Journal of Economic Cooperation and Development, **46**, 4 (2025), 1-26

The Principle of Family Business in Indonesia – Management Review

Danny Wibowo[1]

ABSTRACT

The article aims to analyze the implementation of family business management in Indonesia. Family businesses often experience problems in managing businesses that involve family members. This article is qualitative research that interviews taxable companies in East Nusa Tenggara and uses them as a primary data source. The second source of data is the company's information. After receiving several data sets, they are analyzed in descriptive analysis. The results of this article show that trust in the eldest son in the family is the most critical factor in continuing the business. Meanwhile, sisters and other siblings still own the business and share ownership of the company, which the same family dominates. This is a long-term investment for prosperity to the next generation. In addition, it is about the reputation and image of the company that is considered a family member. The company's strength is related to the family's interest in maintaining its reputation. Therefore, some companies with retired founders are active in social, religious, and charitable activities.

ملخص

تهدف هذه الدراسة إلى تحليل تطبيق إدارة الأعمال العائلية في إندونيسيا. كثيرا ما تواجه الشركات العائلية تحديات في إدارة الأعمال التي يشارك فيها أفراد الأسرة. تعتمد هذه الدراسة على المنهج النوعي، من خلال مقابلات مع شركات خاضعة للضريبة في إقليم نوسا تنغارا الشرقي، حيث تم استخدامها كمصدر رئيسي للبيانات، بالإضافة إلى البيانات الثانوية المستمدة من معلومات الشركات. تم تحليل البيانات باستخدام المنهج الوصفي. وتبيّن نتائج الدراسة أن الثقة في الابن الأكبر تعد عاملا حاسما في استمرارية العمل التجاري، في حين لا تزال الأخوات والأشقاء الآخرون يمتلكون حصصا في الشركة ضمن ملكية عائلية مشتركة. وتعد هذه الممارسات بمثابة استثمار طويل الأجل لتحقيق الرفاه للأجيال القادمة، كما تعكس أهمية السمعة والصورة الذهنية للشركة باعتبارها تمثل

[1] Indonesian College of Economics, Surabaya, East Java 60118, Indonesia.
E-mail: dannywibowo@stiesia.ac.id

العائلة. وترتبط قوة الشركة برغبة الأسرة في الحفاظ على سمعتها. ولذلك، فإن بعض الشركات التي تقاعد مؤسسوها ما زالت نشطة في الأنشطة الاجتماعية والدينية والخيرية.

RÉSUMÉ

Cet article vise à analyser la mise en œuvre de la gestion des entreprises familiales en Indonésie. Les entreprises familiales sont souvent confrontées à des problèmes de gestion dans lesquelles des membres de la famille sont impliqués. Cet article est une étude qualitative basée sur des entretiens avec des entreprises imposables dans la province de Nusa Tenggara Oriental qui constituent la principale source de données. La deuxième source de données est constituée des informations fournies par les entreprises. Après avoir obtenu plusieurs ensembles de données, celles-ci sont analysées dans le cadre d'une analyse descriptive. Les résultats de cet article montrent que la confiance accordée au fils aîné de la famille est le facteur le plus important pour la pérennité de l'entreprise. Dans le même temps, les autres frères et sœurs continuent de détenir et de partager la propriété de l'entreprise, qui reste sous le contrôle de la même famille. Il s'agit d'un investissement à long terme pour la prospérité des générations futures. En outre, il en va de la réputation et de l'image de l'entreprise, qui est considérée comme faisant partie de la famille. La force de l'entreprise est liée à l'intérêt que porte la famille à la préservation de sa réputation. C'est pourquoi certaines entreprises dont les fondateurs ont pris leur retraite s'impliquent dans des activités sociales, religieuses et caritatives.

Keywords: Family business, Management, Taxable entrepreneur, Family members, Ownership

JEL Classification: G10, H10

1. Introduction

A family business has an essential role in the Indonesian economy. It can open job vacancies for over a million Indonesian citizens. According to the Inter Census Population Survey 2015, the number of Indonesian citizens in 2020 was 269,6 million, and business improvement increased yearly. In Indonesia, there are 165,000 companies, and 96% of the total are family businesses (Kumar and Prameswari, 2018). Therefore, the family business has become one of society's carriers. It can be stated that family businesses have a significant role in developing the Indonesian economy, particularly in accepting job seekers. It also has an impact on Indonesia's economic improvement.

According to Ward (2016), family firms have two generations responsible for policy and finance, and two or more family members oversee the finances. It is built, led, and managed by family members. However, half of them have been handled by professionals outside the family. Thus, the owner commonly manages all of a company's strategic decisions. Meanwhile, according to Liang et al. (2014), measuring family control over the company can be done by assessing the level of involvement of family members in company management. Meanwhile, it is usually based on the stock ownership percentage.

Furthermore, the family as a controlling shareholder may affect the company in several ways since it can "force" their opinion toward the director, manager, and minority shareholder. Meanwhile, one of them is influenced by family ownership, such as the financial company decision. On the other hand, the dividend decision is also caused by the necessary family motive (Isakov and Weisskopf, 2015). Thus, family-owned resources are the main factors that encourage potential heirs to lead family firms (Pessotto et al., 2019).

Subsequently, in achieving family business succession, the influence of the person's leadership model is needed to balance and control the shareholder. It should also be checked. The leader model will influence the shareholder's effectiveness and efficiency in implementing its responsibilities. Therefore, it needs prepared succession planning. This is a major factor in the continuity of the family business (Pribadi and Agustiawan, 2021). Then, Oudah et al. (2018) stated that leadership is one of the important factors prioritized in succession planning. Meanwhile, attitude is an essential value in a family, and the potential generation needs support, belief, and a positive response from the family (Akintimehin et al., 2019). Increased development of next-generation succession intentions can occur through emotional support provided by parents (Lyons et al., 2020).

Moreover, the family business is expected to last for the next generation. Thus, it needs a robust basis built by the founder and a good regeneration for the successor. Therefore, it may survive across generations. On the other hand, maintaining a family business is difficult; the founders and successors will encounter many complex problems—personal, family, and business management problems (Kandade et al., 2021). One of them is the selection of a business successor. If there is a fault in selecting the successor thus, it will cause the family business continuity in the future (Leonardo, 2016b). Meanwhile, research by Sabita revealed that the problems experienced were in the form of competition for capital and other resources (Jithoo, 1985).

According to data published by the Indonesian Institute for Corporate and Directorship (IICD) in 2010, family businesses play a significant role in Indonesia’s economy, with over 95% of businesses being family-owned. These businesses have shown remarkable resilience, even during the 1997, 1998, and 2008 economic crises, contributing to national economic recovery (Fitria, 2024). Unlike public companies, family businesses exhibit strong responsibility and optimal asset management, often achieving greater efficiency due to lower agency conflicts and centralized ownership (Sari et al., 2023; Setyawan and Anam, 2024). This structure enables more effective monitoring mechanisms, minimizing risks such as asset transfers and profit manipulation that could benefit majority shareholders at the company's expense (Pranadita and Harymawan, 2021).

According to Mullens (2018), the family business is an orientation to achieving the goal in the long-term period. It is used for future generations' importance or is related to positive investment in initiative continuity. In the family business, although every family member has a role, a female figure in the family is very decisive in determining whether the company can survive or not (Jurik et al., 2016). Meanwhile, in analyzing the uniqueness and characteristic of the family business, the researcher applied a resource perspective which introduced the concepts such as "families" (Habbershon and Williams, 1999), "family capital" (Hoffmann et al., 2014), "family effect" (Beckhard and Dyer, 1983), "family social capital" (Arregle et al., 2007). In addition, it comes from business and family interactions, which are complex, dynamic, and abstract (Habbershon and Williams, 1999).

The practical implications of this study suggest that policymakers and practitioners can use these findings to design more targeted interventions that support entrepreneurship, particularly family businesses across diverse cultures and societal contexts. Given the significance of social and cultural actors in family business succession, researchers are interested in studying family business management in remote areas to maintain business sustainability by combining the concepts of family capital, social capital, and family effects. This study aims to develop micro-enterprises born from families so that they can demonstrate family independence in maintaining the family economy.

Based on the explanation above, the principle of family business management has several dimensions. It is expected to last across the next generation. Then, the researcher focuses on the particular informant, namely the family business founded by Mr. DTK's family and Mr. HAR. The reason for selecting these informants is because their company is one of the largest fuel oil companies in the region, and its existence has been maintained to date. Moreover, the company is a family business, meaning that the next generation will continue the business. Their children continue as the next generation. Meanwhile, the business is a limited liability company known as *PT*. It has a legal status that the successor continues. Meanwhile, the parents' company, the founder, switched to the next generation, which was not easy. Since it needs the prepared adaptation and consideration, it remains how significant their necessary attempt at the family company could be long lasting until the next generations; thus, it will have a worthy life. Besides, the family company continuity can be maintained when there is encouragement in the relationship between the next generations and the founder.

2. Literature Review

A business can be mentioned as a family business if a family is involved in the ownership or management dimension in making decisions (Aloulou, 2018). Meanwhile, Rahadi (2017)also explains that a family business consists of businesses run by nuclear family members and the next generation to ensure the family business survives (Rahadi, 2017). In business, the competition is getting tougher; thus, it seeks income and empowers family members who have specific skills and are interested in building a family business with other family members.

According to Setianto and Sari (2017), the early generation or pioneers can be called founder-controlled if he is still the CEO. Meanwhile, the next generation can be called descendant-controlled; it is a term where the company's founder is no longer active in the directors' board or formal structures or has died or when his descendants served as CEO. In addition, Anderson and Reeb (2003) also continue that company performance is a non-monotonic concept; it does not refer to the family who starts a new business, but it develops over 50 years. In family businesses, company performance is negated, which can be called high subjectively or above the average performance in the same industry (Primc and Čater, 2015). Meanwhile, the family companies' performance means collaborative profits for smaller companies (Feranita et al., 2017).

According to the income needs theory, a family business that is the controlling shareholder depends on dividends as an income source. In companies that are already large and have been managed by several generations, many family members also potentially depend on income dividends. Therefore, if the manager's generation is far from the founders, it will cause many family members. Then, the dividend payments are demanded because more family members have to be borne (Isakov and Weisskopf, 2015).

Furthermore, high-family businesses have a sustainable competitive advantage over low-family capital or non-family businesses (Hoffmann et al., 2014). Moreover, it is more potent than social capital since it has a weak and strong combination (Claridge, 2018). In addition, it contains fewer structural aspects in social networks than in social capital (Dyer, 1988).

Besides, although the family and social capital have unpredictable depreciation levels, since there is a long-term family connection, the family capital is not significant. All of these factors contribute to family capital. Then, they also distinguish between family and social capital (Manning, 2010). Meanwhile, the family members should build the primary relationship and communication to achieve the same perspective in their business, particularly for their new members. It provides the consistency to inform them about the business norms and achievements that will be run. Therefore, the working values and ways must be communicated to new members collectively. It is socializing and building perceptions and behaviors related to the job.

Additionally, a company is categorized as a family company if it associates at least one of two criteria. First, a company is considered family-owned if the company's chairman or his family members own more than 20% of the voting rights (Hsueh, 2018). Then, family ownership reflects the company's stock which the family owns. In a high level of family ownership, they, as the controlling shareholders, have robust control over the company, including the manager.

Moreover, as the founder generation, every parent expects their children to be leaders in the family business (Kandade et al., 2021). Meanwhile, leaders focus on change to provide appropriate and beneficial influence (Othman et al., 2017). An effective leader is a leader who can persuade his employees to have the same personal goals as the company goals want to achieve; thus, it achieves the company's vision and mission certainly. Based on the statements above, the leader has several duties, such as creating and defining the company's vision and then providing direction for his employees. It refers to what steps to take and instilling what values and beliefs in action. Then, it is delivered to the employees. Thus, they can work together to achieve the company's vision from the same perspective. In addition, learning to be an effective leader is an ongoing endeavor (Heslin and Keating, 2017). To sum up, the relationship between next-generation successors and company stakeholders can be a crucial aspect of leadership development for future generations (Kandade et al., 2021).

Subsequently, Poza stated that two theories are used for family business research (Poza, 2009): The System Theory of Family Business and the Agency Theory. The System theory of family companies explains the interactional phenomenon between subsystems in family companies. Meanwhile, the agency theory explains behavior agents responding to the costs due to asymmetric information. Coffman (2014) stated that previous research on family companies mostly applied the Family Company System Theory. It also can be called system theory. In addition, it is a theoretical approach first used by researchers in family companies (Poza, 2009). In this theory, the company is described as three overlappings, interacting and interdependent elements between the three subsystems: family, management, and ownership. In other social sciences, the primary aim of the research is to develop family enterprises' theories. Meanwhile, it can be achieved by re-examining existing theories in the family scope and organizational studies (Sharma, 2004).

3. Research Methodology

3.1. Methodology

This article is qualitative research concerning succession planning for family companies, as the research subject can be applied comprehensively and deeply. This qualitative research is described by language and words in a particular context using natural methods (Moleong, 2018). The qualitative data is in the form of sentences, explanations, or short stories. Meanwhile, the data are the explanations of interview results that can be used for conclusions (Bungin, 2007).

This study used a descriptive qualitative approach with data collected through semi-structured interviews. The questions were designed to fit the research context while remaining open to new insights.

3.2. Data Analysis Method

This study used a descriptive qualitative approach with data collected through semi-structured interviews. The questions were designed to fit the research context while remaining open to new insights. The data for this research was collected through interviews and observation. An interview is a discussed activity directed through specific problems (Sarwono, 2018). It is a question-answer process orally, in which two or more people are doing it face-to-face, physically, or verbally. Direct communication is then used to receive the data the researcher needs. Meanwhile, the interview was concerned with the research topic. The research period is during the Covid-19 pandemic, during which the researcher held an online interview via virtual application. In addition, there are seven taxable enterprises from East Nusa Tenggara. In this research, the informants' identities and names are written initially for their privacy.

In this research, the primary data source is interview results with the informants of several companies. The second source of data is the company's information. After receiving several data sets, they are analyzed in descriptive analysis. The writer applies a place mapping toward the data observed everywhere. While analyzing the content, the writer tries to accurately analyze the data in books, journal articles, and several related types of research.

3.3. The Informant's General Description

The result of this research is based on an in-depth interview with the informants; thus, it is related to the research topic. Participants were chosen based on their business practices in remote areas far from Java's political center. Many local entrepreneurs have limited knowledge of tax obligations and run family businesses that have been passed down for generations, especially in the trade of daily necessities. The study conducted two generations of predecessors and four generations of successors, all taxpayer entrepreneurs (PKP) in various business fields. It was conducted in three locations across East Nusa Tenggara (NTT).

First, the researcher does an in-depth interview with Mr. DTK, a senior entrepreneur of an oil and natural gas expedition company. It has been known as a limited liability company. It cooperates with several state-owned enterprises, such as *Pertamina, a private* enterprise. When the interview was conducted, the informant was 80 years old. Thus, he was no longer active in running the company. However, his children continue to do so. Its responsibility was signed to his oldest son, Mr. DjTK.

Second, Mr. DjTK is Mr. DTK's first son. He is a taxable transportation enterprise in Larantuka, East Nusa Tenggara. It is a legal company in the form of a limited liability company that focuses on fuel oil in the sea, where the transportation is ship armada; it can distribute the fuel oil and trucks around Larantuka island.

Third, Mr. KTK is an entrepreneur of the petrol station *(SPBU)* as his leading company. It is a limited liability company. He also has a grocery store as his other business. He lives in Waiwerang, Adonara Island, East Flores Regency. The informant's business was also helped by his father and brother, Mr. DjTK. Further, the fourth informant, Mr. WTK, is a taxable enterprise selling agricultural equipment and wood. His company has limited liability company status. Then the informant is also Mr. DTK's son, who gets a lot of motivation and guidance from his father and siblings in running the business. Moreover, he also follows Mr. DjTK.

The following informant is Mr. HAR's children. He is a company founder, continued by his son, Mr. MN, and his two sisters. Mr. MN has several SPBU and a store that sells retail kerosene in Lembata, East Nusa

Tenggara. Meanwhile, his other sisters, Nurhayati and Maimah, also run the family business built by their parents, namely Mr. HAR. On the other hand, the informants approved this interview as the respondents in this research. Nevertheless, the online interview used virtual Zoom meetings since the COVID-19 pandemic.

4. Results

4.1. The Shareholder and Family Members' Involvement

A family business often gets in trouble with sustainable management continuity when the founder or first generation is getting closer to retirement. If the next generation takes over the management, thus there is a discrepancy between the ownership with the capability to operate the business. It needs creativity and hard work to maintain and be responsible for the family business such as the belief of the other family members. For a family business founder, the success in maintaining a sustainable business is one of the final tests in grading the business accomplishment. Meanwhile, succession failure is often a major concern (Lumintan and Mustamu, 2015). This phenomenon can cause the next generation to be unsuccessful due to obstacles in the transition between generations or a mismatch in expectations during the succession process. In addition, regarding ownership and control problems often occurring in family businesses, Connolly and Jay (1996) recommend that as much as 30% of ownership is transferred to the younger generation to encourage them to be enthusiastic about managing and advancing the family business. As a result, the parents will feel safe and worry-free in continuing their business with the family company. Business sustainability rates decline by 30% from one generation to the next; only 12% make it to the second generation, while only 3% make it to the third and fourth generations (Somboonvechakarn et al., 2022). According to Sharma and Irving (2005), there are four principles of family business success, such as (1) having commitment to the family and business in the future, (2) having meetings to resolve conflicts and maintain communication, (3) family agreement to support the fair process in running a business, and (4) sustainable planning.

Based on the interview with the informant concerning shareholders in the informants' business, they stated that the belief factor of the older son in the family is that he is prioritized in continuing the business. It makes the ownership role of the sister, the second son, and others do not have many opportunities to determine the family business. It is in line with the fifth informant's sister as follows:

"I am the eldest child, since Mr. MN is a son, he is the one who takes this case. It is people's belief here Sir, the son should be a leader for all his family and siblings, although he is the youngest child."

"It is Mr. MN's responsibility, thus, the father suggests making an organizational structure. As a result, it will cause the brief duties and responsibilities. Then Mr. MN was appointed as Director, and I (Mrs. Nurhayati) and Mrs. Maimah were appointed as Commissioner".

The belief is that the first son is prioritized as the successor in the family business. Otherwise, the stock ownership in those businesses is dominated by one family since the sisters and other relatives are involved. It may cause the company's control to be more prioritized towards a certain family; it is involved in family business with the position in the company. According to Handoyo, a family business is a business that is owned or managed by several people who have family relationships, both husband, wife, and their descendants, including sibling relationships (Handoyo, 2010).

Meanwhile, the third and fourth informants who are the young brother of the second informant and the first informant's son stated that:

> *In the beginning, my parent's company was continued by Mr. DjTK previously, when it was run by Mr. DjTK, I also help its implementation, I often meet with his business relation until right now, I live in Larantuka. Thus, I continued the wood industry, which was operated by Mr. DjTK. For additional income, I have a store which sells agricultural equipment.*

Subsequently, the next successor is not only for one prepared person but also all family members involved in the family business. This can be seen in the second informant who usually introduces his siblings to entrepreneurship. It is similar to what the first informant said to the second informant's statements; they expect that the other siblings or the future grandchild can continue it. Chrisman et al. (1998) stated in their research that a successor is an individual who is prepared as the owner's replacement and company management in planning the succession; thus, the successor election is based on their characteristics or attributes. Therefore, in the big family business, the successor can be more than one person, then, through the evaluation process, the better will be the main generation of the family business.

Furthermore, Chrisman classified the 6 groups of planning characteristics from the successor. First, the personal relationship between the potential successor and the manager. It means that the family business succession emphasizes the quality of potential successor relationships. Thus, it will help the company in determining the succession process, schedule, and effectiveness. Meanwhile, professional succession also needs cooperation between the manager and successor. Second, the personal relationship between a potential successor and the other family members; means a potential successor should convince them. Third, there is the integrity of marriage. It refers to the business family successor, which should be received by all family members based on their applicable norms. Fourth, there is a competency. The potential successor must have competency as the candidate for company ownership. Fifth there is the successor candidate's personality. It means that the personalities needed by a successor are creativity, intelligence, independence, integrity, confidence, and bravery to take risks. Lastly, there is involvement in the family company. It can be in the form of a stock ownership company or actively participating in supporting the structure of the family business.

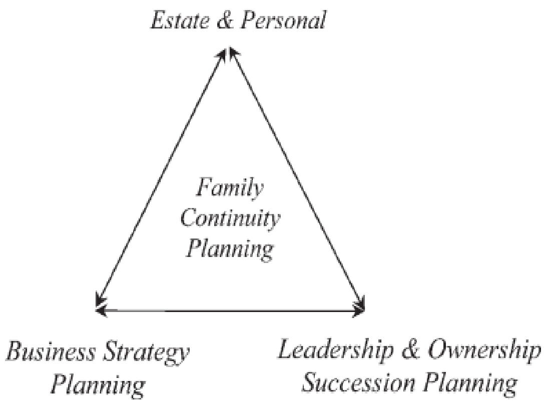
5. Discussion

5.1. The Family Management Principle and the Business Membership

Regarding the family management principle in long-term planning, Ward (2004) in his research stated that generally, there is a model called the continuity planning triangle, leadership and ownership succession planning related to the company's shareholder planning, financial planning, family wealth, and business strategy planning (Figure 1). Shareholder planning refers to selling shares to society (going public), a plan for seeking a strategic partner, and distributing the shares to family members. Meanwhile, family planning refers to financial planning, family wealth, and individual planning, such as succession planning. Besides, the succession itself includes succession plans and the succession process.

Succession planning does not directly influence the succession process in family businesses. It remains crucial for strategic planning. Moreover, strategic planning is shaped by the success of the succession process (Kamener et al., 2021). Despite the importance of such comprehensive planning, challenges remain. A study conducted by Lukito et al. (2025) on the island of Java revealed that only 3% of family-owned businesses could achieve significant development. Common obstacles include a lack of accountability, ineffective resource management, and poor governance factors that limit family enterprises' growth and continuity.

Figure 1: Continuity Planning Triangle Model



Source: Ward (2004)

The theory of planned behavior (TPB) provides a deeper understanding of the cognitive processes that drive sustainability intentions among family business successors. It highlights how attitudes, norms, and perceived control influence business succession while addressing successors' unique challenges. Additionally, TPB emphasizes the role of individual, family, and community factors in shaping sustainability goals (Co et al., 2024). To enhance the sustainability of the family business, efforts have been made to combine ownership, company, and family. Then, family business refers to competitive improvement and providing a satisfying service to stakeholders, which is in line with family planning. Highlights the importance of developing specialization and succession capabilities in family businesses through shared values and cultural transmission. Innovation and adaptation play a key role in ensuring cross-generational growth (Wang, 2024). In line with this, Lestari (2018) found that the strength of ethnic Chinese family business entrepreneurs in Batam City, Riau Islands, lies in their behavioral foundations. While material success increasingly influences economic practices, their social behavior largely adheres to Confucian teachings and traditional cultural values.

Meanwhile, the company only stops at the first generation in many family business cases, unprepared for leadership replacement. One of them is the Surabaya Post case; it is a daily company that comes from Surabaya. It is a leading daily company published in Surabaya, which covers almost all East Java distribution areas. Although the sons and daughters of the founders are Mr. R. Abdul Azis and his wife, the next successor, who has an economic doctoral degree from a university abroad, they cannot guarantee long-term and sustainable business continuity. Thus, they have to be bankrupted by the Commercial Court (Ward, 2004). On the contrary, the Surabaya Post, Thayeb Mohammad Gobel, the founder of PT. National Gobel, which has changed its name to PT Gobel Dharma Nusantara, is now preparing its son, Rachmat Gobel, the fifth and eldest child. He has prepared his child from a young age by being involved in the office atmosphere and factory owned by the company. In addition, his child was also educated at Chuo University in Tokyo, Japan. Besides doing an internship at his own family company, Rachmat spent 6 years working in a lower-level company after he completed his studies. Finally, he became a director in 1990, and his parents believed it. It occurs for their child to learn the details of work functions in the company. They expect that their child could maintain a sustainable company across generations. Another fact-based study by Leonardo (2016a) examined a company undergoing a transition period, PD Bintang, a food industry business located in Probolinggo, East Java, that produces meatball vermicelli noodles. The research found that the company owner had identified a family member as a potential successor and implemented several developmental strategies to prepare them. These strategies included providing formal education, gaining work experience, involving them in company operations, and continuous monitoring.

A similar case also occurs in the informant of this research, it happens to the first informant, which involved the first son in the workspace, and the procedure, such as introducing the relations of the first informant. Finally, the first son Mr. DjTK, successes in continuing the parent's business, not only that but also Mr. DTK and his family believe that the first son in a family has the responsibility to the other siblings as Mr. DjTK stated:

"In our traditional belief, the first son is the parent's generation. Thus, it has important responsibilities and roles for my siblings. I am a successor to them. Moreover, many of them focus on their education more than me; I only graduated from elementary school." Communication and trust are the most influential factors in family business transitions (Lestari, 2018). Trust is a core cultural value for internal and external business relationships. While formal education supports business capabilities, successors may be chosen from outside the family if the next generation lacks the necessary skills (Lestari, 2018). Therefore, informant actively prepares their children for succession.

Subsequently, Mr. DjTK runs the task from his parents with responsibility. It may cause his parents' succession to depend on Mr. DjTK as the first son and the successor, besides his other siblings, named Mr. KTK and Mr. WTK, who are Mr. DTK's sons as the first founders of the family business. Mr. KTK can prove it, and Mr. WTK stated that:

“Previously, my parents built this company and did not transfer it to me directly. Besides, it shifted to my oldest brother, Mr. DjTK. From him and based on my parents' guidance, then, this SPBU is shifted to me, which has been managed by Mr. DjTK.”

Furthermore, the success of the leadership transition in the business started by the first generation was preceded by an internship. Meanwhile, it relates to a long-term planner who could not be separated from the trustworthy factor with family members. Another factor is the habit of the founder generation of involving their first son in many company matters, which resulted in the next generation having experience as a provision for themselves in continuing their parents' business. Nulleshi and Kalonaityte (2023) found that women who join family businesses in rural areas often pursue non-material benefits, such as work–life balance and social support. Their decisions are also shaped by a sense of psychological belonging that extends to the rural community.

Meanwhile, Carsrud (1994), in his research, stated several things that can be applied to a successful family business, including (1) arranging clear expectations related to each task and role, (2) giving salary based on actual performance, not based on personal necessary; (3) supervision timing, monitoring, and advice for non-family mentors; (4) providing actual responsibility for the performance; (4) assignment rolling for a significant period; and (5) providing written procedures for family members who will leave the family enterprise.

5.1.1. Professional Involvement in Family Business Management

Agency theory suggests that family-owned businesses experience fewer conflicts since agents and principals have a more aligned relationship. The majority of family ownership helps reduce agency costs, as strong control ensures better management than publicly owned companies (Azwari, 2016). Greater power is the decision maker. Family businesses are typically built, led, and managed by a limited number of family members. However, several family businesses also involve professionals from outside the family. In terms of language, the meaning of the word "family" and "business" are two different meanings because it is a system with its elements. A family has an emotional system since it is unified with business relationships, such as the family that upholds the business' loyalty. Besides, it is conservative, which minimizes the changes that maintain family integrity. In other words, the family orientation is inward-looking. Meanwhile, "business" refers to the market's orientation with an opportunity from every change or economic fluctuation. Meanwhile, a family company is an owned business, and most of the rules run by the business are made by members of the group who are emotionally attached (Carsrud, 1994).

According to Susanto et al. (2007), family companies are divided into two types as follows: 1). Family Owned Enterprise (FOE), which is a company owned by a family but managed by professionals who come from outside the family circle. The role of the family is only as owner and does not involve themselves in field operations; 2). Family Business Enterprise (FBE) is a company owned and managed by the family of its founder (Susanto et al., 2007). The characteristic of this type of company is that family members hold key positions in the company. Regarding the involvement of external parties in the family business management, the first, second, and third informants stated that:

"In particular positions in the business, most of them are family, my children, close relatives, and some are people whom I take from besides my close family; there are also consulting services."

Meanwhile, the fourth informant stated:

"Most of my employees are not close family members. Thus, only a few people in my company are family".

Family-controlled businesses experience fewer agency conflicts since the family controls both principals and agents (Azwari, 2016). Family businesses are distinct in business, often maintaining strong organizational cultures rooted in inherited traditions (Lestari, 2018). According to Handoyo (2010), a family business is owned or managed by relatives, including spouses, children, and siblings. As the next generation becomes involved, succession planning ensures the continuity and sustainability of the family business. The level of successor preparation and the relationship between family members and other business owners positively impact company performance (Németh et al., 2017).

The first generation or the founder of the family business instills and transmits their belief values in running the business to the successor. They believe that the successor consistently adheres to these values. Then, the sustainability of the family business can be guaranteed. These values have been tested for reliability. According to Martini (2018), these values become family pride embedded in the company's culture. It guides the behavior of the family members and employees from outside the family, including professional managers. In addition, the second generation of family members needs a powerful commitment to maintain the entrepreneurial function in their company. It can change trustworthy values, such as not trusting non-family members, and erode distrust of administrative responsibilities. Then, the responsibility duties are given to professional managers, excluding families who were trained and can manage a family business.

In summary, succession planning is important since various company policies include business development process, carrier policy planning, promotion, and transfer systems. According to Susanto et al. (2007), succession does not only mean "generational transition" in top leadership; it is not only based on age or from leader to descendants or professional. Therefore, the perspective of succession planning and implementation with a broader goal refers to the succession that seldom discusses the business goal; however, family harmony is the primary reason the family business is built.

5.1.2. The Family Business Leadership

According to Sharma (2004), business leadership succession is important for a sustainable family business. Meanwhile, succession can be defined as the transition of management and ownership of a company to the next generation of family members or non-family members, called professional managers (Walsh, 2011). The first informant stated that:

> *I get used to my children being leaders. I hope they have food with honest effort and hard work. I usually take my first son with me in many business-related matters. In addition to growing his business instinct, the most important thing is that he can learn leadership values from how I manage my business, because leadership is a very good initial capital.*

Nevertheless, the first informant was retired. Thus, his business was managed by the second informant, the first son in the family. Subsequently, the leadership transition was not as easy as expected. Then, worthiness is followed by a leader's decision or the leader's peak in the family business. According to Prayogo et al. (2020), in a presentation to the Family Business community at Ciputra University, Surabaya, identified three critical factors that contribute to the sustainable growth of family businesses: leadership, family business values, and family harmony. It is clear what the first informant stated:

> *Although like that, I often think and worry about several questions: will my children survive and have a worthy life? how come if I die? Do my children build teamwork? and others. Sometimes, I always think about it in my deepest heart, moreover, the business condition is difficult nowadays.*

Further, a family business often has succession problems when the founder of the first generation has been running the family business for a long time and is near retirement. The sustainable family business depends on succession; thus, it can not be denied that the future family business depends on the successor. Many family businesses have long-term investments to receive that prosperity. Meanwhile, the family business emphasizes the image and reputation of its community. Then, the strength of the business is the family's interest in keeping the reputation thus, there are efforts from the founder. When they retire, they will be active in social, religious, and philanthropic activities. According to Chan (2019), the success of a family business is linked to how the succession process is run from one generation to the next; thus, it can be denied that the future family business depends on the successor (Chan, 2019).

The leadership values in a family business are also learned by the fifth informant as the first son, he stated that:

> *Since I was a child, I saw my parents manage their business, moreover when I go home from school, I usually visit their office. I saw how my parents do it all, and I am interested in it too. Moreover, I am an only son, thus, I should prepare myself to be my parents' successor. My family also believes that only the son is prioritized for continuing their business.*

It is related to the succession in family business, as Luan et al. (2018) highlighted that Chief Executive Officer (CEO) succession or top leadership is a crucial issue, which refers to the intertwining of management and ownership power in complex family businesses (Luan et al., 2018). If the second or next generation has been transmitted to the management, there is a discrepancy between ownership and business management capability. It needs creativity and hard work to keep and be responsible for their family business. On the other hand, the founder generation finds it difficult to handle the reality that oldness and patriarchal domination cannot be received. Meanwhile, the changing of business scope cannot control the effort directly. Meanwhile, the findings in this research indicate there is a fact, although no one is non-active in managing the company. However, the generation's image and control also have a role in the family business consideration although it is run by the successor.

6. Conclusion

Based on the explanations above, it can be concluded that everyone with a family relationship manages the family business. The next generation inherits it with various goals and hopes as the first generation and founder wanted. Meanwhile, many improvement efforts for sustainable business, such as combining ownership elements, company, and family. Then, it increases the related competitiveness and satisfies the stakeholders. It aligns with family planning; specifically, it is an expectation of the first generation as the founder. Nevertheless, there are several problems, such as family member involvement. Besides, when the business founder or the first generation is approaching retirement. Further, when the next generation takes over the management, there may be a gap between controlling business capability. It needs creativity and hard work like the founder generation. In addition, the first generation is pioneering and building, the second generation is enjoying, and the third generation is spending. These are called Dale *stalled* syndrome.

Besides, it is found that there is trustworthiness towards the first son in the family. He prioritized continuing the family business. However, the sisters and siblings in the family circle are still involved in the business. Thus, the stock ownership in the business is dominated by the same family. It aligns with the fifth, sixth, and seventh informant's statements. It causes the business control to be more prioritized toward a particular family. Many family businesses already have long-term investments in receiving the grandchild's prosperity. The other finding is that the family business emphasizes reputation and image in their community or among people considered their family. To sum up, the strength of the family business is the family's interest in keeping the reputation. Thus, the founder has made several efforts. It occurs when they will be retired to begin active in social, religious, and philanthropic activities.

6.1. Suggestion

The family business in Indonesia contributes to economic development. For instance, it engages many workers. Moreover, it donates 45% to 70% of the Gross Domestic Product (GDC). Nevertheless, the family business is not only a low and medium company, but many are international companies. Future research should focus on analyzing family involvement and its impact on both internal family dynamics and business operations. Additionally, exploring the influence of various ethnicities and cultures on family business sustainability could provide valuable insights. Furthermore, the local and central governments can earn the supporting facility and convenience in supporting the family business.

Acknowledgements
The authors would like to thank all of companies at East Nusa Tenggara that involved in this research.

References

Akintimehin, O. O., Eniola, A. A., Alabi, O. J., Eluyela, D. F., Okere, W. and Ozordi, E. (2019), "Social capital and its effect on business performance in the Nigeria informal sector," *Heliyon,* 5(7), e02024.

Aloulou, W. J. (2018), "Examining entrepreneurial orientation's dimensions – Performance relationship in Saudi family businesses: Contingency role of family involvement in management," *Journal of Family Business Management,* 8(2), 126-145.

Anderson, R. C. and Reeb, D. M. (2003), "Founding - Family ownership and firm performance: Evidence from the S&P 500," *The Journal of Finance*, 58(3), 1301-1328.

Arregle, J. L., Hitt, M. A., Sirmon, D. G. and Very, P. (2007), "The development of organizational social capital: Attributes of family firms," *Journal of Management Studies,* 44(1), 73-95.

Azwari, P. C. (2016), "Masalah keagenan pada struktur kepemilikan perusahaan keluarga di Indonesia [Agency problems in the ownership structure of family firms in Indonesia]," *Akuntabilitas,* 9(2), 173-184.

Beckhard, R. and Dyer, W. G. (1983), "Managing continuity in the family-owned business," *Organizational Dynamics,* 12(1), 5-12.

Bungin, B. (2007), Metodologi penelitian kualitatif [Qualitative research methodology], Kencana, Jakarta.

Carsrud, A. L. (1994), "Meanderings of a resurrected psychologist or, lessons learned in creating a family business program," *Entrepreneurship Theory and Practice,* 19(1), 39-48.

Chan, H. C. (2019), "Manajemen konflik dalam perencanaan suksesi pada Perusahaan Keluarga PT Mitra Indah Lestari [Conflict management in succession planning at the family company PT Mitra Indah Lestari]," *Agora,* 7(1), 1-6.

Chrisman, J. J., Chua, J. H. and Sharma, P. (1998), "Important attributes of successors in family businesses: An exploratory study," *Family Business Review,* 11(1), 19-34.

Claridge, T. (2018), "Functions of social capital – Bonding, bridging, linking," *Social Capital Research*, 1-7.

Co, J. C. T., Loyola, D. B., Martinez, E. K. L., Poticano, D. E. P., Mabalay, A. A., Daradar, D. B. D. and Blasa-Cheng, A. C. (2024),

"An abductive exploration of sustainability implementation intent among family business successors: Extending the theory of planned behavior," *Sustainable Futures,* 8, 100396.
Coffman, B. A. (2014), "The family business succession model: An exploratory analysis of factors impacting family business succession preparedness," Retrieved from: https://krex.k-state.edu/items/bbb5187c-d959-463e-b97d-9bfe76dbdfe7
Connolly, G. and Jay, C. (1996), The private world of family business: Sponsored by AMP society, Pitman Publishing, Boston.
Dyer, W. G. (1988), "Culture and continuity in family firms," *Family Business Review,* 1(1), 37-50.
Feranita, F., Kotlar, J. and De Massis, A. (2017), "Collaborative innovation in family firms: Past research, current debates and agenda for future research," *Journal of Family Business Strategy,* 8(3), 137-156.
Fitria, A. (2024), "Bisnis keluarga [Family business]," *RISOMA : Jurnal Riset Sosial Humaniora dan Pendidikan,* 2(3), 72-80.
Habbershon, T. G. and Williams, M. L. (1999), "A resource-based framework for assessing the strategic advantages of family firms," *Family Business Review,* 12(1), 1-25.
Handoyo, S. S. (2010), A conceptual view of a family-owned corporation, Institute for Corporate Directorship (IICD), Jakarta.
Heslin, P. A. and Keating, L. A. (2017), "In learning mode? The role of mindsets in derailing and enabling experiential leadership development," *The Leadership Quarterly,* 28(3), 367-384.
Hoffmann, T. C., Glasziou, P. P., Boutron, I., Milne, R., Perera, R., Moher, D., Altman, D. G., Barbour, V., Macdonald, H., Johnston, M., Lamb, S. E., Dixon-Woods, M., Mcculloch, P., Wyatt, J. C., Chan, A. W. and Michie, S. (2014), "Better reporting of interventions: template for intervention description and replication (TIDieR) checklist and guide," *BMJ,* 348, g1687.
Hsueh, J. W.-J. (2018), "Governance structure and the credibility gap: Experimental evidence on family businesses' Sustainability Reporting," *Journal of Business Ethics,* 153(2), 547-568.
Isakov, D. and Weisskopf, J.-P. (2015), "Pay-out policies in founding family firms," *Journal of Corporate Finance,* 33, 330-344.
Jithoo, S. (1985), "Indian family businesses in Durban, South Africa," *Journal of Comparative Family Studies,* 16(3), 365-376.
Jurik, N., Křížková, A. and Pospíšilová, M. (2016), "Czech copreneur orientations to business and family responsibilities: A mixed

embeddedness perspective," *International Journal of Gender and Entrepreneurship,* 8(3), 307-326.

Kamener, D., Rashid, N. A. and Puttri, D. (2021), "Planning the next generation for family business: Affecting factors on successes succession at Padang city," *International Journal of Applied Management Science,* 13(4), 339-358.

Kandade, K., Samara, G., Parada, M. J. and Dawson, A. (2021), "From family successors to successful business leaders: A qualitative study of how high-quality relationships develop in family businesses," *Journal of Family Business Strategy,* 12(2), 100334.

Kumar, S. and Prameswari, Q. (2018), "The determinants of a successful family business succession in Indonesia: A multiple case study," *International Journal of Family Business Practices,* 1(2), 87.

Leonardo, Y. (2016), "Analisis perencanaan suksesi pada perusahaan keluarga PD Bintang di Situbondo [Analysis of succession planning at the PD Bintang family company in Situbondo]," *Agora,* 4(1), 120-128.

Leonardo, Y. (2016b), Bisnis Manajemen pada Bintang di Situbondo [Management Business at Bintang in Situbondo], Universita Kristes Petra, Surabaya.

Lestari, R. A. W. D. (2018), "Studi fenomenologi: Memaknai tata kelola perusahaan pada bisnis keluarga beretnis Tionghoa di Indonesia [Phenomenological study: Understanding corporate governance in Chinese family businesses in Indonesia]," *Inventory: Jurnal Akuntansi,* 2(2), 307.

Liang, X., Wang, L. and Cui, Z. (2014), "Chinese private firms and internationalization: Effects of family involvement in management and family ownership," *Family Business Review,* 27(2), 126-141.

Luan, C.-J., Chen, Y.-Y., Huang, H.-Y. and Wang, K.-S. (2018), "CEO succession decision in family businesses – A corporate governance perspective," *Asia Pacific Management Review,* 23(2), 130-136.

Lukito, D., Susanti, M., Susanto, Y., Judijanto, L., Ali, M., Hartono and Mahardhani, A. J. (2025), "Determinants of sustainable employee performance: A study of family businesses in Indonesia," *Asia Pacific Management Review,* 30(2), 100340.

Lumintan, S. R. and Mustamu, R. H. (2015), "Analisis proses suksesi pada PT Kartika Arta Purnama [Analysis of the succession process at PT Kartika Arta Purnama]," *Agora,* 3(1), 97-104.

Lyons, R., O'gorman, C., Ahmed, F. U. and Clinton, E. (2020), “Parental emotional support as a driver of next generations' family business succession intentions,” *Academy of Management Proceedings,* 2020(1), 13350.

Manning, P. (2010), “Explaining and developing social capital for knowledge management purposes,” *Journal of Knowledge Management,* 14(1), 83-99.

Martini, L. K. (2018), Suksesi perusahaan keluarga [Family business succession], CV. Setia Bakti, Surabaya.

Moleong, L. J. (2018), Metodologi penelitian kualitatif [Qualitative research methodology], PT Remaja Rosdakarya, Bandung.

Mullens, D. (2018), “Entrepreneurial orientation and sustainability initiatives in family firms,” *Journal of Global Responsibility,* 9(2), 160-178.

Németh, K., Ilyés, C. and Németh, S. (2017), “Intergenerational Succession (Generational Change) = strategic renewal? The emergence of familiness in the business life of Dudits hotels,” *Strategic Management - International Journal of Strategic Management and Decision Support Systems in Strategic Management,* 22(1), 30-43.

Nulleshi, S. G. and Kalonaityte, V. (2023), “Gender roles or gendered goals? Women's return to rural family business,” *International Journal of Gender and Entrepreneurship,* 15(1), 44-63.

Othman, A. K., Hamzah, M. I., Abas, M. K. and Zakuan, N. M. (2017), “The influence of leadership styles on employee engagement: The moderating effect of communication styles,” *International Journal of Advanced and Applied Sciences,* 4(3), 107-116.

Oudah, M., Jabeen, F. and Dixon, C. (2018), “Determinants linked to family business sustainability in the UAE: An AHP approach,” *Sustainability,* 10(1), 246.

Pessotto, A. P., Costa, C., Schwinghamer, T., Colle, G. and Corte, V. F. D. (2019), “Factors influencing intergenerational succession in family farm businesses in Brazil,” *Land Use Policy,* 87, 104045.

Poza, E. J. (2009), Family business, South-Western College Pub, USA.

Pranadita, R. P. and Harymawan, I. (2021), “Pengaruh konsentrasi kepemilikan keluarga dan tata kelola terhadap kebijakan cash holdings pada perusahaan yang terdaftar di Bursa Efek Indonesia Periode 2014 – 2016 [The influence of family ownership concentration and governance on cash holdings policy in companies listed on the Indonesia Stock Exchange for the 2014-

2016 period],” *ISOQUANT : Jurnal Ekonomi, Manajemen dan Akuntansi,* 5(1), 51.

Prayogo, G. A., Kodrat, D. S. and Wiryakusuma, I. G. B. Y. (2020), “Faktor-faktor yang membentuk bisnis keluarga bertumbuh secara berkelanjutan [Factors that shape family businesses to grow sustainably],” *Performa,* 4(2), 240-247.

Pribadi, H. and Agustiawan, S. (2021), “Intensi calon penerus bisnis keluarga: memahami sudut pandang generasi penerus dalam melanjutkan bisnis keluarga di masa depan [Intentions of potential family business successors: understanding the perspectives of the next generation in continuing the family business in the future],” *Mix: Jurnal Ilmiah Manajemen,* 11(2), 185-202.

Primc, K. and Čater, T. (2015), “Environmental proactivity and firm performance: A fuzzy-set analysis,” *Management Decision,* 53(3), 648-667.

Rahadi, D. R. (2017), “Tranformasi inovasi bisnis keluarga dalam mendukung ekonomi kreatif [Transforming family business innovation in supporting the creative economy],” *Jurnal Ecoment Global,* 2(1), 1-11.

Sari, F., Irfan, A., Muklis, F. and Indrayani, H. (2023), “Abnormal audit fee assessment in manufacturing companies,” *Corporate Governance And Organizational Behavior Review,* 7(4), 280-288.

Sarwono, J. (2018), Metode penelitian kuantitatif & kualitatif [Quantitative & qualitative research methods], Suluh Media, Yogyakarta.

Setianto, R. H. and Sari, P. K. (2017), “Perusahaan keluarga dan kebijakan dividen di Indonesia [Family firms and dividend policy in Indonesia],” *Jurnal Siasat Bisnis,* 21(2), 107-118.

Setyawan, I. M. and Anam, A. K. (2024), “Pengaruh kepemilikan keluarga, biaya agensi, strategi bisnis keberlanjutan terhadap kinerja keuangan [The influence of family ownership, agency costs, and sustainable business strategies on financial performance],” *INOBIS: Jurnal Inovasi Bisnis dan Manajemen Indonesia,* 8(1), 58-68.

Sharma, P. (2004), “An overview of the field of family business studies: Current status and directions for the future,” *Family Business Review,* 17(1), 1-36.

Sharma, P. and Irving, P. G. (2005), “Four bases of family business successor commitment: Antecedents and consequences,” *Entrepreneurship Theory and Practice,* 29(1), 13-33.

Somboonvechakarn, C., Taiphapoon, T., Anuntavoranich, P. and Sinthupinyo, S. (2022), "Communicating innovation and sustainability in family businesses through successions," *Heliyon*, 8(12), e11760.

Susanto, A. B., Susanto, P., Wijanarko, H. and Mertosono, S. (2007), The Jakarta consulting group on family business, The Jakarta Consulting Group, Jakarta.

Walsh, G. (2011), Family business succession: Managing the all-important family component, KPMG Enterprise, Ottawa.

Wang, Q. (2024), "Genetic elements of a long-standing family business: An analysis of five century-old family businesses based on grounded theory," *Heliyon*, 10(23), e39981.

Ward, J. L. (2004), Perpetuating the Family Business: 50 Lessons Learned From Long Lasting, Successful Families in Business, Palgrave Macmillan, USA.

Ward, J. L. (2016), Keeping the family business healthy: How to plan for continuing growth, Profitability, and Family Leadership, Springer, New York.