THE SUCCESSION PROGRAM PLANNING OF DAMAI SEJAHTERA FAMILY BUSINESS

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ABSTRACT

This research was conducted to describe the succession program planning at Damai Sejahtera family business. This research was a qualitative design in which the data were gained through conducting survey supported with non-participative observation and in-depth interview for unconfirmed answer given. Four internal informants of Damai Sejahtera were interviewed to gain the data needed. The informants were the CEO, the wife of CEO as the family member, the employee as a CEO’s confidant, and the future successor.

The succession program planning of Damai Sejahtera covered five basic factors of succession planning, namely the CEO preparation, the business preparation, the successor development, the family preparation, and the owner preparation in order to find out the readiness of the business and the family to the succession program that would be implemented. The result of the research concluded that Damai Sejahtera is not ready for succession program planning program and has to follow managerial implications that covers 5 basic factors proposed by Aronoff.

Keywords: CEO, Family Business, Succession Program, Successor, Indonesia.

INTRODUCTION

Family business is an important pillar for the economy of Asia, family businesses in the region recorded a total cumulative profit is equal to 261% during 2000-2010, with a compound annual growth rate of 13.7% during this period (Kompas Ekonomi, 2011). In Indonesia, the majority of family businesses engaged in wholesale and retail trading for 36%, 24% on manufacturing and distribution, professional services 14%, two types of business on 13%, agriculture and fishing for 4%, 3% on construction, finance, real estate for 2%, transportation, hotel and entertainment only 1% (Grant Thornton Indonesia, 2013). Succession is a must do in a family business considering of CEO or founder’s performance will continue to decrease as they are getting older so that should be a transfer of corporate responsibility to the next generation. The purpose is to maintain the continuity of the family business is because there is no certainty on when the CEO of the family business will be off from duty so that later the company has a system of self-organization that can be passed to the next generation (Aronoff CE, 2011: 9-10). Preparation for succession planning program will be implemented in Damai Sejahtera, a family business managed by the first generation or founder named Soewarno Ongkowidjojo who handles almost all of the activity from finance, marketing, human resources and operational with some assigned workers.