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Entrepreneurial Experience, Support for Community and Family Firm Performance: A Cross-Study of Product and Service-based Family Businesses

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ABSTRACT

Drawing on theories from corporate social responsibility, entrepreneurship, and human capital, this study examines the structural relationships between entrepreneurial experience, support for community and family firm performance. Partial least-squares structural equation modeling (PLS-SEM) was used to collect the data from 176 family businesses from two sectors of the economy - product-manufacturing and service-based organizations. The empirical results indicated that family firm owners' entrepreneurial experience (business owner's education level, length of time as a business owner, and the number of businesses owned in the past) is a significant predictor of the business' support for community. Entrepreneurial experience was also found to have a significant and indirect effect on family firm performance. Additionally, the structural model was examined across product and service-based organizations. Our findings suggest that entrepreneurial experience has a stronger effect on family firm performance among service-based organizations.

Keywords: Family Businesses, Entrepreneurial Experience, Support for Community, PLS-Structural Equation Modeling (PLS-SEM), Multi-Group T-Tests and Permutation Tests

INTRODUCTION

Family owned businesses play a significant role in the global economy yet face major challenges in trying to succeed and survive generational transition (Brenes, Madriga, & Molina-Navaro, 2006; Chrisman, Sharma, & Taggar, 2007). A family business is defined as a business "that will be passed on for the family's next generation to manage and control" (Ward, 1987). Previous studies on family firms have focused on succession planning (Handler 1994; Sharma et al., 2003) and conflict among family members in the business (Handler 1994). Although the literature on family business is often subsumed and overlaps with the literature on small and medium enterprises (Getz & Carlsen, 2000), family businesses are unique entities and have been described as a complicated phenomenon (Lindsay & Craig, 2002). Family businesses are distinguished from non-family businesses in that their pattern of ownership, governance, management and succession affect the business structure, goals and strategies (Chua et al., 1999). Family and lifestyle aims often influence the objectives of family businesses without prioritizing the maximization of the profit (Peters & Buhalis, 2004). Family business owners are forced to balance business objectives with family interests (Getz & Carlsen, 2005). Consequently, family business owners become more risk averse and reluctant to accept investors from outside the family (Gallo et al., 2004). Empirical evidence from around the world suggests that a family owned business structure has advantages. For example, in a study of 100 family and 75 non-family businesses in Chile, family businesses outperformed their non-family counterparts when measured over a 10-year period (Martinez et al., 2007). In addition, Peters and Buhalis (2004) explored the management behaviors of 156 small family-owned hotel businesses in Austria and reported that family members working in a family business had higher motivation to work and that products and services offered by a family business were more personalized to the customer. More significantly, family businesses have familial assets and lower agency costs that can give the business a distinct advantage (Dyer, 2006). However, running the family business can put a lot of strain on the entrepreneur and the family (Mendonsa, 1983); in other words, family business owners' capability to successfully run the business and succeed at the challenges associated with being an entrepreneur can have a varying effect on performance.

In this study, we draw on theories from corporate social responsibility, entrepreneurship and human capital to examine a structural model of family business strategies and performance. Family firms display distinctive socially responsible behaviors due to family firm's relationship with its local community (Niehm et al., 2008). Specifically, the family business owners' attitudes towards the community and

their perception of the role of business in the community drive the strategies of the business and the decisions made (Niehm et al., 2008). Furthermore, the commitment to the community, which is the first and most important aspect of the corporate social responsibility that embodies a mutual relationship between the business and the community, is based on increasing efforts that support the public good of the community and improve business sustainability (Niehm et al., 2008).

In this study, we examined the extent to which a family business owner's 'entrepreneurial experience (EE) affects the business' corporate social responsibility, focusing specifically on support for community activities, as well as family firm performance. Moreover, we examined these relationships in the context of family businesses in two different industries, product based vs. service based organizations. In doing so, we advance the body of knowledge on family business entrepreneurship and the antecedence of family firm performance. The data for this study was collected from businesses in Lebanon, a country with 4.1 million people where family businesses make up almost 90% of all private sector enterprises (Fahed-Sreih, 2006).

The study also advances the knowledge on research methodologies in family business by demonstrating the application of Multi-group analysis and Permutation Tests using Partial Least Squares Structural Equation Modeling. The study has managerial implications for business owners and policy makers aiming to support the sustainability and long-term success of family-owned enterprises. In effect, it helps family businesses recognize the critical factors to a successful business, specifically with regard building human capital, building competencies, and engaging with local community.

The remaining part of this paper is presented as follows. A literature review discusses the business' support for community, the entrepreneurial experience and the development of the hypotheses tested in this study. The theoretical model of the business' support for community, entrepreneurial experience and business performance is then presented. Subsequently, the methods section summarizes the data collection methods and analyses followed by the presentation of the results of the analyses. The discussion section of the paper draws on the results and previous studies to present new contributions and theoretical implications emerging from this study.

LITERATURE REVIEW AND HYPOTHESES

Business' Support for Community

A community is defined as "a set of people with some kind of shared element, which can vary from a situation, such as living in a particular place, to some kind of

interest, beliefs or values" (Obst & White, 2005). In this study, community refers to the people of the region/governate in which the family business operates, where the family character of the business affects the employees, customers and supplier relationships (Uhlaner et al., 2004). In other words, family firms combine economic concerns with the traditional roles of the family social union; hence, they are acting differently compared to similar, non-family businesses. Furthermore, the social and economic environment of the community may push the businesses to perform some responsible actions because human, social and financial capital resources of both the family and the firm can be adopted as solutions to several problems in the society (Fitzgerald et al., 2010). More importantly, family business owners feel directly responsible for their employees, customers and suppliers and consider them as a type of "extended" family. Moreover, the most regularly mentioned social stakeholders (customers, employees, etc.) are involved in activities of the family, such as sports clubs, church, and others, whereby special relationships shaped by the family feature of the business are most likely mentioned for stakeholders who are highly engaged in the daily activity of the business and/or the family (Uhlaner et al., 2004).Additionally, businesses play an important role in their communities and "represent a significant component of the business-community interchange" (Besser & Miller, 2004). A business' support for its community has been conceptualized as community citizenship (Besser, 2003), corporate philanthropy (Keim, 1978), philanthropic investment (Mescon & Tilson, 1987), and contribution to the public good (Besser, 1998). Particularly, small enterprises often rely on relationships with other businesses in their community (Vives, 2006) and become involved in activities that protect and enhance the local social and economic environment. Furthermore, evidence suggests that small businesses operating in a specific geographic location can capture the benefits of their philanthropic investments and activities. For example, a business that contributes to the local hospital will ultimately benefit the health of its employees and potential employees. Additionally, the 'goodwill' of the business will be enhanced when the members of the community, including local government authorities, hear about the business' donations (Keim, 1978).

In terms of the outcomes of this support for community, the commitment to the community and the community support tend to influence the family business performance as well as the financial performance (Niehm et al., 2008). According to Miller et al. (2007), "the interaction effect of an entrepreneur's service to the community, reciprocated by community support of the business, is the single most significant determinant of business success." However, many businesses remain internally focused and believe that philanthropic investments contradict the profit

objectives of the firm. Thus, if community support activities fail to add to the business' 'bottom line', then "such investment may not be considered sustainable in a long run" (Inoue & Lee, 2011,). Furthermore, small business owners tend to face the challenge of operating a business in a community that may be dealing with significant challenges (Kean et al., 1998). Some business owners neglect to support the community as they may lack the time, resources or knowledge to engage in community support activities (Vives, 2006) while some may not see any benefit at all from supporting the community, especially if their main revenues come from customers outside of the local region, such as tourists, or export markets (Hallak et al., 2012).

Nevertheless, although some businesses might not be interested in being socially responsible and associate this behavior with negative effects on the performance of the business, most studies have stressed the positive relationship rather than the negative relationship, which is why we developed the hypothesis below to test the positive association between the support to community and the performance of the business. In effect, the "enlightened self-interest model" (Keim, 1978; Stendardi, 1992; Wallich & McGowan, 1970) proposes that businesses that support their community will experience a number of important benefits that will lead to improved business performance. These include the business being perceived as a socially responsible corporate citizen, motivating employees who feel a sense of satisfaction to be working for the company, having customers who may view the business in a favorable light, and being likely to be treated more favorably by local government authorities (Stendardi, 1992). Therefore, corporate philanthropy is a rational business strategy, with a firm gaining benefit if investment decisions incorporate a "social return" as well as a "business return" to shareholders (Keim, 1978). The empirical support for the enlightened self-interest has identified a significant relationship between the business' support for community and the business performance (Hallak et al., 2012), which formed the basis for the first hypothesis:

H1: Family business owners' level of support for the community has a direct, positive effect on family firm performance.

Entrepreneurial Experience

The entrepreneurial experience is another factor that might influence the performance of the business. An entrepreneur's skills, knowledge, and experience in business start-ups can have a significant influence on how he/she operates their current business (Chandler, 1996; Jo & Lee, 1996; Khan & Butt, 2002; Lerner & Haber, 2001). The experience gained from business start-ups enables entrepreneurs to identify new opportunities for new venture creation, hence leading to multiple venture

start-ups and developing an "entrepreneurial career" (Ronstadt, 1988). However, the extent to which the entrepreneurs' prior experience affects the manner in which they operate their business and the extent to which it affects business performance is complex, and it has resulted in mixed findings.

A number of studies have failed to support a positive relationship between entrepreneurial experience and performance (Jo & Lee, 1996; Lerner & Haber, 2000; Sandberg & Hofer, 1987), and some have actually found a negative effect (Van De Ven et al., 1984). Therefore, how entrepreneurs "actually learn from experience" rather than the experience per se influences performance (Reuber & Fischer, 1993). The actual type of experience gained may need to be considered, for example, in cases where previous entrepreneurial experience was unsuccessful, entrepreneurial experience actually has a negative influence on performance (Jo & Lee, 1996). Previous entrepreneurial experience can be both an asset and a liability to subsequent business ventures. Although experience can provide the entrepreneur with certain expertise and wisdom, it can also create "biases and blinders" and can constrain the "innovative potential of the entrepreneur." In addition, while entrepreneurs learn certain skills from their experience, the learning process does not cease and an entrepreneur may "find new things to learn in subsequent ventures" (Starr & Bygrave, 1991). Prior entrepreneurial experience may also be irrelevant in certain industries (Dyke et al., 1992). This was supported by Lerner and Haber (2000) in their study on the factors that drive the performance factors of small tourism businesses. Their research failed to support a relationship between entrepreneurial experience and performance, arguing that the low barriers to entry in the tourism sector make prior industry experience less relevant.

On the other hand, much research has strongly supported the relationship between experience and business performance (Chandler, 1996; Chandler & Hanks, 1991; Duchesneau & Gartner, 1990; Khan & Butt, 2002). Previous management experience in the industry in which the current business operates as well as the entrepreneur's experience with starting new businesses are positively related to various dimensions of business performance (Dyke et al., 1992). For example, Chandler (1996) found that the entrepreneur's previous experience within a task environment that is similar to the entrepreneur's current role is positively related to business performance. The experience gained from a previous task environment implies knowledge of that task and this knowledge, or familiarity, consequently has a positive influence on performance (Chandler, 1996).

The experience gained from previously running a business(es) provides the entrepreneur with valuable knowledge on how to do things and develop important

contacts, which can all have a positive influence on performance (Stuart & Abetti, 1990). Consequently, because of their experience, entrepreneurs can gain expertise, wisdom, and reputation; develop network relationships; and eventually "master" the skills associated with entrepreneurship (Starr & Bygrave, 1991). Prior experience as an entrepreneur is more important in its relationship to business performance compared to the entrepreneur's education, managerial experience, or technical experience (Stuart & Abetti, 1990). Duchesneau and Gartner (1990) in their profile of new venture's success and failure found that entrepreneurs in successful firms had higher levels of prior-start up experience compared to entrepreneurs in less successful firms. Cooper et al. (1989) found that the entrepreneurs of large-venture enterprises had significantly greater levels of experience with regard to management experience or prior-business ownership compared to entrepreneurs of small-venture enterprises. However, very few studies have examined the effect of entrepreneurial experience on the business' community support (Fitzgerald et al., 2010). Evidence suggests that the human capital characteristics of business founders may influence the tendency to be socially responsible (Fitzgerald et al., 2010). The previous studies form the basis for the following hypotheses:

H2: The Entrepreneurial Experience of family business owners will have a direct influence on the business strategies, specifically family business support for the community.

H3: The Entrepreneurial Experience of family business owners will have a direct influence on family firm performance.

According to Niehm et al. (2008), classifying family businesses by industry can be positively and significantly linked to different dimensions of corporate social responsibility. The theoretical model in this study will be examined across two types of family firms, 1) product-based (manufacturing) organizations and 2) service-based organizations. This is important for testing the robustness and invariance of the model across industry and for examining whether the type of business sector has a moderating effect on the proposed model. This leads to the following hypothesis:

H4: The structural model of support for community, entrepreneurial experience, and family firm performance is invariant across product and service based organizations.

THEORETICAL MODEL

Figure 1 illustrates the full hypothesized model to be tested in the context of this study. It depicts the underlying specifications for each construct as well as the causal

relationships among constructs based on the theory. Entrepreneurial Experience is hypothesized as a formative construct, which is formed by three observed indicators, the owner's education level (Q1), the length of owning the business (Q2), and the number of businesses he/she has owned in the past (Q3). Support for community and family firm performance are drawn from the theory and operationalized as reflective constructs measured by six observed indictors each (see Table A1 of the Appendix). The structural causal relationships among the different constructs are proposed as follows:

- Entrepreneurial experience → support for community (SFC) → family firm performance
- Entrepreneurial experience → family firm performance

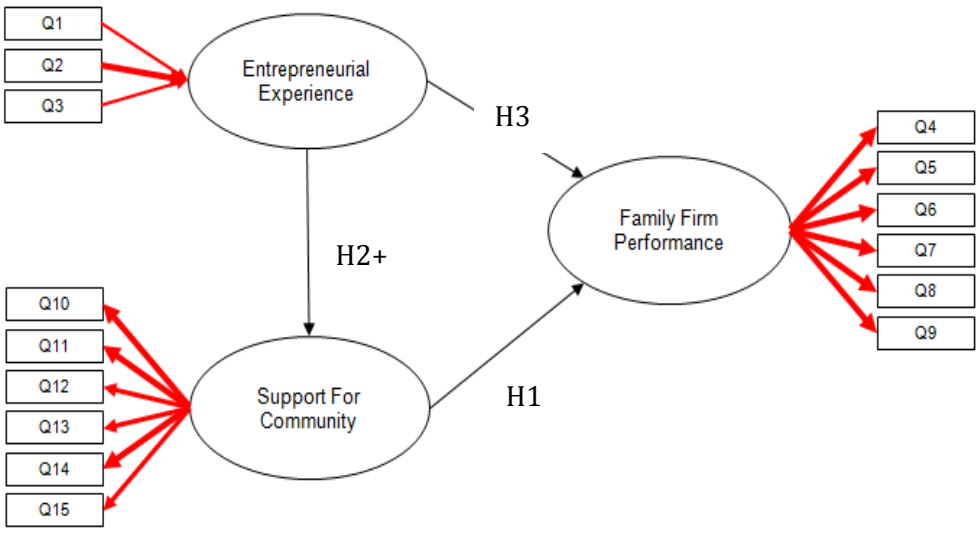

Figure 1 The Proposed Hypothetical Model of Entrepreneurial Experience and SFC on Family Firm Performance

RESEARCH METHODOLOGY

Sample Frame and Research Design

The Lebanese Ministry of Economics and Trade classifies SMEs as businesses employing fewer than 150 staff. "A Business Directory for SMEs in Lebanon" published by the Fransabank (2014) was used to select the sample for this study. Businesses were selected from the three main economic regions/governates of Lebanon: 1) Beirut (the capital district), 2) Mount Lebanon, and 3) the North. Over 74% of all SMEs in Lebanon are concentrated in these three regions (Byblos Bank Group, 2012). Based on these selection criteria, 864 SMEs were identified as the

study sample.

A research questionnaire was developed to gather information about the firm's characteristics, owner's characteristics, and the three constructs examined in this study, namely, entrepreneurial experience, support for community (SFC), and performance. The scales and items used to measure these constructs were adapted from previous studies on the topic (see the construct measures section next) and were pilot-tested on a convenience sample of 10 family business owners. Their feedback was used to refine the survey instrument. A survey pack, including the questionnaire, cover letter, and reply-paid self-addressed envelope, was sent to the 864 businesses in our database. Family businesses were identified based on the self-selection method in which participants were asked to indicate if their business was family owned (Hallak, Assaker, & O'Connor, 2014). This is a common method used in family business research due to the wide range of definitions of family business (Gallo et al., 2004).

The surveys were mailed out in June 2013, yielding response rate of 27.54%. This is considered satisfactory, as low response rates are common in SME surveys due to owners not having the time or inclination to participate (Keegan & Lucas, 2005; Thomas et al., 1998). Of the 238 responses, 76% (N=180) were family-owned, which is representative of the broader population (Byblos Bank Group, 2012). Four respondents were removed from the analysis, as these had over 20% of missing values. For the remaining 176 responses, the nearest neighborhood approach was used to impute any missing value on the observations (Olinsky et al., 2003).

Most responses came from businesses operating in the Beirut and Mount Lebanon areas, followed by businesses operating in the North (44.3%, N=78; 42.0%, N=74; and 13.644%, N=24, respectively). Product manufacturing (N=86) and service organizations (N=90) were represented equally. Sample respondents employed on average 29 staff, which is also representative of the broader population, according to the Lebanese Ministry of Economy and Trade (2013), which found that 60.5% of SMEs in Lebanon have between 20 and 30 employees. On average, business owners were 50 years old and had been in their current position for 7 years. Just over half of all family business owners had at least a Bachelor's degree and most (74%, N=130) had previous business ownership experience (see Table 1).

Table 1 Summary Statistics of Sample Responses by Demographic and Other Business Characteristics

	Frequency	Percent	Cumulative Percent
Firm's industry			
Product, manufacturing, etc.	86	48.90%	48.90%
Services, retail, business services, etc.	90	51.10%	100.00%
In what area/city is your business located?			
Beirut	78	44.30%	44.30%
Mount Lebanon	74	42.00%	86.40%
North	24	13.60%	100.00%
Number of employees in business	28.86 (3 to 150)		
Business owners' Age			
20-30	56	31.80%	31.80%
31-40	48	27.30%	59.10%
41-50	28	15.90%	75.00%
51-55	26	14.80%	89.80%
56-60	4	2.30%	92.00%
61-65	12	6.80%	98.90%
66 or above	2	1.10%	100.00%
Number of years business owners had been in their current position	6.97 (1 to 23)		
Number of businesses owned in the past			
0	46	26.10%	26.10%
One	42	23.90%	50.00%
Two	78	44.30%	94.30%
Three or more	10	5.70%	100.00%
Business owner’s gender			
Male	126	71.60%	71.60%
Female	50	28.40%	100.00%
Education Level			
Less than high school	2	1.10%	1.10%
High School	6	3.40%	4.50%
Trade, Technical, Vocational school graduate	50	28.40%	32.90%
Bachelor’s Degree	90	51.10%	84.10%
Master’s Degree	18	10.20%	94.30%
Doctorate Degree	10	5.70%	100.00%

Construct Measures

- **Support for Community**

Support for community was operationalized as a reflective construct based on six items adapted from Hallak et al. (2012): "SFC1: providing assistance to community projects," "SFC2: supporting local youth programs," "SFC3: financial donations to local schools," "SFC4: financial assistance to community based projects," "SFC5: being actively involved in community festivals and events," and "SFC6: assisting in projects that aim to protect the local environment" (1 = never, 7 = very often). Moreover, we made sure to reverse the orders of the rating scales for each of the six items used to measure the support for the community (SFC) in the questionnaire. This was done to avoid the 'halo' effect, that is, to ensure that the presentation order of the scales did not affect subjects' responses. The order reversal thus ensured the integrity of the scale and the reliability of the observed correlation in the data on these scales. They were not due to redundancy and measurement (systematic) error because of how the items were presented and measured (Chan, 1991).

- **Entrepreneurial Experience**

Entrepreneurial experience was operationalized as a formative construct based on previous studies (see Jo & Lee, 1996; Khan & Butt, 2002; Stuart & Abetti, 1990), whereby the respondents were asked to indicate: (1) their level of education (less than high school, high school, vocational, bachelor's degree, master's degree, or PhD), (2) the length of time they had owned their current business (in years), and (3) the number of businesses they have owned in the past. The formative scheme for entrepreneurial experience stipulates that the observed variables (indicators) actually form the latent construct, and subsequent changes in the indicators cause changes in the construct itself (Jarvis et al., 2003). The criteria for operationalizing a construct as formative are based on four assumptions. (1) Changes in the indicators are expected to cause changes in the construct. (2) The indicators do not necessarily share a common theme. (3) Eliminating an indicator can alter the conceptual domain of the construct. (4) Change in the value of one of the indicators is not necessarily expected to be associated with a change in all of the other indicators (Jarvis et al., 2003).

- **Family Firm Performance**

We considered the unit of analysis in deciding to use this measure, as it plays a critical role in operationalizing the construct and in examining any relationships among latent variables (Neuman, 2000). Thus, a family firm's performance was operationalized as a reflective construct measured via the entrepreneur's self-assessment of how his/her business has performed (see Hallak et al., 2012; Kropp et al., 2006). Six items, including "my business has been very profitable," "my business has achieved rapid growth," "the performance of my business has been very satisfactory," "my business has been very successful," and "my business has fully met my expectations" were used and measured on a seven-point Likert scale (1 = Strongly Disagree, 7 = Strongly Agree) (Hallak et al., 2012). In small enterprises, the entrepreneur and the business are considered one entity (Lumpkin & Dess, 1996); thus, measuring the performance of the business through the entrepreneur's self-assessment is a valid and proven approach (see Hallak et al., 2011). Similar to the support for community scale, we also reversed the rating scales' orders for each of the six items used to measure the scale of support for the family firm performance in the questionnaire. This was again done to ensure the integrity of the scale and the reliability of the observed correlation in the data on these scales (Chan, 1991).

Data Analysis

Exploratory factor analysis (EFA) and reliability tests were used to examine the dimensionality and internal consistency for the two reflective factors of Support for Community (SFC) and Family Firm Performance (FFP) at the entire sample level. EFA was used to verify whether these two constructs were sufficient to influence their indicators, as indicated in previous literature, and whether they were applicable to the context of the present study (Hurley et al., 1997). The reliability was used to verify how well the set of indicators hypothesized for each of these two constructs fit together (i.e., internal consistency; see Nunnally, 1978).

Structural equation modeling (SEM) (using the partial least squares [PLS] approach) was used to examine the full model (Figure 1). PLS-SEM is an alternative to traditional structural equation modeling (CB-SEM) that is used when assumptions of the latter are not met, such as when theoretical explanations are at a preliminary stage of development (Dregner, Gaus, & Jahn, 2008), when using small samples, and when testing complex models that contain formative constructs (Vinzi & Russolillo, 2010). In these contexts, several authors have endorsed PLSPM as a complementary approach to CB-SEM, which generates similar results. In particular, in the present

study, PLS-SEM using XLSTAT v.2011 (Addinsoft, 2011) was chosen over covariance-based SEM due to the formative specification of the entrepreneurial experience variable (see Diamantopoulos & Winkholfer, 2001; Joreskog & Wold, 1982) as well as the small sample size used to test the model, since we split the sample of 176 observations into two to test for multi-group differences. The two-step process to PLS-SEM, including the (1) validating the outer model and (2) fitting the inner model (Chin, 1998), was employed. Validating the outer model involves (1) testing for convergent and discriminant validity, (2) establishing the reliability for the reflective variables, and (3) examining the content validity for the formative entrepreneurial experience. The fit of the inner (structural) model was determined through path analysis using the data from the full sample (see Assaker et al., 2012). After validating the model with the entire sample, we examined the model across businesses from the two industry groups separately using multi-group t-test and permutation tests in XL-STAT v. 2011. This process tests for potential differences in the weights of the indicators used to measure each construct and in the structural relationships among the constructs (Vinzi & Russolillo, 2010).

ANALYSIS OF RESULTS

Principal component analysis (PCA) on the unstandardized data for SFC and FFP found all factors > 0.7, further supporting their unidimensionality (see, e.g., Hair et al., 2010). The Cronbach's α and Dillon–Goldstein Rho were robust and above the lower limit of 0.6 for both latent factors (Nunnaly & Bernstein, 1994) (see Table 2). As Entrepreneurial Experience is a formative construct, we could not test its dimensionality and internal consistency; instead, we assessed its content validity through PLS-SEM.

The model was examined through PLS-SEM using the full dataset of the unstandardized data. Mode A (reflective scheme) was specified for Support for Community and Family Firm Performance. Mode B (formative scheme) was specified for Entrepreneurial Experience (Fornell & Bookstein, 1982). The weights of the inner model were estimated using the centroid method (Vinzi & Russolillo, 2010).

Table 2 Factor Matrix, Cronbach's α, Composite Reliability, and Eigenvalues by Reflective Variable Blocks with Component Analysis Extraction Method

Constructs	Variables	Factor 1	Cronbach's α	D.G. rho (CR)	Critical value	Eigenvalues
Support for Community (SFC)	Q10	0.88	0.95	0.96	1	4.77
	Q11	0.86				0.35
	Q12	0.90				0.32
	Q13	0.92				0.30
	Q14	0.93				0.15
	Q15	0.86				0.11
Family Firm Performance	Q4	0.84	0.88	0.91	1	3.75
	Q5	0.84				0.73
	Q6	0.70				0.60
	Q7	0.70				0.43
	Q8	0.87				0.28
	Q9	0.79				0.21

Outer Model Analysis

Convergent validity of Support for Community and Family Firm Performance was supported, with factor loadings being around or above the 0.7 threshold (Table 3). This indicates that observed indicators explained more than 50% of the variance in each latent factor (Hulland, 1999). The bootstrap test also showed high significance levels for all loadings (the bootstrap-based empirical 95% confidence interval does not include zero), suggesting that all indicators significantly reflect their underlying constructs (Table 3). In addition, the average variance extracted (AVE), or the amount of variance in the indicators due to the construct relative to the amount due to measurement error, was 0.624 and 0.795 for SFC and FFP, respectively. Thus, SFC and FFP each captured more than 50% of their indicators' variance. Discriminant validity is supported when the average shared variance of a construct and its indicators exceed the variance shared with every other construct of the model. Thus, the square root of AVE for both SFC and FFP should surpass the correlation coefficient of each construct with every other construct in the model. This is supported in our model (Table 4). In addition, we further examined the cross-loadings of the two reflective constructs in our model (SFC and FFP) and found that all reflective indicators had higher loadings on their corresponding constructs in comparison to other constructs

(see Table 5), thereby further supporting discriminant validity.The content validity of Entrepreneurial Experience was evaluated at both the individual and construct levels. At the individual level, the results of the bootstrap tests showed high significance levels for the loadings of the items Q1 (education level), Q2 (how long the respondent has been in his current position), and Q3 (the number of businesses owned in the past) (Table 3). In addition, the standardized path coefficients (loadings) for Q1 (.357), Q2 (.882), and Q3 (.389) exceeded the .200 threshold (Chin, 1998). Thus, the three observed variables significantly contributed to the formation of Entrepreneurial Experience. Moreover, the variance inflation factor (VIF) values for Entrepreneurial Experience fell below 2.0 for each of the indicators, providing evidence that the items are not highly correlated with each other.At the construct level, the achieved explained variance (R2) of Entrepreneurial Experience was used to determine whether a formative specification of this construct could be supported (Diamantopoulos & Winkholfer, 2001). R2 values in Figure 2 show that two observed indicators of Entrepreneurial Experience explain 99% of the variability in this construct. This supports the validity and robustness of Entrepreneurial Experience.

Inner Model Analysis and Path Estimates

The path coefficients among EE, SFC, and FFP, were examined using bootstrapping with 1000 iterations of resampling (Davison & Hinkley, 1997). The path coefficients (Figure 2) showed that Entrepreneurial Experience has a significant positive effect on Support for Community ($\beta = 0.221$, $p < .05$), supporting hypothesis H1; and Support for Community has a significant positive effect on Family Firm Performance ($\beta = 0.515$, $p < .05$), supporting hypothesis H3. However, the effect of Entrepreneurial Experience on Family Firm Performance was non-significant ($\beta = 0.132$, $p > .05$), thus failing to support H2. The Model's $R^2 = .298$ supports the nomological validity of the model (Chin, 1998).

Table 3 Results of the Outer Model: Latent Variables with Reflective Indicators, and Formative Entrepreneurial Experience Factor

Latent variable	Manifest variables Label	Standardized loadings	Standardized loadings (Bootstrap)	Critical ratio (CR)	Lower bound (95%)	Upper bound (95%)	Cronbach's α	D.G. rho (CR)	Average Variance Extracted (AVE)
Support for Community (SFC)	Q10	0.858	0.860	23.34	0.76	0.92	0.88	0.91	0.624
	Q11	0.851	0.854	22.18	0.75	0.92			
	Q12	0.704	0.687	7.16	0.43	0.85			
	Q13	0.732	0.721	8.49	0.43	0.84			
	Q14	0.854	0.853	26.33	0.76	0.91			
	Q15	0.722	0.714	8.35	0.45	0.87			
Family Firm Performance	Q4	0.888	0.887	39.21	0.82	0.92	0.95	0.96	0.795
	Q5	0.855	0.842	10.34	0.62	0.96			
	Q6	0.892	0.892	42.42	0.84	0.93			
	Q7	0.921	0.923	56.23	0.88	0.95			
	Q8	0.930	0.930	62.17	0.90	0.96			
	Q9	0.861	0.861	27.96	0.79	0.92			
Entrepreneurial Experience	Q1	0.357	0.321	1.00	0.57	0.92	-	-	-
	Q2	0.882	0.666	2.76	0.56	0.98	-	-	-
	Q3	0.389	0.385	1.15	0.39	0.97	-	-	-

Table 4 Results of Discriminant Validity: Latent variables with Reflective Indicators (Squared Correlations for any Pair of Latent Variables < AVE)

	Support for Community	Family Firm Performance	Mean Communalities (AVE)
Support For Community	1	0.297	0.624
Family Firm Performance	0.297	1	0.795
Mean Communalities (AVE)	0.624	0.795	0

Table 5 Cross-loadings: Latent variables with Reflective Indicators

	Support for Community	Family Firm Performance
Q10	**0.858**	0.534
Q11	**0.851**	0.531
Q12	**0.704**	0.314
Q13	**0.732**	0.412
Q14	**0.854**	0.396
Q15	**0.722**	0.331
Q4	0.507	**0.888**
Q5	0.481	**0.855**
Q6	0.429	**0.892**
Q7	0.459	**0.921**
Q8	0.552	**0.930**
Q9	0.472	**0.861**

Multi-Group Analysis

The validated model was examined using multi-group analysis to determine the invariance of the model across the two business sectors (see Hypotheses 4). Using the unstandardized data, the multi-group tests and permutation tests both found that the structural model effects differed across product and service based organizations. Significant differences were found across product and service based firms in terms of the unstandardized path coefficients between (b) Entrepreneurial Experience and Family Firm Performance (Service Firm: b = .216, Product Firm b = -0.081). Entrepreneurial Experience showed a stronger significant effect on FFP within the service industry. This difference could be because service businesses rely more on the skills and human capital factors of owners for their success and enhanced performance, as compared to product/manufacturing companies for which the level of technology and other production techniques could be more important determinants.

Looking closer at the results, we found that observed variable – Q7 – (Level of education), has significantly greater relationship with Entrepreneurial Experience for Service-based organization (b = 0.480) compared to Product-based organizations (b = 0.238). This suggests that service businesses are more human capital driven compared to manufacturing entities, which are technology driven. Moreover, the weight of the observed variable (Q14 – providing support for community festivals and events) on Support for Community was significantly greater for service based (b = .901) than for product-based firms (b = .594). This suggests that service businesses tend to place higher weight/importance on the festivals and events participation compared to

manufacturing companies, probably because this type of activities relates more to their traditional (service) line of business.

The results of the multi-group analysis failed to support H4. The model is not invariant, and the type of business sector appears to have a moderating effect on the structural relationships among Support for Community, Entrepreneurial Experience, and Family firm Performance. This is discussed in the following section.

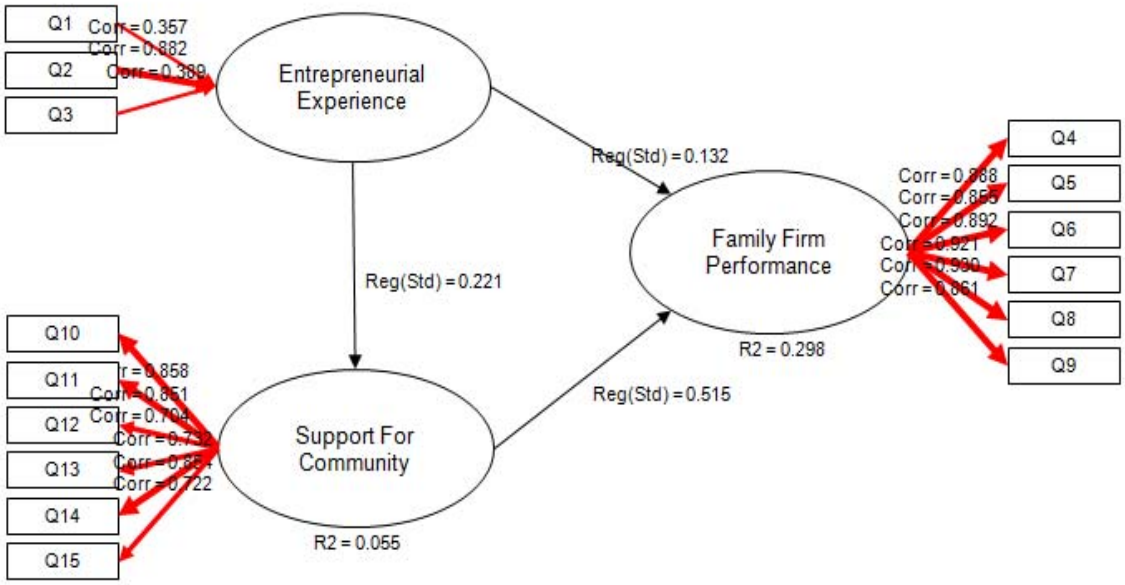

Figure 2 Standardized Results of Proposed Hypothetical Model of Entrepreneurial Experience and SFC on Family Firm Performance

Table 6 Non-standardized Results and Significance of Path Coefficients: Pooled and Group samples (Product versus Service Businesses)

Loadings /Non-standardized Path estimates[a]						
	Pooled	Gr 1. Product (N=86)	Gr 2. Service (N=90)	P-value (permutation tests)	P-value (Multigroup t test)	Significant
Q1-> Entrepreneurial Exp	0.357	0.238	0.48	0.034	-	Yes
Q2-> Entrepreneurial Exp	0.882	0.829	0.947			
Q3-> Entrepreneurial Exp	0.389	0.351	0.43	0.976	-	No
SFC-> Q10	0.858	0.877	0.865	0.697	-	No
SFC-> Q11	0.851	0.885	0.794	0.12	-	No
SFC-> Q12	0.704	0.701	0.663	0.562	-	No
SFC-> Q13	0.732	0.617	0.86	0.059	-	No
SFC-> Q14	0.854	0.594	0.901	0.014	-	Yes
SFC-> Q15	0.722	0.722	0.771	0.9	-	No
Performance-> Q4	0.888	0.801	0.934	0.064	-	No
Performance-> Q5	0.855	0.831	0.854	0.976	-	No
Performance-> Q6	0.892	0.864	0.921	0.207	-	No
Performance-> Q7	0.921	0.914	0.936	0.582	-	No
Performance-> Q8	0.93	0.871	0.953	0.104	-	No
Performance-> Q9	0.861	0.857	0.863	0.813	-	No
Entrepreneurial Exp -> SFC	0.187	0.148	0.189	0.335	0.457	No
Entrepreneurial Exp -> Performance	0.021	-0.081	0.216	0.036	0.04	Yes
SFC-> Performance	0.43	0.39	0.492	0.245	0.263	No

[a] Differences between the groups were based on unstandardized estimations because the groups have different variances

DISCUSSION AND IMPLICATIONS

Drawing on theories on corporate social responsibility, entrepreneurship, and family business, this research empirically examined the structural relationships among support for community, entrepreneurial experience, and family firm performance. The sample included 176 family businesses in Lebanon from two business sectors, product-based (n = 86) and service-based (n = 90). The first hypothesis (H1) proposed a direct positive relationship between family business owners' level of support for the community and family firm performance. This hypothesis was supported ($\beta = .515$, $p < .05$). These findings present empirical support for the 'enlightened self-interest model' (Wallich & McGowan, 1970) and demonstrate the benefits to businesses that

are actively engaged in their communities and work towards supporting the social and physical environment in which they operate. A symbiotic relationship develops when the family business' support for the community is reciprocated (Hallak et al., 2012).

The second hypothesis proposed that the Entrepreneurial Experience of family business owners would have a direct influence on the business' strategies, specifically, family business support for the community. This hypothesis was also supported ($\beta = .221$, $p < .05$). Entrepreneurial experience gained through formal education, length of experience in running the current business, as well as past business ownership experience are valuable assets that help build an entrepreneur's human capital. Through this experience, family business owners understand the opportunities that exist through community engagement and that a business cannot succeed in a sick community. Thus, experience and human capital enable entrepreneurs to build their social network and allow family business owners to gain knowledge on the ways in which they can influence and be involved in their community.

The research found that the structural relationships between Entrepreneurial Experience and Support for Community were positive and significant for both product-based and service-based organizations. Thus, these relationships are robust and applicable to businesses in both types of sectors. However, the relationship between Entrepreneurial Experience and Family Firm Performance (Hypotheses 3 and 4) could not be validated across the two sectors. When examining this relationship across the full data set, we found no support for H3, and Entrepreneurial Experience did not have a positive effect on family firm performance ($\beta = .132$, $p > .05$). This is contrary to previous studies that have identified experience as predictor of performance (see, for example, Chandler, 1996; Khan & Butt, 2002; Stuart & Abetti, 1990). However, when we examined this relationship across the two sectors, we found that Entrepreneurial experience has a significant effect on the performance of service-based firms ($b = .216$) and a non-significant effect on performance of product-based firms ($b = -0.081$), while these mixed findings were surprising. Evidently, Entrepreneurial Experience has a stronger significant effect on family firms' performance within the service industry.

Although these mixed results were unexpected, they were not necessarily unusual. While numerous studies have empirically supported entrepreneurial experience as a predictor of performance, many studies have questioned this relationship (Hallak et al., 2011; Jo & Lee, 1996; Lerner & Haber, 2001; Sandberg & Hofer, 1987). A possible explanation is that prior entrepreneurial experience may be irrelevant in certain industries (Dyke et al., 1992). For example, Lerner and Haber (2001), in their study of the performance factors of small tourism businesses, argued

that prior industry experience has little relevance to business success in sectors where barriers to business entry are relatively low. Thus, the actual type of experience and the skills that have been acquired may need to be considered.

In certain business sectors, previous entrepreneurial experience can be both an asset and a liability to subsequent business ventures. Although experience can provide the entrepreneur with certain expertise and wisdom, it can also create "biases and blinders" and can constrain the "innovative potential of the entrepreneur". Additionally, while entrepreneurs learn certain skills from their experience, the learning process does not cease and an entrepreneur may "find new things to learn in subsequent ventures" (Starr & Bygrave, 1991). Furthermore, as Schumpeter (1934) stated, "being an entrepreneur is not a profession and as a rule not a lasting condition" (cited in Starr & Bygrave, 1991). Therefore, it is not the experience per se that influences performance; instead, it is how entrepreneurs "actually learn from experience" (Reuber & Fischer, 1993).

The final hypothesis (H4) proposed that the structural model of support for community, entrepreneurial experience, and family firm performance is invariant across product and service based organizations. This hypothesis could not be supported. Multi-group tests and permutation tests both found that the structural model differed across product and service based organizations. This indicates that the type of business sector could have a moderating effect on the model. The differences suggest that service businesses rely more on the skills and human capital factors of owners for their success. Moreover, the businesses differed with regard to the types of community support activities. Service businesses owners were more involved in supporting local community festivals and events.

This research makes a number of important contributions. We examined and compared the theoretically derived model in the context of service based and product based organizations. The findings have a number of managerial implications that are particularly critical for improving sustainable business development. Family owned businesses play an important role in many developed and developing economies. Understanding their business strategies and success determinants is of particular interest to decision makers and businesses themselves. For the developing nation of Lebanon, family businesses are a major contributor to the economic structure of the country and regions in which they operate.

The study also presents new insights on methods of multi-group analysis of structural models that include reflective and formative constructs. Specifically, we demonstrated how models should be examined across groups with a relatively small number of participants. Traditional (covariance base) SEM usually requires a

minimum of 150 participants in each group for the purpose of multi-group analysis under the assumption of multivariate normally distributed data. PLS-SEM can overcome these restrictions, enabling researchers to examine the effects of moderating variables on structural models.

LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

This study was based on cross-sectional data collected from businesses in Lebanon. The structural model was derived from the theory and examined in the context of a single country. Thus, the generalizability of the findings internationally needs further examination and cross-validation. Second, the moderating variable examined in the model was limited to type of business sector. Future studies should examine other variables, including business age, size, and strategic orientation. Such studies would expand the existing knowledge of the predictors of family firm performance and its moderators. Despite these limitations, the present study advances our understanding of the drivers of family firm performance and presents new insights on techniques and methods to examine the moderating effects of structural models.

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APPENDIX Table A.1. Summary of variables selected for the for Entrepreneurial Experience and SFC on Family Firm Performance

Dimension	Attributes/Items	Label	Scale
Support for Community (SFC)	Our business provides assistance to community project	Q10	1= Does not describe our firm to 7 = Describes our firm
	Our business supports local youth programs	Q11	
	Our business gives financial donations to local schools	Q12	
	Our business gives financial assistance to community based projects	Q13	
	Our business is actively involved in community festivals and events	Q14	
	Our business assists in projects that aim to protect the local environment	Q15	
Family Firm Performance	Our business has been very profitable	Q4	1= Does not describe our firm to 7 = Describes our firm
	Our business has generated a high volume of sales	Q5	
	Our business has achieved rapid growth	Q6	
	The performance of our business has been very satisfactory	Q7	
	Our business has been very successful	Q8	
	Our business has fully met my expectations	Q9	
Entrepreneurial Experience	What is your education level?	Q1	{1.00= less than high school; 2.00= High School Graduate; 3.00= Technical degree or unfinished university degree; 4= bachelor degree; 5= Master's degree; 6= Doctorate degree}
	How long have you been in your current position?	Q2	Numerical
	How many businesses have you owned in the past?	Q3	{0; 1; 2; 3 or more}