Abstract—This study aims to determine whether conducting a succession management is crucial in improving the performance of family businesses. The type of research used in this study is a qualitative descriptive research. The method used by reviewing a case study. The data are collected via interviews, observations, and literature reviews. The participants of the study include the director and a second-generation successor from a chemical company in Indonesia. The selection of objects is based on a purposive sampling method with related selection based on accessibility between researchers and the research participants. The result of this study shows that managing succession with professional behavior will promote the performance of the company.

Keywords—management, succession, performance, family company.

I. INTRODUCTION

The family is, no doubt, the oldest and longest running social unit in the society. Together with small communities, families were formed long before commerce began. In fact, families supported by the local communities are able to sustain themselves by self-sufficient means (Ponzetti, 2003). Although the business enterprise is definitely integral to the long-run sustainability of a family business, the condition of the family is as equally important to the continuity of a family business. The family unit brings together and creates the forces to enable the emerging and to sustain entrepreneurial behavior. The conceptualization of a family business must encompass a multidisciplinary and comprehensive perspective of the complex and dynamic phenomenon of business that is owned and operated by family members.

Throughout history, families have been critical to the creation and operation of businesses. Families are the most important sources of human, social, financial, and physical capital. Throughout the world, from ancient to modern times, and from agricultural and cottage industries to multinational corporations, family ownership is pervasive (IFERA, 2003).

Some researchers reflect family involvement in terms of ownership and management (Handler, 1989). Meanwhile Churchill and Hatten (1987) added that family businesses must have a successor originating from the family members. Carsrud (1994: 40) further explained that family business is an organization that are truly owned by the family and the company policies are dominated by members of the "emotional kinship group". This means that within a family business, each family members must hold a strong emotional relationship that is visible to the naked eye.

It seems that previous researches are focusing more on a successions process that did not go well. Hence, this research aims to understand the family business’s condition when the succession process managed to go well and to see whether this aspect will affect the performance of the family business. In addition, most family business owners realize that their business may eventually die or be taken over by a new management team from a non-family members, unless they can overcome the obstacles by passing the baton of management succession.

The focus of the current study is to gain more insight into long-lived family businesses by studying a case study of a family business in Indonesia. This study aims to determine whether managing succession process is crucial in improving the performance of family business.

II. LITERATURE REVIEW

In reality, some characteristics of a family business may directly affect the process of transferring the business management from one generation to the other (Barach et al., 1998). From the perspective of a business owner, Wanda, she suggested that future successors should be well educated and gained some working experiences before they can earn a position within the family business.

Although most second-generation SME owners are more educated, and some of them studied overseas, it...