

The Influence of Socioemotional Wealth (SEW) on Entrepreneurial Success in Family Companies in West Sumatra, Indonesia

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Abstract

This research aims to find out whether Socioemotional Wealth (SEW) influences entrepreneurial success specifically for family companies. Information about SEW and entrepreneurial success from 100 family companies located in Padang City, West Sumatra was gathered using quantitative methods. Smart PLS was employed to process data with research locations. The research results show that SEW has an influence on entrepreneurial success. The influence of SEW on entrepreneurial success is 0.241 or 21.4 per cent, while other factors have not been carried out in this research. The slight influence of SEW on entrepreneurial success is also influenced by the Minang ethnic system and culture which adheres to matrilinealism. The limitation of this research is that there are still few respondents, and further research can use a larger number of respondents by adding other related variables such as culture, entrepreneurial resilience and other variables.

Keywords: - SEW, entrepreneurial success, quantitative methods

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1. Introduction

Research on family companies has been widely carried out in academic circles, but the placement of theory and methodology as a basis for development is still very limited. So, there is a lot of desire to conduct further research on the basis (Chrisman et al., 2005). This provides the view that Socioemotional Wealth (SEW) is a new input that can improve business theory in family companies (Berrone et al., 2012; Gomez–Mejia et al., 2014). Family companies are currently business companies that contribute a lot to social and economic development (Miller & Le Bretton-Miller, 2014). Family companies contribute to almost 90 per cent of companies in the world and this proves that family companies are the most numerous in the world (Debicki et al., 2016; Porta et al., 1999). However, it is a shame that many people ignore the function of family companies.

The family business literature still experiences strong conflict even though many breakthroughs have been made using measurements that are close, but in conclusion, the definition of family business is still experiencing setbacks in aligning views (Chua et al., 2015). Many critics see that company owners are too powerful and therefore ignore employee welfare and other interests because they dominate family power in the company (Schulze & Kellermanns, 2015). Developments in family companies have focused on the detrimental effects of nepotism, incompetent leadership, and other unethical, improper paths that have an impact that is not constructive (Miller & Le Breton-Miller, 2014). Many things can be seen and assessed in the context of the company family, including how employees work and interact in the family company whether there is freedom for a career or vice versa, and the extent of influence of family members in the family company. Apart from these general things that can be seen

currently related to family companies is whether SEW in the context of family companies has an effect on entrepreneurial success.

West Sumatra, where the majority of the population lives as an entrepreneur and many also live abroad in various regions, both in Indonesia and even Malaysia, Singapore and Brunei Darussalam. So far, the business has been managed in the fields of trade, convection and also culinary or food businesses. The life of the Minang people in West Sumatra who adhere to the Matrilineal system needs to be seen in the context of SEW because matrilineal inheritance and other descendants in the form of assets or business will be managed by the maternal or female lineage. So, it is more interesting to research whether women as recipients of heirs from companies are involved in SEW and whether this influences entrepreneurial success. Although the concept of SEW in academic circles and even in the context of family companies is still, looking at how employee contributions as implementation within the company can be viewed and appreciated, has not been fully discussed in the literature. There are a lot of family companies in West Sumatra and in general companies in West Sumatra are managed by individuals and generally women because of the matrilineal system adopted. But in reality, because the majority of ethnic Minang people live as entrepreneurs, they will live individually in managing their businesses so that the role of family companies which are managed jointly is not yet visible in real terms. This makes the author very interested in conducting a special study discussing SEW because the SEW concept will be seen starting from the decision-making shown in the implementation of SEW as well as the social ties that should exist in a family company.

1.1 Concept of Socioemotional Wealth (SEW)

Ownership of a company can differentiate whether the company is a family company or not a family company because we cannot deny that family companies are able to contribute to the economy of society at large and are also able to develop emotions both in decision-making and in building in other aspects (Chrisman & Patel, 2012; Chua et al., 2015). Viewed from a general perspective regarding the SEW concept, it can be formulated that SEW is a non-financial aspect of the company but can build the company as a whole and this can be proven in research conducted by several previous contributors, namely utility or non-economic and affective values that obtained from a position in family ownership in a particular company (Berrone et al., 2012). The SEW concept is actually a new concept and specifically for family companies, which is a breath of fresh air in the literature that can provide additional ammunition to build a company. Other non-academic aspects have also been discussed by several contributors before. For example, social capital in companies has been the subject of additional and growing literature. This aspect is similar to non-financial aspects like SEW, but it has been proven in the literature that SEW can have an impact. In family companies, management is much different from non-family companies, such as in

decision making, in family companies you need input and contributions from all the family, but in non-family companies, you have the authority to make your own decisions and maybe in other cases it will also be like that.

In the SEW concept, the existence of shared values and also the mutual concern between family members in a family company is an invisible or intangible value. In this SEW concept, several contributors have previously provided significant input in building family companies, such as the FIBER model. There are five dimensions of SEW for family companies starting with family influence or family control, identifying family company businesses, building social relationships between company owners' families, the existence of emotional ties between the owners of the family company and the existence of a dynasty or decline of the family company in the future (Berrone, 2012). SEW is realized in family companies, not only involving people in the company itself but involving other people from the family company to see attachments and others in addition to building SEW, especially in family companies (Bang et al., 2023).

1.2 Entrepreneurial Success

Indicators that strengthen entrepreneurial success are still under debate, there are many obstacles in calculating entrepreneurial success. The financial factor which is one of the evaluations of performance becomes increasingly weaker after the presence of other factors such as cooperation, building networks and so on. The traditional view regarding financial reports is that an increase in stable conditions is the main reference for success, but there are many objections that imply that indicators of success have not yet experienced uniformity that can be used in the literature. There is also the ability to fulfil short-term obligations in the context of small businesses which can be said to be successful, but there are also other, sharper views which reveal that success for small and large companies is different, in fact in large companies the increase in profits in the financial statements is considered a success, but in small companies it becomes a strategy to survive. (Whitson et al., 2021). This group emphasized that, although growth is not considered important, survival is still important whereas business also requires a company to be financially viable.

The above expresses the idea that, for small businesses, the most important metric of success is the achievement of personal goals such as autonomy, personal involvement and work-life balance and not financial results. Entrepreneurship research has focused on a limited definition of success, concentrating only on company success as measured by company efficiency indicators (Ahmad et al., 2018). Many studies ignore the more personal standards of success that represent internal professions because of their low expectations. Entrepreneurial success can be measured by the performance of the business carried out. The relationship between entrepreneurial success and company profits is something that cannot be denied so it is able to measure entrepreneurial success. The view regarding entrepreneurial success can be seen from several variables

that build it, namely human capital and financial capital, and can also be seen from knowledge. Entrepreneurs have long been seen as more innovative and therefore able to do many things to achieve success compared to non-entrepreneurs. Several psychological characteristics and concluded that the need for achievement, internal locus of control and risk-taking tendencies were attributes that contributed to the success of entrepreneurs in running their businesses.

2. Methodology

This research used quantitative methods using SEM (Structural Equation Modeling) with Smart PLS. The unit of analysis for this research was the owner or management of a family company in Padang City, West Sumatra. The total research sample was 100 family companies that had been established for at least 5 years. A Likert scale questionnaire that uses SEW variables with 5 dimensions and entrepreneurial success with 4 dimensions was used in the data collection. The questionnaire was given only to owners or family companies.

Five dimensions, namely, Family control and influence (F), Identification of family members with the firm (I), Binding social ties (B), Emotional attachment of family members (E) and Renewal of family bonds to the firm through dynasty (R) were used to measure SEW. Meanwhile, for entrepreneurial success, we adopt research by Laurent & Soroto (2014) by looking at three dimensions, namely financial performance (KK), operational performance (KO) and satisfaction (KS) and for the novelty of this research we added knowledge (PN) because knowledge influences entrepreneurial success.

3. Result

This research examines the relationship between the SEW variable and entrepreneurial success variables in the context of family companies in the city of Padang, West Sumatra, Indonesia.

3.1 Respondent Characteristics

3.1.1 Characteristics of Respondents Based on Gender

Based on Table 1, in the analysis of respondent characteristics based on gender, the number of male respondents is greater than the number of female respondents. The number of male respondents was 52 (52%) and female respondents were 42 (42%).

Table 1. Characteristics of respondents based on gender

Gender	Frequency	Per cent
man	52	52%
women	48	48%
Total	100	100%

3.1.2 Characteristics of Respondents Based on Age

The results of distributing the questionnaire, with the characteristics of respondents identified based on age, are shown in Table 2. Based on Table 2, the highest number of respondents were >40 years old with 41 (41%) people. Meanwhile, the lowest respondents were 20-30 years old, namely 29 (29%) people.

Table 2. Characteristics of respondents based on age

Age	Frequency	Per cent
20-30	29	29%
31-40	30	30%
>40	41	41%
Total	100	100%

3.1.3 Characteristics of Respondents Based on Last Education

The results of distributing the questionnaire, with the characteristics of respondents identified based on their last education, are shown in Table 3. From Table 4, it is known that the most respondents in this study based on their last education were S1 with a total of 27 respondents (27%). Meanwhile, the fewest were SMA with 6 respondents (6%).

Table 3. Characteristics of respondents based on last education

Last Education	Frequency	Per cent
< SMA	8	8%
SMA	6	6%
S1	27	27 %
Total	100	100%

3.1.4 Characteristics of Respondents Based on Length of Business

The results of distributing questionnaires, with the characteristics of respondents identified based on length of business, are shown in Table 4. From Table 4, it is known that the largest number of respondents in this study based on length of business were businesses that were 1-10 years old with a total of 50 respondents (50%). Meanwhile, the fewest were businesses that were >20 years old, amounting to 14 respondents (14%).

Table 4. Characteristics of respondents based on length of business

Length of Business	Frequency	Per cent
1-10	50	50 %
11-20	36	36%
>20	14	14%
Total	100	100%

3.2 Measurement Model (Outer Model)

The initial stage carried out in the research was to test the outer model. The outer model tests indicators against latent variables, or in other words measures how far the indicators can explain the latent variables. Testing the outer model is carried out in 2 stages, namely testing validity and reliability. Outer model testing is used to find out whether the research instrument meets the requirements of good data, namely that it must be valid and reliable.

Based on the loading factors, all constructs are declared valid as seen in Fig. 1. The results of processing using SmartPLS can be seen in the table above. The outer model value or correlation between constructs and variables shows that overall, the loading factor value is greater than 0.5 so that the constructs for all variables are valid.

3.3 Discriminant Validity

Discriminant validity is related to the principle that different construct measures should not be highly correlated. There is a method that can be used to carry out discriminant validity testing, namely assessing based on the square root value of AVE on the correlation value between variables. The square root value of AVE must be greater than the maximum correlation value of each construct.

Table 5. Average variance extracted

Variable	AVE
SEW	0,501
Entrepreneur Success	0,503

This test is carried out to see how big the differences are between variables. The value seen in this test is the average variance extracted (AVE) value for all variables as a whole obtained as an estimation result where the value is > 0.50 so it can be declared valid.

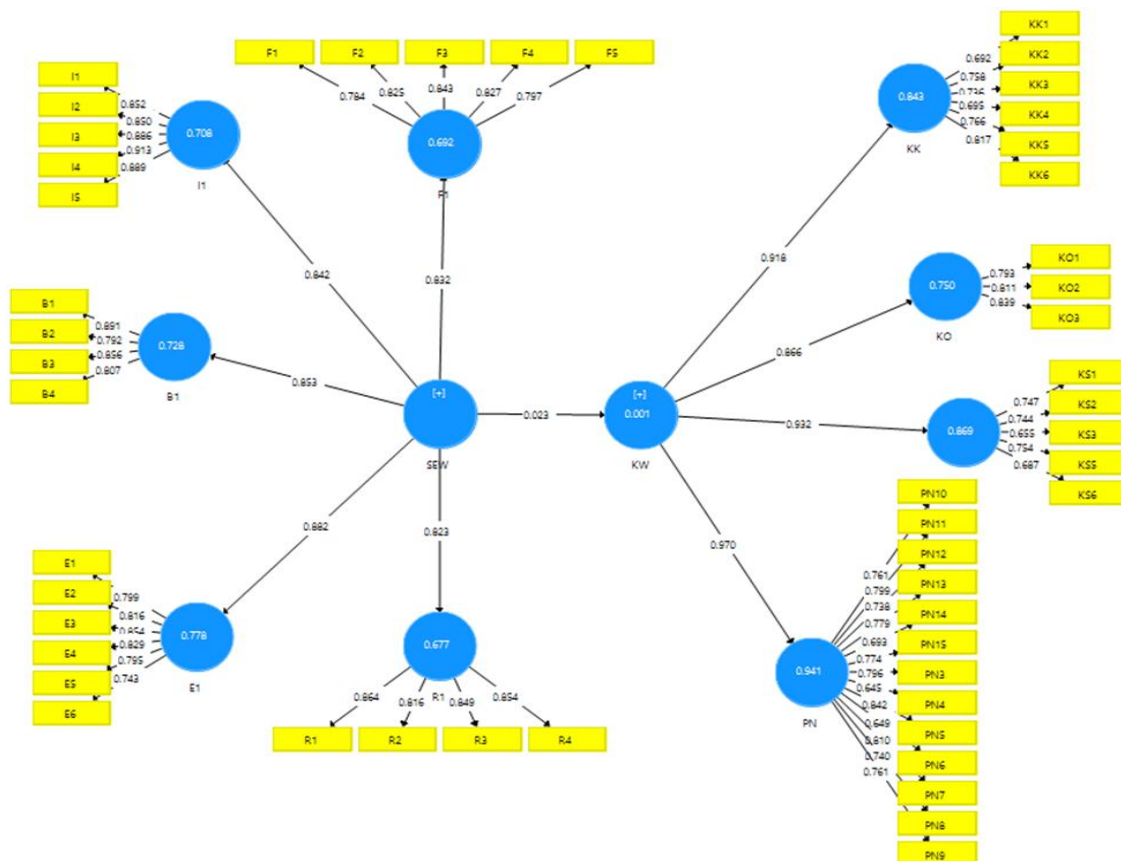


Fig. 1. Loading factor

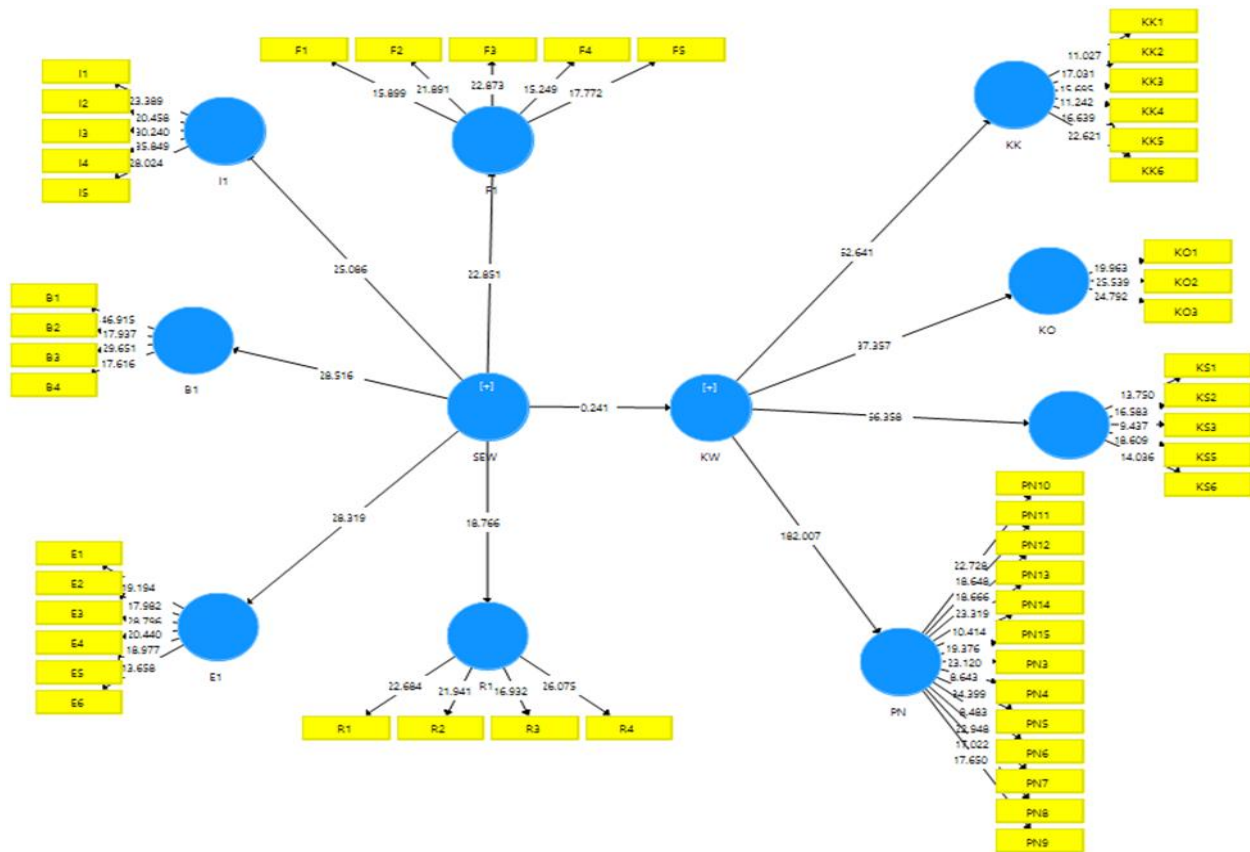


Fig. 2. Structural model test

3.4 Test the Structural Model (Inner Model)

Based on the results of the tests carried out, the structural model shows the relationship between variables and variables and also between variables and constructs. For more details on the structural model test (see Fig. 2).

Based on the processed data, the structural model uni result was 0.241, meaning that the influence of the SEW variable on entrepreneurial success in family companies in West Sumatra, Indonesia was only 2.41 per cent. It has very little influence compared to other variables, but what needs to be noted in this research is that both variables have an influence. This can be seen in the research that SEW is a perfect family company, whereas in West Sumatra the management of family companies is also influenced by the culture and customs of the Minang ethnic community because the culture adopted is very different from other ethnic groups, namely matrilineal where business management is handed down to the mother or woman.

4. Conclusion

The research was conducted in 2024 using two variables, namely the SEW variable and entrepreneurial success in the case of family companies using only 100 respondents. For further research, you can add a number of variables such as the social capital variable and also add business performance variables and increase the number of research

samples in order to strengthen the results obtained. Apart from that, research can also combine large locations, for example, Indonesia, to increase the input and novelty of the research.

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