



Transition Plan Implementation As A Pathway To Business Sustainability: Preliminary Evidence From Bumiputera Smes In Sarawak

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Abstract

This paper presents preliminary evidence on how entrepreneurial orientation, organisational readiness, and resource capability influence transition plan implementation and business sustainability among Bumiputera SMEs in Sarawak. It addresses the gap between succession intention and implementation by positioning transition plan implementation as the mechanism through which strategic conditions are translated into continuity outcomes. A quantitative pilot survey of 50 eligible SME respondents was analysed using partial least squares structural equation modelling (PLS-SEM) with 5,000 bootstrap subsamples. Internal consistency and convergent validity were satisfactory, although discriminant validity and collinearity concerns emerged, particularly between organisational readiness and resource capability. Entrepreneurial orientation ($\beta = 0.456$, $p < 0.001$) and resource capability ($\beta = 0.529$, $p = 0.007$) significantly predicted transition plan implementation, whereas organisational readiness showed no significant unique effect ($\beta = -0.046$, $p = 0.804$). Transition plan implementation strongly predicted business sustainability ($\beta = 0.855$, $p < 0.001$) and carried significant indirect effects from entrepreneurial orientation and resource capability. Organisational lifecycle stage remains a proposed boundary condition and was not tested because the stage-specific pilot groups were too small. The findings provide suitable preliminary evidence for conference presentation while indicating that construct boundaries, item wording, and the final mediation specification require refinement before population-level conclusions can be drawn.

Keywords: Bumiputera SMEs in Sarawak; transition plan implementation; entrepreneurial orientation; organisational readiness; resource capability; business sustainability; PLS-SEM

1.0 Introduction

Bumiputera SMEs play an important role in Sarawak's economic and inclusive development, yet their long-term continuity is often threatened by founder dependence, informal governance, and inadequate transition arrangements. Against this background, the paper establishes the research problem, states the objective and question guiding the pilot analysis, and explains its theoretical, practical, and policy contributions.

1.1 Research Context and Problem

Small and medium-sized enterprises (SMEs) are central to employment, innovation, and regional development. In Malaysia, they represent approximately 98.5% of business establishments and contribute close to 39–40% of national GDP (Department of Statistics Malaysia, 2025). Sarawak has a growing SME base across services, manufacturing, agriculture, and related sectors. Within this environment, Bumiputera SMEs are important to inclusive development, yet many remain founder-dependent and rely on informal governance, undocumented knowledge, and concentrated decision-making authority. Business transition is therefore a strategic continuity concern. Evidence indicates that many family- and founder-led businesses lack documented succession arrangements and that transition outcomes depend on successor preparation, family relationships, governance, knowledge transfer, and the incumbent's willingness to relinquish authority (Sharma et al., 2003; Ghee et al., 2015; Mokhber et al., 2017; Reif et al., 2025). Transition plan implementation extends beyond identifying a successor; it entails executing leadership delegation, successor development, knowledge transfer, ownership arrangements, governance changes, milestones, and stakeholder communication. The organisational lifecycle perspective helps explain why implementation requirements vary over time. Early-growth firms need basic continuity systems; expanding firms need delegation and professionalisation; mature firms face accumulated founder dependence and succession pressure; and declining firms may require renewal, transfer, or a controlled exit (Adizes, 1988; Lester et al., 2003; Oliveira Saraiva et al., 2024). Lifecycle stage indicates when particular transition activities become salient, but it does not explain why some firms act while others delay.

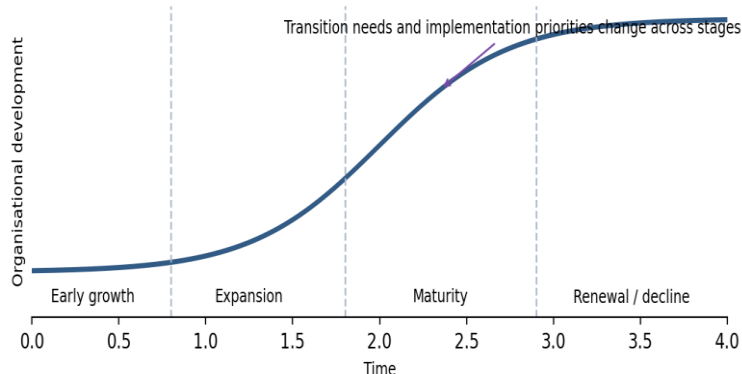


Figure 1. Organisational lifecycle and stage-specific transition requirements

Source: Adapted from Foster (1986), Christensen (1992), Adizes (1988), and Lester et al. (2003).

Accordingly, the pilot study assesses the measurement quality of the proposed constructs; evaluates whether entrepreneurial orientation (EO), organisational readiness (OR), and resource capability (RC) predict transition plan implementation (TPI); examines the association between TPI and business sustainability (BS); and estimates the antecedents' specific indirect effects on BS through TPI. Organisational lifecycle stage remains a theoretically proposed boundary condition for the adequately powered main study and is not tested in the present pilot.

1.2 Research Objective and Question

The study aims to evaluate the preliminary measurement and structural viability of a model explaining how entrepreneurial orientation, organisational readiness, and resource capability influence business sustainability through transition plan implementation among Bumiputera SMEs in Sarawak, while identifying refinements required for the full-scale study. Accordingly, the study addresses the following research question: To what extent does the proposed model demonstrate adequate measurement quality and explain the influence of entrepreneurial orientation, organisational readiness, and resource capability on business sustainability through transition plan implementation?

1.3 Contribution of the Study

Theoretically, the study distinguishes transition intention and planning from implementation and examines TPI as the mechanism connecting strategic conditions with sustainability. It integrates EO, RBV, organisational readiness, and lifecycle perspectives without assuming that lifecycle stage directly causes transition behaviour. Practically, it provides SME owners and advisers with a structure for assessing strategic impetus, shared preparedness, resources, successor development, governance, and implementation milestones. At the policy level, it supports targeted transition diagnostics, implementation financing, governance training, and successor-development programmes for Bumiputera SMEs in Sarawak, consistent with broader SME resilience and inclusive-development priorities (Sarawak Government, 2021; SME Corporation Malaysia, 2023).

2.0 Literature Review and Conceptual Framework

Malaysian research commonly uses the terms succession planning, family-business succession, management succession, intergenerational transfer, and business continuity rather than treating transition plan implementation as a distinct construct. The distinction between planning and implementation remains important: an intention or written plan does not show that authority, knowledge, ownership, resources, and responsibilities have been transferred. Transition implementation should therefore be measured through observable enactment, accountability, milestones, and monitoring. Early Malaysian evidence is mixed. Buang et al. (2013) found that a successor's initial organisational position and family-business relationships were associated with transition smoothness, whereas planning and control were not significant. Ghee et al. (2015) and Mokhber et al. (2017) showed that successor preparedness, education, experience, trust, and family relationships support family-business performance. These studies establish important enabling conditions but do not fully capture whether transition arrangements were formally enacted. Xavier and Gan (2022) showed that an unexpected transition can succeed when a successor brings professional experience and adaptability. This finding does not negate formal planning; rather, it demonstrates that capability can compensate under unusual conditions. Pang et al. (2023), drawing on owners and successors from Malaysian family businesses, similarly found that successor-related factors and succession-process effectiveness were more influential than general family and business factors. Neither study isolates Bumiputera SMEs in Sarawak nor distinguishes transition intention from implementation.



Bumiputera and Muslim-enterprise research reinforces the contextual problem. Yaakop and Othman (2023) identify family–business conflict, founder reluctance to relinquish control, successor readiness, competence, integrity, birth order, and social expectations as salient succession issues. Hamdan et al. (2024) report that many Muslim entrepreneurs lack documented succession and Islamic estate-planning arrangements even when heirs participate in operations. Informal involvement may aid socialisation but leaves ownership, authority, inheritance, and knowledge-transfer risks unresolved. From a theoretical perspective, EO represents a proactive, innovative, and risk-accepting strategic posture (Miller, 1983; Lumpkin & Dess, 1996; Anderson et al., 2015). The Resource-Based View explains why deployable finance, successor competence, knowledge, governance, and relational capital enable transition execution (Barney, 1991; Grant, 1996; Cabrera-Suárez et al., 2001). Organisational readiness captures shared commitment and efficacy for change and must remain conceptually distinct from resource stocks (Holt et al., 2007; Weiner, 2009; Vakola, 2023). Together, these perspectives suggest that strategic impetus, collective preparedness, and mobilisable resources influence whether transition intentions become coordinated action.

2.1 Conceptual Framework

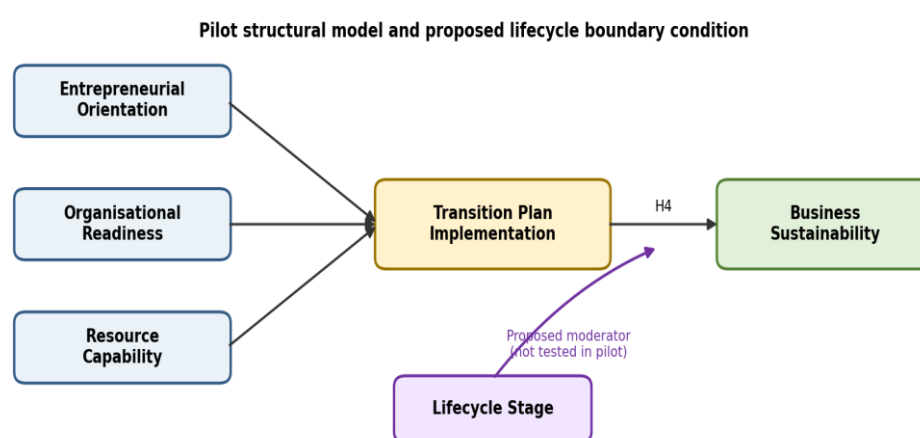


Figure 2. Conceptual framework and pilot structural model

The conceptual framework positions entrepreneurial orientation (EO), organisational readiness (OR), and resource capability (RC) as antecedents of transition plan implementation (TPI), which subsequently predicts business sustainability (BS). TPI also represents the mechanism through which the three antecedents may indirectly influence BS. Organisational lifecycle stage is proposed to moderate the TPI–BS relationship rather than directly determine implementation. The pilot study assesses four structural paths and three specific indirect effects, while lifecycle-stage moderation is reserved for the adequately powered main study.

3.0 Research Methodology

The methodological approach provides a rigorous preliminary assessment of the proposed model among Bumiputera SMEs in Sarawak. It covers the research design, sampling and data-collection procedures, measurement of the principal constructs, and application of PLS-SEM to assess the measurement and structural models.

3.1 Research Design and Approach

The study employed a quantitative, deductive, cross-sectional, and explanatory design grounded in a positivist orientation. This design was appropriate because theoretically derived constructs were operationalised as measurable indicators and their preliminary relationships were evaluated statistically. Although the framework is explanatory, cross-sectional self-report data establish associations rather than temporal causality (Saunders et al., 2019).

3.2 Sample and Data Collection

Pilot data were obtained from 50 respondents who met the eligibility requirements and had direct knowledge of their firms' transition arrangements. Purposive sampling facilitated access to informed SME owners or managers and was suitable for instrument diagnosis, although it limits population-level generalisation. Multi-item measures assessed entrepreneurial orientation (EO), organisational readiness (OR), resource capability (RC), transition plan implementation (TPI), and business sustainability (BS). Lifecycle-stage moderation was not estimated because the pilot groups were too small for meaningful stage comparison.



3.3 Measures and Data Analysis

PLS-SEM was used to assess measurement quality and preliminary structural patterns. The analysis employed the path-weighting scheme and percentile bootstrapping with 5,000 subsamples, two-tailed testing, and a 5% significance level. Measurement assessment covered internal consistency, convergent validity, indicator reliability, HTMT discriminant validity, and collinearity. Structural assessment examined path coefficients, confidence intervals, R^2 , f^2 , and specific indirect effects in accordance with established PLS-SEM guidance (Henseler et al., 2015; Hair et al., 2022; Sarstedt et al., 2022). The pilot analysis was diagnostic rather than confirmatory; the full model should restore the theoretically specified direct antecedent-to-BS paths before mediation is formally classified (Nitzl et al., 2016).

4. Preliminary Findings

The PLS model evaluated EO, OR, and RC as antecedents of TPI, with TPI predicting BS. Interpretation emphasises measurement quality, coefficient direction, confidence intervals, and diagnostic limitations rather than population-level confirmation.

Table 1. Analytical model and reporting conventions

Element	Specification
Sample	50 respondents
Estimator	PLS-SEM; path weighting
Bootstrapping	5,000; percentile; two-tailed; $\alpha = .05$
Paths	EO/OR/RC $\rightarrow$ TPI; TPI $\rightarrow$ BS
Indirect effects	EO/OR/RC $\rightarrow$ TPI $\rightarrow$ BS
Status	Preliminary pilot evidence

4.1 Assessment of the Measurement Model

The measurement model was assessed to establish the preliminary reliability and validity of the study's constructs before interpreting the structural relationships. The evaluation covered internal consistency, convergent validity, indicator reliability, discriminant validity, and collinearity, with particular attention to potential indicator redundancy and construct overlap.

4.1.1 Internal Consistency Reliability and Convergent Validity

All constructs exceeded the minimum internal-consistency thresholds, and all AVE values exceeded 0.50. However, the reliability values above 0.95 for EO and TPI suggest possible indicator redundancy and require review before the main survey.

Table 2. Construct reliability and convergent validity

Construct	α	rho_A	rho_C	AVE	Assessment
BS	.909	.928	.929	.657	Acceptable
EO	.966	.968	.970	.731	Possible redundancy
OR	.934	.953	.944	.578	Inspect items
RC	.942	.955	.951	.661	High reliability
TPI	.977	.978	.980	.802	Possible redundancy

4.1.2 Indicator Reliability

TPI indicators loaded strongly (approximately 0.803–0.941). BS included marginal indicators (BCM1 = 0.700; BCS4 = 0.605), while EO, OR, and RC contained low or moderate loadings. Indicators below 0.40 require correction or strong substantive justification, whereas those below 0.708 should be reviewed without sacrificing content validity.

Table 3. Indicator-loading diagnostic summary

Construct	Observed pattern	Required action
BS	.605–.912	Review BCS4
EO	At least one $\approx$.274	Verify coding/assignment
OR	Low loading $\approx$.453	Review wording/cross-loading
RC	Several $\approx$.629–.903	Theory-based item review
TPI	.803–.941	Check redundancy



4.1.3 Discriminant Validity

The HTMT assessment identified material construct overlap: OR–EO = 0.905, RC–BS = 0.921, and RC–OR = 1.001 exceeded the 0.90 threshold. The RC–OR value is particularly serious, indicating that readiness and capability were not empirically distinguishable in this pilot; several other construct pairs were borderline.

Table 4. HTMT assessment

Pair	HTMT	Decision	Pair	HTMT	Decision
EO–BS	.895	Caution	OR–BS	.897	Caution
OR–EO	.905	Problem	RC–BS	.921	Problem
RC–EO	.852	Met	RC–OR	1.001	Serious
TPI–BS	.897	Caution	TPI–EO	.871	Met
TPI–OR	.818	Met	TPI–RC	.887	Caution

4.1.4 Collinearity Diagnostics

Inner VIF values were elevated for EO → TPI (4.507), OR → TPI (5.440), and RC → TPI (4.440), whereas TPI → BS presented no concern (1.000). OR exceeded even the permissive cut-off of 5. This collinearity pattern is consistent with the HTMT results and may have distorted the OR coefficient.

Table 5. Inner-model collinearity

Path	VIF	<3.3	<5.0	Assessment
EO → TPI	4.507	No	Yes	Elevated
OR → TPI	5.440	No	No	Critical
RC → TPI	4.440	No	Yes	Elevated
TPI → BS	1.000	Yes	Yes	No concern

4.1.5 Overall Measurement-Model Decision

Internal consistency and convergent validity were supported, but discriminant validity and acceptable collinearity were not fully established. The structural estimates are therefore provisional. Item assignment, wording redundancy, and the conceptual boundaries among EO, OR, and RC must be addressed before confirmatory interpretation.

4.2 Assessment of the Structural Model

The structural model was assessed to evaluate the preliminary relationships among the study constructs and the model's explanatory power. The assessment examined path coefficients, statistical significance, confidence intervals, explained variance, and effect sizes, while recognising that the estimates remain provisional because of the small pilot sample and identified measurement-model limitations.

4.2.1 Path Coefficients and Structural Evidence

EO and RC positively and significantly predicted TPI, whereas OR produced a small, non-significant negative coefficient. TPI strongly and positively predicted BS. Given the overlap among the exogenous constructs, the OR coefficient should not be interpreted as evidence that readiness is unimportant; suppression or multicollinearity offers a more plausible explanation at the pilot stage.

Table 6. Structural path assessment

Path	β	SE	t	p	95% CI	Decision
EO → TPI	.456	.128	3.565	<.001	[.195, .707]	Supported
OR → TPI	–.046	.184	.248	.804	[–.433, .289]	Not supported
RC → TPI	.529	.196	2.688	.007	[.173, .934]	Supported
TPI → BS	.855	.036	24.621	<.001	[.760, .907]	Supported

4.2.2 Explanatory Power and Effect Sizes

The model explained 80.7% of the variance in TPI (adjusted $R^2 = 0.794$) and 73.1% of the variance in BS (adjusted $R^2 = 0.725$). EO had a medium effect on TPI ($f^2 = 0.262$), RC had a medium-to-large effect ($f^2 = 0.327$), OR had a negligible effect ($f^2 = 0.002$), and TPI had a very large effect on BS ($f^2 = 2.714$). These large in-sample estimates should be interpreted cautiously because of the small sample, construct overlap, and omitted direct paths.



Table 7. Explanatory power

Endogenous construct	R ²	Adjusted R ²	Interpretation
TPI	.807	.794	Substantial
BS	.731	.725	Substantial

Table 8. Effect-size assessment

Path	f ²	Magnitude	Interpretation
EO → TPI	.262	Medium	Meaningful
OR → TPI	.002	Negligible	No unique contribution
RC → TPI	.327	Medium/large	Strong
TPI → BS	2.714	Very large	Treat cautiously

4.3 Specific Indirect Effects

The specific indirect effects of EO and RC on BS through TPI were positive and significant, whereas the OR indirect effect was not significant. Because the model omitted the EO → BS, OR → BS, and RC → BS direct paths, it evaluates only specific indirect effects and cannot classify mediation as full, partial, complementary, competitive, or indirect-only (Nitzl et al., 2016).

Table 9. Specific indirect effects through TPI

Indirect path	β	SE	t	p	95% CI	Finding
EO → TPI → BS	.390	.110	3.544	<.001	[.156, .602]	Significant
OR → TPI → BS	-.039	.158	.247	.805	[-.373, .248]	Not significant
RC → TPI → BS	.452	.172	2.632	.009	[.140, .814]	Significant

Table 10. Preliminary structural-path summary

Relationship	Result	Status
EO → TPI	$\beta=.456, p<.001$	Supported
OR → TPI	$\beta=-.046, p=.804$	Not supported
RC → TPI	$\beta=.529, p=.007$	Supported
TPI → BS	$\beta=.855, p<.001$	Supported
EO → TPI → BS	$\beta=.390, p<.001$	Preliminarily supported
OR → TPI → BS	$\beta=-.039, p=.805$	Not supported
RC → TPI → BS	$\beta=.452, p=.009$	Preliminarily supported

5. Discussion

The pilot findings are interpreted in relation to the proposed theoretical framework and existing SME transition literature. This section examines the effects of entrepreneurial orientation, resource capability, and organisational readiness on transition plan implementation, as well as the association between implementation and business sustainability.

5.1 Entrepreneurial Orientation and Transition Plan Implementation

The positive EO–TPI relationship suggests that innovative, proactive, and risk-accepting SMEs are more likely to formalise and execute transition activities. An entrepreneurial posture may encourage owners to view transition as strategic renewal rather than an administrative event, thereby supporting earlier environmental scanning, leadership experimentation, and resource commitment (Rauch et al., 2009; Wales et al., 2013).

5.2 Resource Capability and Transition Plan Implementation

RC was the strongest antecedent of TPI. This finding is consistent with RBV because transition plans cannot be enacted without finance, competent successors, knowledge, governance systems, and the capacity to absorb transition costs (Barney, 1991; Cabrera-Suárez et al., 2001).

5.3 Organisational Readiness: A Non-significant Net Effect

The OR result is diagnostically informative rather than theoretically conclusive. The HTMT value of 1.001 between RC and OR and the VIF value of 5.440 indicate construct overlap or suppression. The instrument did not distinguish collective commitment and efficacy from available resources sufficiently well; therefore, readiness should not be removed solely because of its pilot coefficient (Weiner, 2009).



5.4 Transition Plan Implementation and Business Sustainability

The strong TPI–BS relationship supports the central argument that continuity depends on enactment rather than intention alone. However, $\beta = 0.855$ and $F^2 = 2.714$ may be inflated by common-method variance, overlapping content, small-sample instability, or omitted antecedent-to-outcome paths. The result should therefore be described as a strong pilot association rather than a definitive causal effect.

5.5 Integrated Interpretation

Taken together, the pilot results suggest that EO supplies strategic impetus and RC supplies the means of implementation, while TPI is closely associated with BS. OR is not yet empirically distinct enough to demonstrate a unique net effect. The model is suitable for conference discussion because it offers preliminary evidence of the proposed mechanism while clearly identifying the measurement revisions required for the main study.

6.0 Implications

The pilot findings generate theoretical, practical, and policy implications for strengthening transition plan implementation and business sustainability among Bumiputera SMEs. They clarify the distinct roles of organisational readiness and resource capability while providing preliminary guidance for SME owners, advisers, and support agencies.

6.1 Theoretical Implications

The findings preliminarily position TPI as the transmission mechanism connecting entrepreneurial posture and deployable resources with sustainability. They also demonstrate why readiness and capability must be conceptually separated: readiness concerns shared commitment and efficacy, whereas capability concerns mobilisable financial, human, knowledge, governance, and relational resources.

6.2 Practical and Policy Implications

Owners should formalise transition milestones, successor development, authority delegation, knowledge transfer, governance roles, and implementation budgets before transition pressures become acute. Support agencies should combine entrepreneurial development with transition diagnostics, governance assistance, successor training, and implementation financing. Lifecycle-sensitive support remains appropriate, but stage differences should not be inferred from the present pilot.

7. Limitations and Directions for the Main Study

The preliminary nature of the findings requires careful consideration of the study's methodological and analytical limitations. These limitations provide a basis for refining the measurement model, strengthening the structural specification, and improving the design and analysis of the full-scale study.

7.1 Limitations of the Preliminary Findings

The sample of 50 was suitable for instrument diagnosis but insufficient for stable population inference, subgroup analysis, or lifecycle comparison. Discriminant-validity and collinearity problems weaken the interpretation of the structural estimates. Cross-sectional self-report data cannot establish temporal causality and may be affected by common-method bias, while omitting direct antecedent-to-BS paths prevents formal mediation classification. Predictive relevance, respondent-profile patterns, lifecycle distribution, missing-data screening, outlier assessment, and non-response bias were not available for this preliminary paper.

7.2 Directions for the Main Study

The main study should audit item-to-construct assignments; revise or remove redundant indicators following content-validity review; reassess HTMT using bootstrapped confidence intervals; restore the theoretically required direct antecedent-to-BS paths; report Q^2_{predict} and PLS predict; and evaluate common-method bias and model robustness. Proceed with lifecycle comparisons only when group sizes are adequate and compositional invariance has been established through MICOM before multi-group analysis (Shmueli et al., 2019; Hair et al., 2022).

8. Conclusion

The pilot fulfils its objective by providing a diagnostic assessment of the measurement model and qualified evidence of the proposed transition mechanism among Bumiputera SMEs in Sarawak. Internal consistency and convergent validity were satisfactory, but indicator weaknesses, discriminant-validity problems, and elevated collinearity require correction.



EO and RC significantly predicted TPI, whereas OR did not demonstrate a distinct unique effect. TPI was strongly associated with BS, and the specific indirect effects of EO and RC through TPI were significant, whereas the OR indirect effect was not. These findings answer the pilot research question without implying definitive causality or population-level generalisability. The next stage should refine construct boundaries and indicators, restore the direct paths required for formal mediation classification, collect an adequately powered sample, assess predictive performance, and test lifecycle-stage differences only when these conditions are met.

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