Jurnal Kajian Ekonomi dan Kebijakan Publik, Vol. 6 No. 1, Januari 2021
Dikirim: 20 Nopember 2020; Diterima: 24 Desember 2020
ISSN: 2527-2772

FAMILY BUSINESS RESILIENCE STRATEGY IN INDONESIA

Bakhtiar Efendi[1], Alfian Zulmi[2]*, Dewi Mahrani Rangkuty[3]

[1,3]Program Studi Ekonomi Pembangunan, Fakultas Sosial Sains, Universitas Pembangunan Panca Budi
[2]Program Magister Perencanaan Pembangunan Ilmu Ekonomi, Universitas Andalas
Perbukitan Limau Manis Kec. Pauh - Kota Padang - 25175
*Korespondensi Penulis: azzamaz.alf@gmail.com

Abstract: *A family is an economic entity consisting of individuals who aim to maximize satisfaction (as a comment) as well as profit (as a producer). The success of entrepreneurs building business goals and making timely decisions to achieve those goals in increasing competition and uncertain environments is certainly needed. Family companies are an interesting business phenomenon to study because of the various issues and challenges that must be faced by the company. The above problems cause family companies to be managed differently than managing non-family businesses, they build a company that at one time is also a family institution. This paper uses literature studies on family companies to find out important and crucial issues in the family business journey to provide an understanding of how to manage it becomes a strength for family companies. Reviews from literature studies show that family engagement and succession are key issues in the family business as well as being an advantage for family companies rather than family companies. family engagement becomes a professional issue in family companies. The involvement of family members in family companies makes the high level of trust and mutual disassociation among family members has a guarantee of corporate stability and has the high financial strength, the company culture becomes strong, has independence in the actions and acculturation process of the next generation to the business world that occurred since childhood. Succession has been made as to the biggest classic and strategic issue in the family company. Experience and insight are the most important things to note in the next generation of family companies.*

Keywords: *Family Business*; *Family Engagement*; *Succession*

INTRODUCTION

In economics, households/families are an economic entity consisting of individuals that aim to maximize satisfaction (as a commenter) and profit (as a producer). As a manufacturer, households produce an output of goods and services for their members, both tangible (measurable) and intangible (immeasurable). Households provide food with kitchens as their factories and (predominantly) mothers as factory managers. Households also provide care, affection and education services. As a consumer, households consume output from the market outside the home for their needs. In addition to special products that fit their characteristics, households also consume a variety of goods and services products as consumers generally. In this context, each family member should contribute to optimally allocating the resources they have for the welfare of other members of the household as the purpose of a family. With a good upbringing in a household can be born reliable and successful entrepreneurs who can be the focus of many people's lives.

Being a successful businessman is not easy, many try and many also fall in the middle of the road. The success of entrepreneurs building business goals and making timely decisions to achieve those goals in increasing competition and uncertain environments is certainly needed. The availability of information to entrepreneurs is often ambiguous, incomplete and rapidly changing. In these circumstances, a formidable entrepreneur, who shows a high level of tolerance for ambiguous things and is quick to adapt to change, could be better prepared for success. Entrepreneurs who have toughness prefer to work hard to achieve their goals, adapt to changes to take advantage of new situations and can learn from mistakes (Cooper, Estes & Allen, 2004; London, 1993).

Family companies are a phenomenon in the business world. In addition to the large number, family companies also have a significant contribution to the country's economy. In Indonesia, for example, businesses are dominated by family companies. Although there are no exact figures rough estimates show that more than 90% of businesses in Indonesia are family companies.

In general, the family company is intended to be a company founded by one of the family members, controlled by the family and later handed over to the next generation of family members. A family company is a company owned, controlled, and controlled by several family members involving two or more generations. For example, husband and wife involve children (two generations), and can also involve grandchildren (three generations) (Casillas, 2007; Ward, 2007). Meanwhile, Litz (1995) stated that businesses can be called family businesses if management and ownership are concentrated in one family unit and if family members try to maintain or increase the presence of the family in business activities.

Family companies are an interesting business phenomenon to study because of the various issues and challenges that must be faced by the company. First, family companies not only face business problems but also a combination of issues between businesses and families of two institutions that have opposite orientations (Carlock and Ward, 2001: 5-7). Therefore, the ability of the head of the family to balance business and family interests is the key to the success of the business and at the same time maintain family harmony. The next issue is the future of the company concerning the issue of succession. The founder of a family company naturally must want his company to continue to grow beyond the limits of generations. Unfortunately, it is not uncommon for generations of heirs not to be prepared to accept the leadership relay baton. As a result, there is often a cycle of family companies lasting only one generation (Beckhard and Dyer, 1983). The fact that only about 30% of family companies can survive until the second generation and the percentage is getting smaller for the next generations.

The above issues cause family companies to be managed differently than managing non-family businesses (Chrisman, Chua and Sharma, 2005). When it comes to putting people in key positions of the company, for example, the founder or owner of the company prioritizes family members over non-family members. Likewise, when strategic decisions have to be taken, the basis of his decisions can be more personal and emotional reasons than rational reasons (Sharma, Chrisman, and Chua, 1997). In response to this, Danco (1991) for example interpreted the CEO of the family company as the Chief Emotional Officer instead of the Chief Executive Officer.

What is also unique about family companies is that every development and change in the external environment tends to be responded to with a positive attitude-considered an opportunity rather than a threat (Chrisman at al., 2003). That's why family companies are often associated with entrepreneurship even though the concepts of the two are different (Aldrich and Cliff, 2003).

The reason considered the importance of this research is the first to study in-depth the problems that exist in the family business, secondly to be a reference material for family businesses in setting strategies for the resilience of their family business, thirdly to be a consideration for the government of West Sumatra Province to pay more attention to the family business sector.

METHODS

The method used in this research is Review Literature method, namely summary, analysis and synthesis of literature relevant to the strategy model in the resilience of the family business. So far there has been a lot of research on the family business, but research on how the family business can survive for several generations can be said to be limited, especially in Indonesia.

There are as many as 25 references that are considered relevant to this family business model. 8 of them have full criteria and can answer the objectives of this study.

RESULTS AND DISCUSSIONS

1. Family Business

Litz (1995) states that a business is said to be a family business if management and ownership are concentrated in one family unit and if a family member tries to maintain or increase the family's presence in business activities. While Casillas, 2007; Ward, 2007 argued that the Family Company is a company owned, controlled, and controlled by several family members involving two or more generations. For example, husband and wife involve children (two generations), and can also involve grandchildren (three generations).

The family business is the backbone of the Canadian economy (Zahra 2010) and represents an important part of national economies around the world including the USA (Astrachan & Shanker 2010; Kleiman & Peacock 1996-97) the level of the family business as a proportion of the economy is still a debate due to the definite range of "family businesses" used and due to the level of historical data collection that considers the family business into terms of data collection and coding over time and jurisdiction. What is clear is that there is a strong case for considering family businesses as a significant contributor to the national economy.

Susanto (2005:6) says (a) family involvement is the involvement of the second or third generation into business management; (b) the enthusiasm of the next generation to quickly learn in business activities; (c) the level of trust and mutual trust between family members; (d) the power of emotions in carrying out business activities; (e) a degree of flexibility in business life; and (f) dual leadership in the sense that each family head is usually at once a business leader is characteristic of the family business.

Susanto (2005:10) said that family companies have advantages compared to non-family companies, among others; (1) there is no concern that the company's wealth will run out so that the company has high financial strength; (2) the willingness to reinvest profits following the mutual agreement to develop the company; (3) have a guarantee of corporate stability because it is supported by a strong corporate culture; (4) the high level of independence of action in the sense of the company's survival level is not determined by the stock market because most or all of the financial resources are supported by the family; (5) Informal approach with minimum bureaucracy usually a colour family company in running business activities. (6) The process of acculturation of the business world that occurs since childhood allows family members to have excellent business knowledge.

In general, there are four phases of growth in family companies (Susanto,2005:45-54), namely: (1) Development Phase. In this phase, the main drivers of the business are the founders and members of their families. Besides, the existence of family companies is also determined by other stakeholders such as customers, employees, and surrounding communities. (2) Management Phase. By the time the company has started to enter the management phase, seven important issues arise, namely: conflict of values; succession; organizational structure; compensation; competence; distribution of income; business and family harmony. (3) Transformation Phase. Business transformation should be done by incorporating elements into the company. Things to note in this phase include new roles for families, monitoring and control, organizational development, as well as personal and corporate. (4) Sustaining Phases. In this phase, all management, systems, procedures and policies of the organization have been well organized and implemented. The company does not rely on personal or family figures in carrying out its operations but on a standard system that is constantly being improved.

2. Family Involvement

According to Selznick (1957) entrepreneurs in the family business was very unique, they built a company that at one time was also a family institution. The founder of a family business who wants to build and develop a company to create a family inheritance and valuable assets must enter the business. This requires the ability to manage family succession, where in addition to having to replace the founder of the business, often also have to make changes in strategy and or structure of the company.

Many family companies remain in existence despite the macroeconomic crisis. The Company can survive and contribute significantly to the country's revenue (Susanto, 2005:4). However, in the family business, there are some classic things to note: (1) the lack of organizing in a family company is often a weakness for a company is indicated by the vagueness of the organizational structure, the lack of management development due to excessive intervention from the owner; (2) Family involvement in oversampling companies often results in highly emotional corporate life and risks conflicts of interest. Besides, the bonds of tradition and family history make it difficult for the company to change; (3) This family company is very vulnerable to internal conflict. This happens because in family companies there is often an unprofessional relationship by combining personal affairs with corporate affairs. Based on the above, not a few family companies that failed in the middle of the road because they were unable to compete with other family companies, did not operate properly and housed many of its workers.

Stinchombe (1965) said that professionalism is another issue that is often associated with family business management. Professionalism is important for companies in the movement from stage 1 to stage 2 (Scott, 1971). Large structural changes often make companies incapable and effective at capturing and exploiting market opportunities with existing structures (Hofer and Charan, 1984).

The data shows that an important proportion of new companies are created with family involvement. Families influence the activities of entrepreneurs through their values and aspirations. They must maintain the orientation of inter-generational efforts to achieve their goal of creating a lasting family legacy. Besides, businesses need an understanding of how family resources can be exploited and how family involvement can affect the type of business pursued and performance when starting a business.

Habersham et al.'s (2003) explore the positive side of family engagement, They describe a family business as an interactive system created by people, families and companies. They propose a definition function for family companies and theorize about creating systemic synergy with family and how this can be an advantage in competition and creating wealth. From a theoretical point of view, their important contribution in setting criteria must be met before the resources and capacity generated from family interaction may meet as "kinship". We believe that this criteria-uniqueness, indiciregation and synergy-were not articulated at the same time. they set out the basis of the theory to explain how the family business differs from non-family businesses and how such differences might reveal themselves in the durability of competitiveness.

Family involvement in the business does not always harm the company if it can be managed well the founder of the family company, in this case, the first generation, then it can be the most valuable asset in the business competition. Managing family involvement in the family business becomes absolute if the family company wants to continue to survive and grow for a very long time.

3. Succession

The main theme that has consistently emerged since 1988 in literature studies on the family business is the issue of succession from the main generation to the next (Goffee 1996; Lansberg 1988; Wang et al. 2004; Zahra & Sharma 2004). A succession of family leadership, such as the classic issue in which parents hand over the business to their child (Blumentritt et al., 2013), is a multi-dimensional process that takes time to develop and needs to be planned and managed (Sharma et al., 2003). During the transition period, several parties were involved, (Le Breton-Miller et al., 2004), including the predecessor/incumbent (Rubenson and Gupta, 1996), the successor (Birley, 2002), other family members (Handler, 1994) and internal and external shareholders (Steier, 2001). Daspit et al. (2015) argue that succession cannot be reduced to a simple transfer of leadership to one point, it requires a more thorough approach over a certain period, which is meant as a life circle approach from the succession.

Family business succession is a process that takes years. Family company research from a source and basic knowledge takes a long time not just once (Fiegener et al. 1994; Sharma 2004). A family business is a very ordinary form of business, especially in MSMEs (Chirico & Nordqvist 2010). The family business as an institution has a long history (Pianna, Vecchi & Cacia 2012). Since 1960 the family business as an economic unit is seen merely as an interference of the family in the business. This is given the extent of the dominant view until the beginning of the new millennials when family business research emerged as a special study and began to be known among economists as more important than the previous view (Schulze & Gedojlovic 2010).

Miller et al. (2003) outline an elegant way of thinking to identify how family business succession differs in terms of sustainability in strategies, organizations and governments in different business environments. Although the multidimensional succession of family businesses can lead to failures in the succession of family businesses. Miller et al. further add our understanding to the family business by discussing how and when family dynamics, culture, government, and leadership styles bring family businesses to adopt the wrong combination of succession dimensions. With family dynamics that can't work together and culture into their analysis, Miller et al. address how a succession of family businesses can be different from non-family businesses.

Succession has been made the biggest strategic issue (Morris et al. 1997). Aronoff (1998) suggested that one of the main trends in family business research is the generational transition of replacing succession plans, reflecting the understanding that succession plans in the family business have more dimensions than non-family business succession. Other researchers agree that research in family business succession is not only important (Handler 1994; Yan & Sorenson 2006), but also has the potential to develop our understanding of strategy and management issues beyond the family business to the business of widespread succession (Haag, 2005).

However, significant personal relationships are not limited to predecessor-successor relationships. Succession plans should take into account the impact on shareholders inside and outside the family business (Daspit et al., 2016; Barach and Ganitsky, 1995). Depending on the level of engagement within the company, shareholders are exposed to different impacts when faced with uncertainty related to succession.

There is evidence that the experience of a successor who is a family member differs from that of a non-family member (Cromie & O'Sullivan 1999; Ibrahim, Angelidi & Parsa 2001; Morris et al.2010; Santiago 2000). Using this approach provides insight into how the succession process impacts family relationships, history, and dynamics. Family businesses and non-family businesses may operate in the same business environment and family businesses are permanently influenced by the values and dynamics of the family. How a company develops, survives and transfers knowledge seems like an internal key to a business being successful, especially in the contingency of succession.

Family business succession is not a single event, but it is a process that takes years and is described by Sharma, Chrisman, Pablo and Chua (2001) as actions, events and developments that affect the transfer of management control from one family member to another. There could be an explanation of the time when the finances or legal controls of the business move from founder to successor; the process of heading to the time after the transfer has a significant impact on the potential for success on the transfer. Family business research from sources and basic knowledge requires that the succession process be seen as a long process, not as a one-off event. (Fiegener et al. 1994; Sharma 2004).

Since the family business is often moved from one generation to the next, it must consider how each generation processes (Lambrecht 2005). This leads to the view that succession is a series of stages or phases and this model is sometimes described in the same terms on the role or stage of family life (Churchill & Hatten 1987; Handler 1994). Gersick, Lansberg, Desjardins, and Dunn (1999) suggested that if there was a stage in the transfer, it would be important to move between those stages.

Malinen (2004), in a study on family business succession, stated that issues of awareness, knowledge and emotion are important in the transfer of family businesses and the discussion of generational relationships as key factors in succession. Wang, Watkins, Harris, and Spicer (2004) described the relationship between knowledge transfer for successors and the company's performance. The relationship between knowledge and success of this company provides a strong reason for further research of the knowledge transfer process in the transfer of generations from the family business (knowledge transfer).

CONCLUSIONS AND RECOMMENDATIONS

A family company is a company owned, controlled, and controlled by several family members involving two or more generations. said to be a family business if management and ownership are concentrated in one family unit and if a family member tries to maintain or increase the family's presence in the company's business activities. There are 2 important issues in the family business that are first family involvement in the business and the second succession. Family involvement is closely related to professionalism which can affect the overall aspect of the company's journey. The involvement of family members in family companies makes the high level of trust and mutual disassociation among family members has a guarantee of corporate stability and has the high financial strength, the company culture becomes strong, has independence in the actions and acculturation process of the next generation to the business world that occurred since childhood.

Succession is a classic and crucial issue in the family business journey. Succession can have a big impact on the company's leadership relay staff and have a big impact on the company in the long run. Failure in succession does little to be the end of a family company. Knowledge transfer and planting of family values in the next generation is very important to be done by the founding entrepreneurs of the family business. Experience and insight are the most important things to note in the next generation in terms of succession in family companies. These two things are very important for entrepreneurs who want their family company to survive from one generation to the next.

REFERENCES

Aldrich, HE. & JE. Cliff. 2003. The Pervasive Effects of Family on Entrepreneurship: Toward Family Embeddedness Perspective, Journal of Business Venturing.

Astrachan, JH & Shanker, MC 2010, 'Family businesses' contribution to the US economy: a closer look', Family Busines Review, vol. 16, no. 3.

Beckhard, R & Dyer, WG 1983, 'Managing continuity in the family-owned business', Organizational Dynamics.

Blumentritt, T., Mathews, T. and Marchisio, G. (2013), “Game theory and family business succession: an introduction”, Family Business Review, Vol. 26 No. 1.

Barach, J. A., & Ganitsky, J. B. 1995. Successful Succession in Family Business. Family Business Review, 8(2).

Birley, S. (2002), “Attitudes of owner-managers’ children towards family and business issues”, Entrepreneurship Theory and Practice, Vol. 26 No. 3.

Casillas, J. & F. Acedo. 2007. Evolution of the Intellectual Structure of Family Business Literature: A Bibliometric Study of FBR, Family Business Review, 20 (2).

Chrisman, J., Chua, J., Kellermanns, F., Matherne, C. III and Debicki, B. (2008), Management journals as venues for publication of family business research, Entrepreneurship Theory and Practice, Vol. 32 No. 5.

Chrisman, J.J., Chua, J.H. and Steier, L.P. (2003), An introduction to theories of family business, Journal of Business Venturing, Vol. 18 No. 4.

Carlock, R.S. and Ward, J.L. (2001), Strategic Planning for the Family Business: Parallel Planning to Unify the Family and Business, Palgrave Macmillan, New York, NY.

Chrisman, JJ., JH. Chua, & P. Sharma. 2005. Trends and Developments of a Strategic Management Theory of the Family Firm, Entrepreneurship Theory and Practice, September 2005, pp.555-575.

Casillas, J. & F. Acedo. 2007. Evolution of the Intellectual Structure of Family Business Literature: A Bibliometric Study of FBR, Family Business Review, 20 (2).

Chirico, F & Nordqvist, M 2010, Dynamic capabilities and trans generational value creation in family firms: The role of organizational culture , International Small Business Journal, vol 28.

Churchill, NC & Hatten, KJ 1987, Non-market based transfers of wealth and power: a research framework for family business', American Journal of Small Business.

Cromie, S & O'Sullivan, S 1999, 'Women as managers in family firms', Women in Management Review, vol. 14.

Danco, LA. 1991. The Founder’s Restless Family, Agency Sales, July, 52 -55.

Daspit, J.J., Holt, D.T., Chrisman, J.J. and Long, R.G. (2015), “Examining family firm succession from a social exchange perspective: a multiphase, multistakeholder review”, Family Business

Review, Vol. 29.
Fiegener, MK, Brown, BM, Prince, RA & File, KM 1994, 'A comparison of successor development in family and nonfamily busineses', Family Business Review, vol. 7.
Goffee, R 1996, 'Understanding family businesses: issues for further research', International Journal of Entrepreneurial Behaviour & Research, vol. 2.
Gersick, KE, Lansberg, I, Desjardins, M & Dunn, B 1999, 'Stages and transitions: managing change in the family business', Family Business Review, vol. Xii.
Haag, K 2005, 'Post-succession strategizing in the family business context'.
Habbershon, T.G., Williams, M. and MacMillan, I.C. (2003), "A unified systems perspective of family firm performance", Journal of Business Venturing, Vol. 1.
Hamilton, E. (2011), "Entrepreneurial learning in the family business", Journal of Small Business and Enterprise Development, Vol. 18.
Handler, W.C. (1994), "Succession in the family business: a review of the research", Family Business Review, Vol. 7 No. 2.
Hofer, C.W., Charan, R., 1984. The transition to professional management: mission impossible? Am. J. Small Bus.9 (1).
Ibrahim A.B., Soufani, K. & Lam, J. 2001. A study of succession in a family firm. Family Business Review;14(3).
Kleiman, R & Peacock, E 1996-97, 'Family businesses as an economic phenomenon', Michigan Family Review, vol. 2.
Le Breton-Miller, I., Miller, D. and Steier, L.P. (2004), "Toward an integrative model of effective FOB succession", Entrepreneurship Theory & Practice, Vol. 28.
Litz, R. 1995. The Family Business: Toward Definitional Clarity, Academy of Management Journal.
Litz, R. 1997. The Family Firm's Exclusion From Business School Research: Explaining the Void; Addressing the Opportunity, Entrepreneurship Theory and Practice, Spring.
Malinen, P 2004, 'Problems in the transfer of business experienced by Finnish entrepreneurs', Journal of Small Business and Enterprise Development, vol. 11.
Miller, D., Steier, L., Le Breton-Miller, I., 2003. Lost in time: intergenerational succession, change and failure in the family business. J. Bus. Venturing 18.
Morris, MH, Allen, JA, Kuratko, DF & Brannon, D 2010, 'Experiencing family business creation: differences between founders, nonfamily managers, and founders and nonfamily firms', Entrepreneurship Theory and Practice, vol. 34.
Morris, M.H., Williams, R.O., Allen, J.A. and Avila, R.A. (1997), "Correlates of success in family business transitions", Journal of Business Venturing, Vol. 12.
Pianna, BD, Vecchi, A & Cacia, C 2012, 'Towards a better understanding of family business groups and their key dimensions', Journal of Family Business Strategy, vol. 3.
Rubenson, G. and Gupta, A. (1996), "The initial succession: a contingency model of founder tenure", Entrepreneurship: Theory and Practice, Vol. 21.
Santiago, AL 2000, 'Succession experiences in Philippine family businesses', Family Business Review, vol. XII.
Selznick, P., 1957. Leadership in Administration. Harper & Row, New York.
Scott, B.R., 1971. Stages of corporate development—Parts I and II. Harvard Case Services #9371-294 and 9-371295, Boston.
Schulze, WS & Gedojlovic, E 2010, 'Whither family business?', Journal of Management Studies, vol. 47.
Sharma, P, Chrisman, JJ & Chua, JH 1997, 'Strategic management of the family business: Past research and future challenges', Family Business Review, vol. 10, no. 1, pp. 1-35.
Lansberg, I 1988, 'The succession conspiracy', Family Business Review, vol. 1.
Sharma, P 2004, 'An overview of the field of family business studies: current status and directions for the future', Family Business Review, vol. XVII.
Sharma, P., Chrisman, J.J., Pablo, A.L. and Chua, J.H. (2001), "Determinants of initial satisfaction with the succession process in family firms: a conceptual model", Entrepreneurship Theory and Practice, Vol. 25.

Sharma, P., Chrisman, J.J. and Chua, J.H. (2003), "Succession planning as planned behaviour: some empirical results", Family Business Review, Vol. 16.

Sharma, P 2004, 'An overview of the field of family business studies: current status and directions for the future', Family Business Review, vol. XVII.

Stinchombe, A.L., 1965. Social structure and organizations. In: March, J.G. (Ed.), Handbook of Organizations.

Steier, L 2001, 'Next-generation entrepreneurs and succession: an exploratory study of modes and means of managing social capital', Family Business Review, vol. XIV.

Susanto, AB. 2005. World Class Family Business, Jakarta, Penerbit Quantum Bisnis & Manajemen.

Wang, Y, Watkins, D, Harris, N & Spicer, K 2004, 'The relationship between succession issues and business performance', International Journal of Entrepreneurial Behaviour & Research, vol. 10.

Ward, J.L. (2011), Keeping the Family Business Healthy – How to Plan for Continuing Growth, Profitability, and Family Leadership, Palgrave Macmillan, New York, NY.

Zahra, SA 2010, 'Family Enterprises A Force in Canadian Economy', Globe and Mail, Sept 8 2010.

Zahra, SA & Sharma, P 2004, 'Family business research: a strategic reflection', Family Business Review, vol. XVII, no. 4.