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Entrepreneurial Orientation and Strategic Initiatives in Family Business Groups: The Role of Corporate Centres and Family Influence

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ABSTRACT

Strategic management practices and their influence on entrepreneurship in family businesses are receiving increasing attention from scholars. Yet, few studies have hitherto investigated such practices in the context of large family business groups with unique characteristics, i.e. the presence of a corporate centre that handles corporate strategy in a business group and the presence of family management that affects strategic decision-making processes concerning entrepreneurship and innovation, both at the corporate level and the business unit level. This paper aims to explore and analyse the influence of corporate parenting style of corporate centres in strategic planning, strategic control and financial control as well as family influence factors on business unit entrepreneurial orientation (EO) and business unit strategic initiatives, which in turn affect business unit performance. The study applies a structural equation model (SEM) to a sample of 106 respondents who are CEOs and senior management officers in business units managed by 16 corporate centres of family business groups in Indonesia. The results suggest that the presence of corporate centres and family influence affect business unit performance through influencing EO and strategic initiatives. The corporate parenting role played by corporate centres differentially influences EO and strategic initiatives in business units. Moreover, family influence has a positive impact on EO and business units' strategic initiatives. At the business unit level, it is found that EO does not exhibit a direct relationship with performance, but its influence on performance is positive whenever EO has been implemented in the form of strategic initiatives.

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INTRODUCTION

A family business group is a business entity consisting of several affiliated companies that are diversified and interconnected by multiple common factors such as ownership structure, intercompany transactions within the group and the presence of social relationships such as family connections and friendship (Bruton, & Hoskisson, 2007; Khanna & Rivkin, 2001; Yiu, Lu, Bruton, & Hoskisson, 2007). In recent years, family business groups have been able to thrive in increasingly competitive environments by entering into various industries (Yabushita & Suehiro, 2014). In order to sustain such growth, a family business group should be able to adapt its strategies and modernise its management style to overcome management resource limitations (Yabushita & Suehiro, 2014); it also needs to have a corporate strategy that can drive business units to conduct entrepreneurial activities. Previous studies show that entrepreneurial activities in business units play key roles in determining the success of a multi-business company (Zahra, Dharwadkar, & George, 2000). A business unit's entrepreneurial activities represent the implementation of EO and are positively connected to the company's performance (Lumpkin & Dess, 1996; Zahra, Jennings, & Kuratko, 1999).

In multi-business companies, it is commonly observed that the management of corporate strategy in family business groups is run by a corporate centre (Ramachandran, Manikandan, & Pant, 2013). According to Zahra, Dharwadkar and George (2000), the corporate centre context (comprising business unit mandates and the control system) is an important determinant of business unit entrepreneurship. On the other hand, family business group management has unique characteristics that are marked by family ownership structure and family management (Chung, 2012), wherein family influence becomes one of the determining factors in strategic decision making (Lindow, Stubner, & Wulf, 2010), including influencing the EO of the family business.

In Indonesia, family business groups are one of the main economic actors that play a significant role in the growth of the national economy (Hanani, 2006). Between 2006–2017, these groups contributed about 40% of the top listed stocks in the Indonesia Stock Exchange, as is the case elsewhere in Southeast Asia such as Malaysia, the Philippines, Singapore, Thailand and Vietnam (Vestring & Felenbok, 2017). Based on a survey conducted by Pricewaterhouse Coopers (PwC) in 2014, it was found that about 60% of family businesses in Indonesia are managed by second and third generation family members, indicating that many family business groups in that country have successfully passed through the critical development stage; elsewhere it is commonly observed that family businesses fail to survive beyond the second or third generation. In order to continue to grow sustainably, family business groups in Indonesia are required to adapt faster, innovate faster, and act more professionally in running their operations (PwC, 2014). In this context, the role of the corporate centre becomes crucial in formulating and executing corporate strategy that can encourage entrepreneurship and innovation initiatives in business units.

Studies on the roles of corporate centres that increase added value (including increasing EO) for business units tended to be conducted using multinational companies as the unit of analysis (Menz, Kunisch, & Collis, 2013; Zahra, Dharwadkar, & George, 2000) and have been limited in terms of testing the roles in family business groups. Moreover, studies on the presence of family influence on EO in family businesses have also been carried out, but these are mostly on single companies (Chirico, Ireland, & Sirmon, 2011; Nordqvist & Zellweger, 2010; Short, Payne, Brigham, Lumkin, & Broberg, 2009). Studies that investigate family influence on EO in business units of family business groups are lacking. Therefore, this research gap will be addressed in this study and provide answers to salient research questions such as whether the presence of a corporate centre and family influence affects entrepreneurial level in terms of EO and strategic initiatives of business units.

This study has important academic and practical implications as it assists in understanding how much emphasis is placed on corporate parenting by corporate centres, leading to increased levels of business EO and strategic initiatives. Business leaders in corporate centres will be able to discern which strategic actions are necessary to improve the business unit's propensity to be innovative, to take risks when confronted by uncertainty, and to be proactive vis-a-vis marketplace opportunities.

LITERATURE REVIEW

Corporate Parenting Role

According to Ramachandran, Manikandan and Pant (2013), a family business group is managed by a corporate centre that serves its role through strategy work and identity work activities. Strategy work is performed by the corporate centre by constructing and developing strategic frames of business units, while identity work involves managing the brand, identity and group reputation as a whole. Goold and Campbell (1987), and Goold, Campbell and Alexander (1994) developed the concept of corporate parenting role, that is, roles played by the corporate centre in managing business units by executing strategic management practice approaches in terms of planning process (planning influence) and controlling process (control influence). There are three approaches which companies tend to follow: strategic planning, strategic control and financial control.

Strategic planning is an approach in which the setting or strategic formulation of business units is administered top-down by the corporate centre while the business units are focused on implementing these strategies. On the other hand, in the financial control approach, business units are treated as stand-alone units which formulate their own strategies and are tightly controlled by the corporate centre with an emphasis on short-term financial performance. Meanwhile, strategic control approaches are executed by a corporate centre that strives for a balance between the strategic planning and financial control approaches, wherein strategy formulation is performed by business units to be reviewed and approved by the corporate centre (bottom up).

Entrepreneurial Orientation (EO) and Strategic Initiatives in Family Businesses

An entrepreneurial company is one that 'engages in product market innovation, undertakes somewhat risky ventures, and is first to come up with proactive, innovations, beating competitor to the punch' (Miller, 1983). Therefore, EO is a concept developed at the corporate level, reflecting the company's tendencies towards product innovation, pro-activeness and risk-taking behaviours (Covin & Slevin, 1991; Wiklund & Shepherd, 2003). Product innovation is defined as a firm's propensity to engage in and support creativity and experimentation, thereby leading to the creation of new products or the modification of existing ones (Zahra & Covin, 1995). Pro-activeness is a forward-looking perspective characterised by the pursuit and anticipation of future wants and needs in the marketplace. Risk taking characterises entrepreneurial behaviour in which both the cost of failure and the potential returns are high (Lumpkin & Dess, 1996).

Business unit entrepreneurship plays an important role in the success of the entire multi-business company (Zahra, Dharwadkar, & George, 2000). Therefore, the role of the head of division or manager in the business unit changes significantly from a passive role based on the directives of the corporate centre into a more active role as an aggressive entrepreneur (Barlett & Ghosal, 1997). Furthermore, Schmid, Dzedek and Lehre (2014) argue that the emergence of strategic initiatives of innovation and entrepreneurial activity in business units are largely determined by the capabilities of the management team in the business unit, such as personal motivation, individual skills and expertise and individual entrepreneurial orientation.

In the context of multi-business companies (including family business groups), business unit strategic initiatives represent implementations of EO. A business unit's strategic initiative is defined as an 'entrepreneurial undertaking that allows the business unit to tap into new opportunities' outside of the corporate centre (Ambos & Birkinshaw, 2010), often capturing autonomous 'under the radar' (Delany, 2000) development of products and technologies by business unit operations (Birkinshaw, 1997). Furthermore, business unit strategic initiatives are essentially an entrepreneurial process, beginning with the identification of an opportunity and culminating in the commitment of resources to that opportunity (Birkinshaw, 1997).

Literature review on entrepreneurship in family businesses reveals debates among researchers regarding family influence on EO, wherein there are two opposite perspectives (Nordqvist & Zellweger, 2010; Short et al., 2009). Some suggest that a family business is unique and is conducive to entrepreneurial development (Aldrich & Cliff, 2003; Chirico, Ireland, & Sirmon, 2011), while others posit that family involvement tends to hinder entrepreneurial programmes (Chirico & Nordqvist, 2010; Salvato, Chirico, & Sharma, 2010).

Relationship between Corporate Parenting Role and Business Unit Entrepreneurship in Family Businesses

By combining the corporate centre framework of Ramachandran, Manikandan and Pant (2013), and Goold, Campbell and Alexander (1994) with the strategic entrepreneurship concept (input-process-output) of Hitt, Ireland and Sirmon (2011), this study identified seven variables which define the corporate parenting role: strategic planning, strategic control, financial control, family influence, EO, strategic initiative programmes and business unit performance. The EO level and strategic initiative programmes at the business unit level of family business groups are influenced by the presence of the corporate centre, specifically in terms of defining and operationalising the corporate parenting role and family influence. The research model used herein is depicted in Figure 1.

The strategic planning approach is a corporate centre approach for strategic management through involvement in formulation, strategy and control while flexibly observing operational performance based on set strategic plans (Goold, Campbell, & Alexander, 1994; Goold & Luchs, 1996). This approach is expected to enhance entrepreneurial intensity in

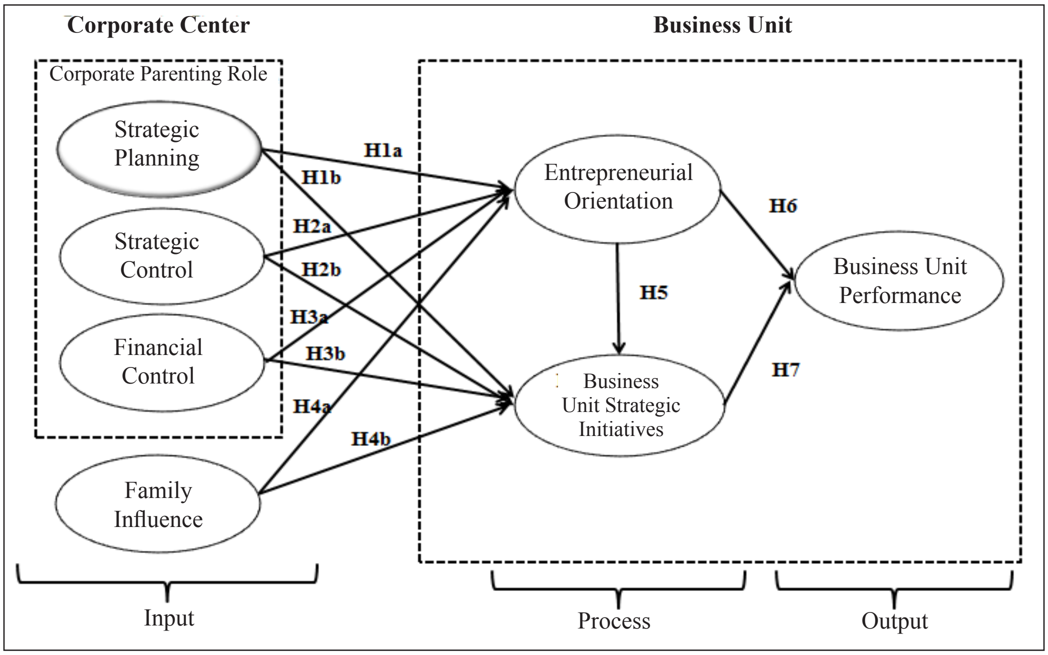

Figure 1. Proposed research model

business units for two key reasons. First, the budget and targets for business units defined by the corporate centre tend to be relatively flexible, and reviewed within the context of strategic as well as financial performance (Goold & Campbell, 1987); this can encourage entrepreneurial behaviour and innovation within the business unit. Second, interaction among business units within a multi-business company enables knowledge-exchange among business units, which, in turn, can increase entrepreneurial intensity and innovation (Hitt, Hoskisson, & Kim, 1997). Accordingly, the following hypotheses are developed:

Hypothesis 1a *The strategic planning approach pursued by a corporate centre has a positive effect on business units' entrepreneurial orientation.*

Hypothesis 1b *The strategic planning approach pursued by a corporate centre has a positive effect on business units' strategic initiatives.*

The strategic control approach is a corporate centre approach for strategic management which involves providing strategic directives to business units and coordinating the management of strategic organisational functions, along with exerting control on business units while observing strategic performance achievements (Goold, Campbell, & Alexander, 1994; Goold & Luchs, 1996). Barringer and Bluedorn (1999) explain that strategic control provides support and recognition to creativity and opportunity-seeking processes through innovation (as a form of strategic initiatives) within the organisation. When strategic control is implemented, it will lead business units' managers towards risk taking actions in new ventures to confront uncertainties in the business environment (Hitt, Hoskisson, & Ireland, 1990; Hitt, Hoskisson, Johnson, & Moesel, 1996). Therefore, the following related hypotheses are proposed:

Hypothesis 2a *The strategic control approach pursued by a corporate centre has a positive effect on business units' entrepreneurial orientation.*

Hypothesis 2b *The strategic control approach pursued by a corporate centre has a positive effect on business units' strategic initiatives.*

A corporate centre implementing financial control always monitors and evaluates business units' performance based on their quantitative objectives and targets judged against prescribed benchmarks (Goold & Campbell, 1987; Hitt, Hoskisson, & Ireland, 1990). This can create a disproportionate focus on meeting targets to the detriment of innovation and business development which, in turn, indicates a suboptimal level of EO in business units (Zahra, Dharwadkar, & George, 2000). Based on the foregoing, the following hypotheses are proposed:

Hypothesis 3a *The financial control approach pursued by a corporate centre has a negative effect on business units' entrepreneurial orientation.*

Hypothesis 3b *The financial control approach pursued by a corporate centre has a negative effect on business units' strategic initiatives.*

Family influence also determines the level of EO and strategic initiatives in business units of family business groups. It has hitherto been established that family influence has positive effects on EO and innovations in family businesses due to the presence of long-term ownership by family members that creates strong dedication to resources needed in decision making related to entrepreneurship and innovation (Zahra, Hayton, & Salvato, 2004). Meanwhile, according to Salvato (2004), the number of generations involved in strategic planning and business management plays an important role in family businesses. Similarly, Kellermanns, Eddleston and Pearson (2008) explain that inter-generational family involvement has positive effects on entrepreneurship in the business. Therefore, a family business can be more innovative than a non-family business due to a better relationship between the owner and the business in the former (Beck, Janssens, Debruyne, & Lommelen, 2011). Accordingly, the following hypotheses were developed:

Hypothesis 4a *In family business groups, the family's influence has a positive effect on business units' entrepreneurial orientation.*

Hypothesis 4b *In family business groups, the family's influence has a positive effect on business units' strategic initiatives.*

At the business unit level, according to Scott, Gibbons and Coughland (2009), there is a positive relationship between EO and strategic initiatives. A company with strong EO is predicted to be able to create new product concepts, fulfilling both existing and potential customer needs. Business unit strategic initiatives in the form of innovation can be identified as an EO dimension while on the other hand it can be treated as a result of business units' EO, considered as a critical factor in economic value creation and organisation in the units (Christensen, 2003). Zahra and Covin (1995) state that a company with strong EO can attain a higher market target and position compared with its competitors. Accordingly, the following hypothesis is developed:

Hypothesis 5 *Entrepreneurial orientation has a positive effect on business units' strategic initiatives.*

The EO is a concept at the corporate level, strongly linked to strategic management and decision making (Covin & Slevin, 1991; Lumpkin & Dess, 1996). Many studies have revealed that EO has positive effects on business performance (eg. Miller, 1983; Wiklund & Shephard, 2005; Zahra & Covin, 1995). Moreover, several researchers have carried out longitudinal investigations and found positive effects of EO on business performance (eg. Wiklund, 1999; Zahra & Covin, 1995). Previous studies also show that strategic initiatives as an implementation of EO in business units have positive effects on business units' performance in multi-business companies (Ambos & Birkinshaw, 2010; Liouka, 2007; Schmid et al., 2014). Based on this, the following hypotheses are proposed:

Hypothesis 6 *Entrepreneurial orientation has a positive effect on business units' performance.*

Hypothesis *7 Strategic initiatives have a positive effect on business units' performance.*

METHODS

Sample and Procedure

Data for this study was collected from a survey of business units (as the unit analysis) that are part of family business groups in Indonesia. Those business units are managed by corporate centres that have majority shareholders. Based on data from the Financial Services Authority (an Indonesian government agency which regulates and supervises the financial services sector) as of January 2017, and the results of discussions with several members of family business groups in Indonesia, the estimated total population of business units in that country is approximately 500. The questionnaire was developed based on a literature review with input from family business groups in Indonesia.

The survey was pre-tested to militate against biases. Before the pre-test, face validity was conducted through discussions with some experts, i.e. academics and practitioners who comprehend the management of the family business group. This was done to ensure that the indicators in the questionnaire reflect the situation in the family business groups. Two pre-tests were conducted with 15 and 20 representatives of business units. The questionnaire was distributed by e-mail to directors and senior management officers of business units between April and August 2017. Out of 171 questionnaires distributed, 117 (68%) were returned, and 106 (62%) had all questions answered. These 106 valid questionnaires thus constitute the sample of this study.

The respondents were directors (65%) and senior management officers (35%). A senior management officer is one level below the Director / CEO who is also involved in strategic decision making in the company. Most respondents were male (89%). In terms of education, 53% had an undergraduate degree, 35% a Master's degree and 6% a doctoral degree. In terms of industry representation, 29% of respondents were from the manufacturing industry, 15% from logistics and transportation, 12% from mining and energy, 11% from agriculture, 10% from media & telecommunications, 10% from construction, 8% from financial services and, finally, 6% from other industries. Nearly two thirds of business units (63%) have been operating in Indonesia for more than 15 years, with 25% and 12% operating between 11-15 years and 10 years or less respectively.

Six-point Likert scales are used in this study to quantify respondents' views and opinions, in which 6 represents 'strongly agree' and 1 represents 'strongly disagree'.

The SPSS 21 software is used for descriptive analysis. Next, data was analysed using structural equation modelling (SEM) based on a 'two-stage approach'. The first stage is an analysis of the measurement model, which consists of validity and reliability analyses followed by parcelling (Bandalos, 2002; Rhemtulla, 2016) using latent variable scores (LVS) to simplify the measurement model from a second-order confirmatory analysis model (2nd CFA) into a first-order confirmatory analysis model (1st CFA). The second stage is analysis of the structural model, which includes a significance test of path coefficients between two latent variables, followed by research hypothesis testing. The LISREL 8.8 software is used for SEM.

Measures of Constructs

Corporate parenting role in the form of strategic planning (StraPlan), strategic control (StraCont) and financial control (FinCont) was operationalised as the degree of corporate centre involvement in the planning process (planning influence) and controlling process (control influence). This study adapted the scale developed by Goold and Luchs (1996). Family influence (FamInflu) was operationalised as the influence of family on company management in business units in the form of share ownership, corporate governance, family members' involvement in management, cross-generational succession experiences and family culture. This variable is captured by the scale of family influence (F-PEC scale) proposed by Astrachan, Klein and Smyrnios (2002), and validated by Klein, Astrachan and Smyrnios (2005), and Holt, Rutherfod and Kuratko (2010).

Entrepreneurial orientation (EntOrien) was operationalised as business unit management's tendencies towards product innovation, pro-activeness and risk-taking behaviours. The scale for EO was adapted from Miller (1983), and Kellermanns and Eddleston (2006). Business unit strategic initiatives (BUStrain) are executed by the business unit to implement EO in the form of innovation and entrepreneurship programmes, following Bindle and Parker (2011), and Zeng (2007). Finally, business unit performance (BUPerfor) was defined as perception of a business unit's level of success through financial and non-financial indicators, adapted from Venkatraman and Ramanujam (1986) and Trapczynski (2013). Operationalisation of the main research variables is summarised in Table 1.

RESULTS

The mean and standard deviation of each research variable based on results from the sample respondents, as well as bivariate correlation coefficients are provided in Table 2.

From Table 2, it can be seen that the mean of all research variables is between 4 and 5; therefore, on average, respondents answer between 'slightly agree' and 'agree' to the statements in the questionnaire. Table 2 also shows that more than 50% of the bivariate correlation coefficients between the research variables are significant at the 0.01 level.

Table 1
Operationalisation of research variables

Research Variables	Dimensions	Indicators*	References
StraPlan	1) Planning Influence (LPSP) 2) Control Influence (LCSP)	1) 7 items (PSP1–PSP7) 2) 3 items (CSP1–CSP3)	Goold & Luchs (1996), Johnson & Scholes (2012)
StraCont	1) Planning Influence (LPSC) 2) Control Influence (LCSC)	1) 6 items (PSC1–PSC6) 2) 4 items (CSC1–CSC4)	Goold & Luchs (1996), Barringer & Bluedorn (1999), Zahra et al. (2000)
FinCont	1) Planning Influence (LPFC) 2) Control Influence (LCFC)	1) 3 items (PFC1–PFC3) 2) 4 items (CFC1–CFC4)	Goold & Luchs (1996), Barringer & Bluedorn (1999), Zahra et al. (2000),
FamInflu	1) Family Power (LFIP) 2) Family Experience (LFIE) 3) Family Culture (LFIC)	1) 6 items (FIP1–FIP6) 2) 6 items (FIE1–FIE6) 3) 7 items (FIC1–FIC7)	Astrachan (2005), Klein et al. (2005), Holt et al. (2010)
EntOrien	1) Innovativeness (LEOI) 2) Risk Taking (LEOR) 3) Proactiveness (LEOP)	1) 4 items (EOI1–EOI4) 2) 3 items (EOR1–EOR3) 3) 4 items (EOP1–EOP4)	Miller (1983), Lumpkin & Dess (1996), Matsuno et al. (2002), Kellermanns & Eddleston (2006)
BUStrain	1) Product Innovation (LSIP) 2) Process Innovation (LSIS) 3) Market Development (LSIM)	1) 3 items (SIP1–SIP3) 2) 3 items (SIS1–SIS3) 3) 3 items (SIM1–SIM3)	Bindle & Parker (2011), Birkinshaw (1997), Zeng (2007)
BUPerfor	1) Financial Performance (LBPF) 2) Non-financial Performance (LBPN)	1) 5 items (BPF1–BPF5) 2) 7 items (BPN1–BPN7)	Venkatraman & Ramanujam (1986), Trapczynski (2013), Yalcinkaya, Calantone, & Griffith (2007)

* Indicators are measured on 6-point Likert scales

Table 2
Descriptive statistics and correlation coefficients

	Mean	SD	StraPlan	StraCont	FinCont	FamInflu	EntOrien	BUStrain	BUPerfor
StraPlan	4.33	0.55	1	.255**	−.092	.322**	.337**	.391**	.280**
StraCont	4.59	0.45	.255**	1	.082	.143	.387**	.346**	.183
FinCont	4.29	0.53	−.092	.082	1	−.053	−.055	.001	.159
FamInflu	4.32	0.38	.322**	.143	−.053	1	.358**	.432**	.250**
EntOrien	4.36	0.49	.337**	.387**	−.055	.358**	1	.705**	.432**
BUStrain	4.47	0.55	.391**	.346**	.001	.432**	.705**	1	.567**
BUPerfor	4.19	0.63	.280**	.183	.159	.250**	.432**	.567**	1

** Correlation is significant at the 0.01 level (2-tailed)

In terms of SEM, the first stage represents measurement model analysis. All research variables are 2nd-order CFA. Therefore, the first step of measurement model analysis is 1st-order CFA, which is represented by the relation between dimension/latent variable and its indicators/observed variables. This analysis includes tests of overall model fit, validity and reliability. According to results of the goodness-of-fit index (GOFI), the values show good fit (Table 3). In addition to GOFI, all indicators have good validity (SFL > 0.50) and all constructs have good reliability (construct reliability > 0.70 and variance extracted > 0.50). Next, LVS are used for parcelling or simplification of measurement models. Bentler & Chou (1987) suggest that the minimum sample size for SEM is 5 or 10 × total of observed variables (or indicators). Therefore, the minimum sample size for this study based on the indicators in the questionnaire should be 5 × 82 = 410. Since the available sample size is only 106, parcelling or simplification is necessary. With LVS of the dimensions available, the measurement model of the research variables as 2nd-order CFA can be transformed into 1st-order CFA, with their dimensions as indicators or observed variables. With this transformation, the minimum sample size necessary for this study is reduced to 5 × 17 = 85.

The second stage of the SEM procedure is structural model analysis. Based on the fitness test results of the structural model, referred to as the goodness-of-fit index (GOFI), the values show good fit (See Table 4).

Table 3
Goodness-of-Fit Index (GOFI): Measurement model

Indicators	Computed GOFI value	Standard value for good fit	Conclusion
p-value	1.00	> 0.05	Good Fit
RMSEA	0.00	≤ 0.08	Good Fit
NNFI	1.08	≥ 0.90	Good Fit
CFI	1.00	≥ 0.90	Good Fit
IFI	1.06	≥ 0.90	Good Fit
SRMR	0.36	≤ 0.05	Marginal Fit
GFI	0.97	≥ 0.90	Good Fit
Norm-χ^2	0.00	≤ 2.00	Good Fit

Table 4
Goodness-of-Fit Index (GOFI): Structural model

Indicators	Computed GOFI value	Standard value for good fit	Conclusion
p-value	1.00	> 0.05	Good Fit
RMSEA	0.00	≤ 0.08	Good Fit
NNFI	1.08	≥ 0,90	Good Fit
CFI	1.00	≥ 0.90	Good Fit
IFI	1.06	≥ 0.90	Good Fit
SRMR	0.32	≤ 0,05	Marginal Fit
GFI	0.94	≥ 0.90	Good Fit
Norm-χ^2	0.00	≤ 2.00	Good Fit

The full SEM model, which consists of a structural model with a simplified measurement model, is estimated and summarised in Table 5.

From Table 4, it can be seen that out of 11 research hypotheses, eight are accepted and three, namely, H2b, H3b and H6, are rejected.

Table 5
Summary of hypotheses tests

Hypothesis	Path	t-value	Coefficient	Remarks	Summary
H1a	StraPlan ➔ EntOrien	7.59	0.38	Significant (+)	H1a Accepted
H1b	StraPlan ➔ BUStraIn	1.97	0.15	Significant (+)	H1b Accepted
H2a	StraCont ➔ EntOrien	4.78	0.34	Significant (+)	H2a Accepted
H2b	StraCont ➔ BUStraIn	−0.88	−0.07	Insignificant	H2b Rejected
H3a	FinCont ➔ EntOrien	−2.06	−0.16	Significant (−)	H3a Accepted
H3b	FinCont ➔ BUStraIn	1.53	0.11	Insignificant	H3b Rejected
H4a	FamInflu ➔ EntOrien	4.83	0.35	Significant (+)	H4a Accepted
H4b	FamInflu ➔ BUStraIn	2.09	0.19	Significant (+)	H4b Accepted
H5	EntOrien ➔ BUStraIn	4.70	0.70	Significant (+)	H5 Accepted
H6	EntOrien ➔ BUPerfor	−0.46	−0.07	Insignificant	H6 Rejected
H7	BUStraIn ➔ BUPerfor	4.00	0.75	Significant (+)	H7 Accepted

DISCUSSION

This study has assessed corporate strategy implementation and its influence on performance achievement through business units' entrepreneurial activities in family business groups. The virtue of the study lies in the fact that extant research in this domain has tended to focus on multinational business perspectives (Menz, Kunisch, & Collis, 2013). The study argued that in family business groups, business unit performance achievements were affected by two strategic factors, namely: (1) the presence of corporate centres (Zahra, Dharwadkar, & George, 2000) that play a corporate parenting role vis-à-vis strategic planning, strategic control and financial control (Goold, Campbell, & Alexander, 1994); and (2) family influence as a factor that plays a role in strategic decision making in a family business (Chung, 2012). These two strategic factors affect business unit performance through influencing EO and strategic initiatives in the form of innovation and business development.

The findings, in general, reveal different manifestations of corporate parenting roles in family business groups in Indonesia. First, corporate centres may result in added value to business units whenever the corporate centre is focused on managing related core businesses because they have the competency and resources needed to run operations and business developments. EO and strategic initiatives in business units will improve through the setting of strategies by the corporate centre in co-operation with management personnel in the business unit rather than merely regarding such management as a conduit for implementing the strategy. This finding is in line with previous studies conducted on multinational companies such as Barlett and Ghosal (1997), Zahra, Dharwadkar and George (2000), and Murimbika and Urban (2014). Second, business units of family business groups in Indonesia are relatively independent and have their own legal status such that the corporate centre tends to run the units through strategic control. Financial control approaches turn out to have implications vis-à-vis lesser influence of corporate centres on the rise of strategic initiatives in business units (as evidenced by the rejection of H2b and H3b). As an independent company, a business unit in Indonesia has its own board of directors that can directly contact its respective shareholders and acquire its own funding for innovation projects and business development from investors, banks as well as other financial institutions without the involvement of its corporate centre. This finding supports that of Ramachandran, Manikandan and Pant (2013) about the unique characteristics of corporate centres in family business groups in developing countries, such as Indonesia.

Third, the presence of the family provides a positive influence on EO and strategic initiatives in business units; indeed, under certain conditions, its influence on business units surpasses that of the corporate centre. This finding shows that family influence in Indonesian family business groups occurs not only due to the influence of certain power dynamics within the family (ownership and management) but also due to experience and leadership qualities where company management has passed through more than two generations, as well as the influence of family culture on company business management. For example, as practised in Indonesia, banks and other financial institutions commonly have a maximum credit line policy regarding innovation and business development projects in the context of family business groups. This policy considers the reputation and credibility of the family that owns the majority shares. Banks or other financial institutions will be directly connected to each business unit and will evaluate the feasibility of the innovation and business development project proposals submitted by business units without the involvement of the corporate centre. Nevertheless, in addition to considering the feasibility of such projects, banks or financial institutions will approve the credit line if the credibility and reputation of the family controlling the company are rated favourably. Therefore, family influence will carry more weight in innovation and business development credit line approval than the corporate centre's presence. These findings support the notion that family influence in Indonesian family business groups can be conducive to entrepreneurial development (see also Aldrich & Cliff, 2003; Chirico, Ireland, & Sirmon, 2011).

Another interesting finding is that there is no direct relationship between the EO level and the business units' performance.

This mirrors findings in existing studies which also failed to establish a relationship in this respect (Covin, Slevin, & Schulz, 1994; George, Wood Jr, & Khan, 2001). Empirical studies show that the nature of EO influence is heavily affected by many external factors (Covin & Slevin, 1989; Zahra & Covin, 1995) and internal company resources (Brush, Greene, & Hart, 2001). Therefore, it is concluded that EO levels affect performance when entrepreneurial intensity is realised in the form of strategic initiatives through innovation and market development programmes.

CONCLUSION

In general, the corporate parenting role concept developed by Goold and Campbell (1987), and Goold, Campbell and Alexander (1994) and commonly used by multinational companies, can be implemented in family business groups. Yet, implementation needs to consider the business unit structure with legally independent entities as specific characteristics of business units owned by family business groups in developing countries. Specifically, this research shows that the corporate centre that applies a strategic planning approach will have positive influences on EO and strategic initiatives in business units, while strategic control approaches can have positive influences on EO but no significant influence on business unit strategic initiatives. On the other hand, the financial control approach negatively influences EO levels but not the strategic initiatives in business units.

Moreover, in the management of family business groups in Indonesia, the family has positive influences on the EO level and strategic initiatives in business units so that they can grow and survive for a relatively long period of time, up to the second, third and later generations. Meanwhile, this research confirms that EO has indirect influences on business units' performance, and it is affected by internal and external factors, including the presence of strategic initiative programmes as part of EO implementation.

This study has contributed to the strategic management and entrepreneurship literature by investigating the implementation of the corporate parenting role in family business groups, and its relationship with business unit entrepreneurial activities. The measurement criteria of the corporate parenting role developed by Goold and Luchs (1996) was extended by adding indicators in the planning influence and control influence dimensions, and it is assumed that a corporate centre adopts strategic management practices in the form of strategic planning, strategic control and financial control simultaneously. Furthermore, this study provided new findings on family influence over business units' entrepreneurial activities.

Finally, this research is not without its limitations. First, data was derived from respondents from the perspective of business unit management and not from the perspective of corporate centre management. Therefore, there is ample scope to consider the latter in future research. Second, and related to the foregoing point, this research has examined the connection between family influence and business units even though, in practice, families exhibit greater influence on corporate centre management. Therefore, future research could investigate family influence on corporate centres' choices vis-à-vis the corporate parenting role approach.

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