

The Role of Personality System Succession Pattern in Family Business in Indonesia

Christina Whidya Utami*

Universitas Ciputra Surabaya, Indonesia

***Corresponding author**

Christina Whidya Utami

Article History

Received: 01.12.2017

Accepted: 07.12.2017

Published: 30.12.2017

DOI:

10.21276/sjebm.2017.4.12.1



Abstract: The fact shows that 30 percent of family business can survive in second generation of family ownership, and only 15 percent survive in third generation. This indicates that it is important to study important factors that are the key of successful transition in family business. The aim of this study is to analyze the existence of personality system succession pattern that includes successor qualification, entrepreneurial orientation, willingness to take over responsibility and personality traits, management and leadership is influential in the effort to sustain success in family business in Indonesia. There are 52 second generation family businesses used as sample in this study, using Partial Least Square analysis it was discovered that personality system succession pattern includes: successor qualification, entrepreneurial orientation, willingness to take over responsibility and personality traits, management and leadership skills has a positive and significant impact, in the effort to sustain success in family business (Study on Medium Scale Second Generation Family Business in Indonesia).

Keywords: Family business, personality system, successor qualification, entrepreneurial orientation, willingness to take over responsibility, personality traits, management and leadership skill, success in family business.

INTRODUCTION

According to family business survey conducted PWC (Price Waterhouse Coper) in 2014 the results indicate that more than 95% businesses in Indonesia is family owned, and in Southeast Asia 60% of public companies are family business. The data obtained from Family Firm Institute [1] indicates that the number of family business in the world is 2/3 of the total number of firms or businesses in the world. Taking into consideration the labor absorption rate, around 50%-80% of the labor force in majority of the countries in the world works for family business [2].

Therefore, the existence of family business is very important in supporting the overall business of a country. Problem that often resulted in the bankruptcy of a family business is failure in succession.

The planning of succession is a very complicated matter and often makes the founder or the predecessor reluctant to do so. This reluctance can be a result of worries that the firm will default, reluctance to handover control on company, fear of losing self-identity, or even jealousy or rivalry towards their successor. Another reason for not preparing succession is that the founder thinks that the younger generation is not interested in participating in the firm, or difficulty in deciding which offspring is the most competent to take

over the business. What also happens often is that even though the predecessor has officially retired from the business, in practice the senior generation is still very much involved in the company's business activities.

In the implementation of the succession of family business there are two elements that must be considered which are: succession planning and succession pattern. Management succession pattern of a family business can be analyzed through personality system, family system, ownership system and management system. Therefore, this study will focus on the exploration of the right personality system succession pattern to sustain the success of a family business, particularly for medium scale second generation family business in Indonesia.

According to Utami *et al.* [3] based on related studies on the impact of management succession pattern includes the right personality system, family system, opportunity system and management system, on the effort of sustaining the success of family business, where the study results shows that only family system variable has a significant impact on the effort to sustain the success of family business. This happens considering that matters related to upholding and understanding family values, ability to manage family dynamics by the successor, ability to manage conflict,