns is beneficial for gaining a deeper understanding of the entrepreneurial process in family businesses (Hall et al., 2001).

Organizational culture has been conceptualized and evaluated in various ways. Vallejo (2011) proposes a model of family business culture based on: general system theory, neoinstitutional theory, transformational leadership theory, field theory, learning theory, and group dynamics theory.

General system theory establishes the tri-systemic conception of family businesses, consisting of the ownership subsystem, business subsystem, and family subsystem. The family subsystem significantly influences family business culture. Neoinstitutional theory explains the transmission of cultural values from the family to the business. The family, as an external institution, is considered a stakeholder in the family business, where family members act as agents and trigger the transmission of family values to the business. Cruz et al. (2012) confirm the transmission of entrepreneurial culture through prolonged intergenerational interaction.

This culture will continue if younger generations participate in identifying and pursuing opportunities. This indicates that younger generations are necessary to maintain the culture, especially after the initial role of the founders.

The application of transformational leadership theory, field theory, and learning theory needs to be combined to understand the dissemination of cultural values in family businesses. Transformational leadership theory focuses on achieving higher-level needs such as self-esteem and self-actualization (Bass, 1985). Leaders motivate followers to prioritize organizational goals over personal goals (Bass, 1995). Transformational leadership promotes the dissemination of family values within the company. Leaders must balance the differences between the company's goals, followers, and family. Transformational leadership supports sustained social imitation and fosters individual learning about family cultural values. Additionally, it generates a strong level of group commitment. The flow of values and cultural elements into the family business will form a strong family culture and instill a sense of commitment, harmony, and long-term orientation. However, followers may perceive transformational leadership as ineffective if leaders overly focus on transformational style and neglect transactional style, defining performance standards, classifying tasks, and setting goals (Morhart et al., 2011).

Group dynamics (Tuckman & Jensen, 1977) and social learning theory (Bandura, 1977) explain the spread of cultural values within an organization. Social learning theory relates to how individuals cognitively respond to their social experiences and how these cognitive responses influence their behavior. This cognition triggers specific cultural patterns within an organization. However, Bandura's social learning theory fails to recognize the importance of changes that occur as a person ages, which can influence behavior (Grusec, 1992). The model of small group development (Tuckman & Jensen, 1977) explains the stages of group development, such as forming, storming, norming, performing, and adjourning. During the norming stage, group members establish roles and learn various norms that can instill certain cultural values. However, this model does not explain how these cultural values are acquired and disseminated through various organizational rules. Thus, organizational business culture moderates the influence of entrepreneurial orientation on family business performance.

H3: Organizational business culture moderates the influence of entrepreneurial orientation on family business performance.

### **3. Research Method**

This research is an explanatory and causal operational study aimed at developing a family business performance model by empirically analyzing the causal relationships between variables. This study is conclusive, testing hypotheses through a quantitative approach using questionnaire data collected from respondents (Sugiyono, 2019). The research population consists of small and medium-sized enterprises (SMEs) in the coconut plantation sector in Palu City, Central Sulawesi, totaling 25,185 SMEs (Dinkopumkm, 2021). The sample was selected using purposive sampling with criteria of respondents aged at least 17 years, core family members, and business owners, totaling 200 respondents.

The study used quantitative data, with primary data obtained from a Google Form questionnaire distributed to respondents, while secondary data came from literature such as journals and books (Sugiyono, 2019). The questionnaire instrument used a 1-5 Likert scale to measure respondents' opinions, with options ranging from Strongly Disagree (score 1) to Strongly Agree (score 5). The collected data were analyzed to test the relationship between

variables in the research model.

The path analysis in this study follows the measurement model and structural model (Gefen & Straub, 2005). After ensuring that the indicators represent the model well, reliability and validity tests (Hair et al., 2013) were conducted by examining outer loadings, composite reliability, and average variance extracted (AVE). Outer loading values must be >0.7 (Hulland, 1999), while composite reliability and Cronbach’s Alpha must be >0.7 to ensure internal consistency (Hair et al., 2011, 2012). The common method bias (CMB) test was conducted using Harman’s one-factor test (Podsakoff et al., 2003) and common latent factor (CLF) (Podsakoff et al., 2012), where CLF is considered more accurate in detecting bias. Furthermore, the discriminant validity test uses the square root of AVE (Henseler et al., 2015), while convergent validity is met if AVE >0.5 (Bagozzi & Yi, 1988).

Model testing with SmartPLS involves three main stages: (1) Outer model testing to verify the validity and reliability of indicators, with the requirements of factor loading >0.7, AVE >0.5, Cronbach’s Alpha and composite reliability >0.7, and the square root of AVE greater than the inter-construct correlation; (2) Testing the goodness of fit to assess the predictive power and model validity, using the criteria Q<sup>2</sup> predictive relevance and SRMR <0.10; and (3) Testing the inner model to examine the significance of the influence of exogenous variables on endogenous variables, with criteria of p-value <0.05 or T-value >1.96, partial influence magnitude (f<sup>2</sup>), and simultaneous influence (R<sup>2</sup>).

## 4. Results and Discussion

### 4.1. Results

**Table 1. Characteristics of Respondent**

<b>Characteristic</b>	<b>Category</b>	<b>Percentage (%)</b>
Education Level	Bachelor’s degree	39,5%
	High School	47,5%
	Junior High School	8,5%
	Elementary School	4,5%
Age	17 - 25 years old	26,5%
	26 - 34 years old	32,5%
	≥ 35 years old	41,0%
SMEs Category	Medium	23.5%
	Small	76.5%
Annual Turnover	300 million - <2.5 billion	76.5%
	2.5 billion – 50 billion	23.5%
Number of Family Members in SME Businesses	< 5 members	76.5%
	5 – 10 members	12%
	> 10 members	11.5%

Source: Processed Data (2024)

Table 1 shows that the age of respondents is dominated by those aged 35 years and above, with the number decreasing as the age decreases. This indicates that as the age of respondents increases, they become more involved in the family business. The number of respondents with a high school/vocational school education is almost the same as those with a bachelor's degree. This indicates that the family environment encourages respondents to continue their education, resulting in the largest percentage (76.5%) of family businesses with fewer than five family

members working in the business. However, relatively large family businesses tend to employ more family members.

The outer model examines the relationship between latent variables and indicator variables. In this study, a reflective indicator model was used, in which the direction of the relationship or arrow from the latent variable to the indicator is expected to be correlated between indicators; if several indicators are removed, it does not change the meaning of the latent variable.

The outer model is used to demonstrate the results of validity testing, which is used to assess the capability of the research instrument, while reliability testing is used to measure a concept and to assess the consistency of respondents in answering questionnaire items. The criteria for convergent validity require a factor loading value  $> 0.7$  and an Average Variance Extracted (AVE) value  $> 0.5$  to be considered valid.

Based on the results of the SEM outer model test in this study, the convergent validity, which is the factor loading value for Indonesia, shows that there is an indicator that is declared invalid with a value  $< 0.7$ , namely the FBP1.1 indicator (0.640). This indicator is part of the Family Business Performance indicators. The indicators with the highest scores are FBP 2.0 (1) and FBP 3.0 (1). The indicator with the lowest score is OBC 4.2 (0.726).

Reliability tests were used to measure the consistency of the measurement tool in measuring a concept and to measure the consistency of respondents in answering questionnaire items. Reliability is indicated by Cronbach's Alpha  $> 0.6$ ; rho\_A  $> 0.7$ ; Composite Reliability  $> 0.7$ ; and AVE  $> 0.5$ .

**Table 2. Reliability Result**

Variable	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Entrepreneurial Orientation (EO)	0.933	0.934	0.944	0.651
Family Business Performance (FBP)	0.847	0.874	0.885	0.533
Family Involvement (FI)	0.862	0.872	0.906	0.708
Organizational Business Culture (OBC)	0.909	0.912	0.924	0.504

Source: Processed Data (2024)

The components of inner model assessment are R-Square, Effect Size  $f^2$ , Q Square, predictive relevance, Goodness of Fit (GoF), and significance. R-square assesses the magnitude of the influence of a particular endogenous latent variable on exogenous latent variables. The criteria are 0.75 (strong), 0.50 (moderate), and 0.25 (weak).

Family Business Performance (FBP)	0.578	0.567	Moderate
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Source: Processed Data (2024)

The results of the analysis in Table 3 show that Family Business Performance (FBP) can be explained by Entrepreneurial Orientation (EO) by 57.8%, which is classified as moderate. F-square is used to determine the magnitude of the influence between variables. The criteria

are 0.02 (small), 0.15 (medium), and 0.35 (large), which means that the predictor latent variables have an influence at the structural level. Table 4 shows the F-square values.

**Table 4. F-Square**

Variable	Family Business Performance (FBP)
Entrepreneurial Orientation (EO)	0.056
Family Involvement (FI)	0.042
Organizational Business Culture (OBC)	0.090

Source: Processed Data (2024)

Entrepreneurial orientation (EO) has a weak influence on Family Business Performance (FBP). Family Involvement (FI) moderates the influence of Entrepreneurial orientation (EO) on Family Business Performance (FBP) weakly. Finally, Organizational Business Culture (OBC) moderates the influence of Entrepreneurial orientation (EO) on Family Business Performance (FBP) weakly.

Path Coefficients are values that indicate the direction of the relationship between variables. There are two directions of variable relationships: positive and negative. Table 5 shows the path coefficient values. The influence between variables is significant.

**Table 5. Path Coefficients Value**

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
EO → FBP	0.267	0.275	0.079	3.359	<b>0.001</b>
EO – FI → FBP	0.202	0.150	0.083	2.417	<b>0.016</b>
EO – OBC → FBP	0.279	0.232	0.132	2.120	<b>0.034</b>

Source: Processed Data (2024)

Predictive relevance indicates that the model has predictive relevance or good observation value using the blindfolding procedure. A Q2 value > 0 indicates that the model has predictive relevance or good observation value.

**Table 6. Predictive Relevance ( $Q^2 = 1-SSE/SSO$ )**

Variable	SSO	SSE	$Q^2 (=1-SSE/SSO)$
Family Business Performance (FBP)	1400.000	982.588	0.298

Source: Processed Data (2025)

Based on Table 6, it shows that the Q2 value is above 0, meaning that all models have predictive relevance or good observation values. The Q square result of this study is 0.298 or 29.8%. This can be concluded that this model can explain 29.8% of the information in the research data.

The model fit measures in SmartPLS use the Standardized Root Mean Square Residual (SRMR), d\_ ULS and d\_ G, Normed Fit Index (NFI), and Chi2. SRMR is the difference between the sample correlation matrix and the model correlation prediction matrix. This allows for the assessment of the average difference between observed and expected correlations as an

absolute measure of model fit criteria to avoid model specification errors (Henseler et al., 2014). A value less than 0.08 indicates model fit, while a value between 0.08 and 0.10 is still acceptable (Hu and Bentler, 1999).

d\_ULS is the Squared Euclidean Distance (Squared Euclidean Distance) and d\_G (Geodesic Distance) to compare the original value with the confidence interval derived from the sampling distribution. The confidence interval must include the original value. Therefore, the upper bound of the confidence interval must be greater than the initial criteria values for d\_ULS and d\_G to indicate that the model has “good fit.” In other words, the model fits if the difference between the correlation matrix indicated by the model and the empirical correlation matrix is so small that it can only be attributed to sampling error.

The Normed Fit Index (NFI) is defined as 1 minus the Chi2 value of the proposed model divided by the Chi2 value of the null model. As a result, NFI produces values between 0 and 1. The closer NFI is to 1, the better the fit. An NFI value above 0.9 typically indicates acceptable fit. A limitation of the NFI is that it does not account for model complexity. The more parameters in the model, the larger (better) the NFI result.

Chi-square tests the relationship or influence between two nominal variables and measures the strength of the relationship between one variable and another nominal variable (C = Coefficient of Contingency). Chi-square is a statistical test used to test the difference between the theoretical distribution (assumed) and the observed distribution.

**Table 7. Goodness of Fit Model**

<b>Name of Index</b>	<b>Adequate of Model Fit</b>	<b>Saturated Model</b>	<b>Estimated Model</b>
Standardized Root Mean Square Residual (SRMR)	< 0,08 model fit 08-0,10 acceptable model	0.096	0.092
d_ULS (Square Euclidean Distance)	$P \leq 0,05$	0.426	0.426
d_G (Geodesic Distance)	$P \leq 0,05$	0.198	0.198
Normed Fit Index (NFI)	$\geq 0.9$ good fit $0.8 \leq \text{NFI} \leq 0.9$ marginal fit	0.824	0.824
RMS Theta	$\leq 0.1$	0.071	

Source: Processed Data (2024)

Table 7 shows an RMS Theta value of 0.071 and an SRMR value of 0.096. Thus, the model in this study meets the criteria for good model fit

**Table 8. Path Coefficients Value (Direct and Indirect Influence)**

	<b>Original Sample (O)</b>	<b>Sample Mean (M)</b>	<b>Standard Deviation (STDEV)</b>	<b>T Statistics ( O/STDEV )</b>	<b>P Values</b>
EO → FBP	0.267	0.275	0.079	3.359	<b>0.001</b>
EO – FI → FBP	0.202	0.150	0.083	2.417	<b>0.016</b>
EO – OBC → FBP	0.279	0.232	0.132	2.120	<b>0.034</b>

Source: Processed Data (2024)

The direct effect in Figure 8 shows that all direct and indirect effects in this research model are significant. Entrepreneurial orientation has a positive and significant influence on family business performance. Entrepreneurial orientation as a business behavior is characterized by innovation in markets and products; proactively generating first-time innovations; and undertaking risky ventures. In this study, respondents engaged in market innovation (3.89) more often than product innovation (3.88). Both innovations are part of outcome innovation (Kahn, 2018). Market innovation refers to how new markets are created and how existing markets are transformed (Kuncoro & Suriani, 2018).

Changes in respondents' entrepreneurial orientation were observed at the level of innovation (3.93), risk-taking (3.89), and competitive aggressiveness (3.93). Respondents recognized that innovation and competitive aggressiveness were important for their companies. However, they were unaware of the extent to which aggressiveness impacted the competition they faced. This research aligns with research conducted by Kozubíková, L. (2017). Innovation, risk-taking, and pioneering new initiatives within the company are internal aspects. External aspects relate to the company's desire to outperform and surpass competitors in innovation, generating new ideas and launching new products to meet current and future markets; risk-taking involves bold actions using substantial resources with high costs of failure and potential returns; and proactiveness and aggressiveness involve using resources and launching new products ahead of competitors, capitalizing on emerging opportunities and shaping a continuously evolving competitive environment. Product innovation, proactivity, and risk-taking are key elements of entrepreneurial orientation.

Risk-taking in family-owned businesses is an important dimension distinct from other dimensions of entrepreneurial orientation (Naldi et al., 2007). The risk-taking dimension is negatively related to entrepreneurial orientation. Although family businesses take risks in entrepreneurial activities, they take lower risks than non-family businesses. Risk-taking in family businesses is also negatively related to performance. However, other dimensions of entrepreneurial orientation, namely proactivity and innovation, are positively related in family businesses.

A proactive attitude will increase employment in family-owned businesses (Kellermanns et al., 2008). Similarly, increased innovative capacity will improve performance in family businesses (Eddleston et al., 2008). Consistent with these two studies, Casillas et al. (2010) showed that innovation and proactivity increase family business growth. In fact, 81 percent of fast-growing family businesses are highly proactive and willing to take risks in pursuing entrepreneurial opportunities.

Factors influencing entrepreneurial orientation in family businesses include the presence of the next generation of family members, the presence of non-family managers (Casillas & Moreno, 2010); the size of the family business (Weismeier & Sammer, 2011); the age of the family business (Zellweger & Sieger, 2012); and socioemotional factors (Garces-Galdeano et al., 2016). Entrepreneurial orientation of family firms is an important success factor (Kellermanns, et.al, 2012) and improves family firm performance (Schepers, et.al., 2014; Hernandez-Perlines, 2017; Zahra & Covin, 1995). Entrepreneurial orientation can also have a mediating effect (Khedhaouria & Gurau, 2015; Alfin, 2015; Roxas & Chadee, 2013; Rosenbusch, et.al. 2013) and a moderating effect (Luu, 2016; Celec, 2014; Wales, 2013; Mehdivand, et.al., 2012).

## **4.2. Discussion**

### **The Effect of Entrepreneurial Orientation on Family Business Performance**

The results of this study indicate that entrepreneurial orientation has a positive and significant effect on family business performance, with a T-statistic of 3.359 ( $p$ -value = 0.001 < 0.05) and a  $p$ -value of 0.267 for the original sample. This finding demonstrates that the higher the entrepreneurial orientation, the higher the family business performance of copra SMEs in Palu, Central Sulawesi. Therefore, the first hypothesis is accepted.

The majority of black copra family businesses tend to avoid competition and lack innovation. However, in a dynamic business environment, a strong entrepreneurial orientation—through the courage to take risks and innovate—is crucial for business sustainability (Alayo et al., 2019; Arabeche et al., 2022). Family business performance enables companies to understand the market and develop strategies to meet customer needs, thereby increasing sales and profits (Arabeche et al., 2022). Research by Alves & Gama (2019) also supports these findings, showing that entrepreneurial orientation positively influences family business performance, both financially and non-economically.

### **The Moderating Effect of Family Involvement on Entrepreneurial Orientation on Family Business Performance**

Entrepreneurial orientation also has a positive and significant effect on family business performance when moderated by family involvement (T-statistic = 2.417;  $p$ -value = 0.016 < 0.05). The original sample value of 0.202 indicates that family involvement strengthens the positive influence of entrepreneurial orientation on business performance, thus accepting the second hypothesis.

In black copra family businesses, decision-making often involves family members, especially if the business is inherited or involves family labor. Family involvement creates a collaborative business environment and supports business sustainability (Arzubiaga et al., 2017; Miroshnychenko et al., 2020). Furthermore, research by Akhtar et al. (2015) showed that family businesses with high family involvement tend to be more cautious in decision-making, while those with low involvement are more aggressive. This implies that family involvement plays a crucial role in improving business performance through structured decision-making.

### **The Effect of Organizational Business Culture on Entrepreneurial Orientation on Family Business Performance**

Entrepreneurial orientation also has a positive and significant effect on family business performance when moderated by organizational business culture (T-statistic = 2.120;  $p$ -value = 0.034 < 0.05). The original sample value of 0.279 indicates that organizational culture strengthens this relationship, thus accepting the third hypothesis.

Although the organizational business culture score in Black Copra SMEs is relatively low, increasing entrepreneurial orientation still contributes to business performance. A strong organizational culture fosters alignment between company values and business goals, while a weak culture can hinder development (Arabeche et al., 2022). Research by Ling et al. (2019) found that entrepreneurial orientation is more effective when supported by strategic planning embedded in organizational culture. Therefore, entrepreneurs need to strengthen organizational culture to encourage innovation and business growth.

## 5. Conclusion

This study demonstrates that entrepreneurial orientation has a significant positive effect on family business performance in copra SMEs in Palu, Central Sulawesi, with a T-statistic >1.96 and a p-value <0.05. Furthermore, family involvement and organizational business culture, as moderating variables, also strengthen the positive influence of entrepreneurial orientation on family business performance, as indicated by the positive original sample values. These findings confirm that innovation, family involvement, and organizational culture play a crucial role in enhancing family business success.

Entrepreneurs are advised to improve entrepreneurial orientation, strengthen family involvement, and develop an organizational culture that supports business performance. Future researchers should expand the research variables and include more diverse regions and business sectors. Limitations of this study include the relatively small sample size (200 respondents), potential bias in questionnaire completion, and the study's limited scope to copra SMEs in Palu, which may not necessarily apply to other regions or sectors.

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