THE FIRST GENERATION'S TACIT KNOWLEDGE TRANSFER

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Abstract: This study aims to see and learn when, how and what are the transfer of tacit knowledge between the senior generation and the next generation of first generation family companies in Surabaya. This is qualitative research. The study found that the transfer of tacit knowledge was planned and initiated by the senior generation. Transfers are carried out by observation, experiencing and reflection methods where unique senior generation knowledge such as trust in certain value values is transferred to the next generation which is then studied by the next generation to become a separate value.

Keywords: family business, senior generation, next generation, tacit knowledge, knowledge transfer

Introduction

A lot of young business people are reluctant to become the successors of their family companies. They argue that their involvement in family companies is vulnerable to conflicts that threaten relationships within the family. Regardless of these reluctant young people, it is clear that family companies are one of the most common practices of corporate organization in the world. Nearly all companies start their business activities from family companies (Lee, 2006).

Unlike ordinary companies, family companies are unique in their management. Gersick (1997) explains that family companies are special organizations. Some research has found that in the uniqueness of the family business system is the involvement and preparation process carried out by the next generation (Frank et al., 2010; Wayne et al., 2010; Zellweger et al., 2010): knowledge transfer that has been considered a process that happens by itself (Trevinyo-Rodriguez & Tapies, 2006). Only 30% of family companies can survive a transition period between generations of the first to second generation as indicated by the Family Firm institute for The Family Business review (Hall et al., 2008). Only 12% of family companies survive in the second and third generation periods and this situation shows the problems that occur in generation preparation.

Trevinyo-Rodriguez & Tapies (2006) explains that the transition in family companies includes entrusting power, managerial responsibility and competence to the next generation, and this process is called the succession process. Most family companies are not ready to plan the succession process. As a result, it causes problems threatening the sustainability of the family company (Lambrecht, 2005). Fox et al., (1996), explained the causes of succession failure: most family companies did not pay