Family Business Viewed From Complexity Family and Business and How to Manage to Achieve Sustainability

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Abstract

The myth that family firms can not survive through three generations, is supported by many facts in different parts of the world, that the number of companies that can last up to three generations is small. From the data also mentions that family companies contribute greatly to the Gross Domestic Product of a country. So very unfortunate if this family business can not last long. The purpose of this study is to explain the family business in terms of business complexity, family complexity and how to manage it in companies that are still held directly by the founder / first generation. Family business has its own uniqueness because it combines business, family and ownership, resulting in various roles of the people involved such as only family members or family members who act as employees and family members who are also as shareholders. The different roles will result in family complexity and business complexity. When it reaches third generation family complexity occurs more complicated than if it occurs in the first generation, because in the third generation then involved in the business has been involved in the relationship cousins while in the first generation involved only founder. Likewise the three companies become larger then it will have a heavier complexity than at the beginning of the stand. For that family company can still survive and sustainable it needs a good way of managing, and for each character of the company as in the newly established business is certainly different ways to manage it with a long-standing company, but also companies that are still held directly by Founder will be different way of managing it compared to companies that have reached third generation. In the first generation of companies need to pay attention to managing business by way of professional operation, pay attention to succession and managed family complexity.

Key words: Family Business, Business Complexity, Family Complexity

Introduction

The contribution of a family company to a country's economic growth is undoubtedly because it contributes 50% of GDP in the United States (Shanker and Astrachan 1996), while in Indonesia 90% of the existing firms are households contributing 80% of GDP of the country (World Bank, 2017). According to Groysberg (2014), family business that can survive one generation is only 70%, so it can be said that this family company is difficult to sustain. Ward's argument, 1987, states that the critical condition is due to the transition of leadership from the first generation to the next generation that did not go well.

The difference between family business and non family business is that of family business there is family involvement in it (Collins and O'Regan (2011). It is also supported by Chua (2003), so there is a difference of interests between family demand and business demand (Carlock, 2001). While Tagiuri and Davis (1982) stated that the family business has a three-circle model that explains that there is overlapping between family, ownership and business that will affect the condition of family business.

Based on its characteristics family business can be categorized into five models (Gimeno, 2010), starting from the newly-called Captain model to the Corporate model where the family business is big with the characteristic that is involved in managing not only the nuclear family but also involving Professionals in the company's operations.