

## **Building Trust and Family Value Transfer in the Process of Succession Preparation of Family Business**

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### **ABSTRACT**

Succession in the family business is a complex and challenging process that requires serious efforts from all parties involved. Family value transferring and trust building included in the family system have a significant influence on a fruitful succession in family companies. This research explains that family value and trust building have an important role in determining the success of the succession process in family companies. This research aimed to describe the stages of building a level of trust between senior generation and junior generation in succession planning of family business and describing the process value transfer in a succession of the family business. This is qualitative descriptive in nature, using purposive sampling, where data are obtained from conducting semi-structured interviews with five family companies and one expert in family business. The findings described the model of succession preparation in family business and the stages of establishing trust between senior and junior generation in the family business succession process, as well as transferring family values within the process of family business succession preparation. There are several new variables which emerged from this research, namely Moral and Religious, Communication, and Education.

**Keywords:** Family Company, Succession, Trust, Family Values, Moral, Religious, Communication, Education.

## INTRODUCTION

Family business is a company categorized with the aim to form and run a business vision that is held by the main coalition under control by same family members or other family members across generations (Ghee et al., 2015). Cabrera-Suarez et al., 2001 in Kusuma (2015) explain that the topic of regeneration problem and family companies succession of the new generation have become a topic that becomes the main issue for family companies. The process of generation transfer in a family company is a difficult, time-consuming, and risky process. Sandika (2018) shows the role of delegation in building trust, value transfer, and knowledge needed as cornerstones in planning stages to achieve a fruitful succession. In a family business, trust is an important component that must be integrated that must be intertwined in ownership and governance. This is because, in family members, a sense of trust among members will encourage confidence of someone who is trusted to lead the company (Wangsawijaya, 2016). A family that does not support its leading member will adversely affect the family business. Therefore, potential successors must get support and trust from the family (Brockhaus, 2004 in Soegijono & Haryadi, 2014).

Thus, a socialization process must be done to support the emergence of this trust. The aim of this socialization process is to introduce individuals in developing social values of life, trust among business partners, risk taking, perseverance, hard work, and knowledge and working skills. However, the significant role given in the form of trust on a successful delegation process in achieving succession as stated above will slowly fade if it is not accompanied by transferring appropriate values. For Liliweri in Haryanto and Harjati (2014), planting family values in a company cannot be separated from the culture brought and created by that family. By planting family values in the company, the company will not be separated from the culture that is brought and created by the family. Culture, in this perspective, is a view of life of a group of people in forms of behavior, beliefs, values and symbols that they receive unconsciously or without thinking, where all of them are inherited through communication and imitation process from one generation to the next. This is supported by

several research findings, one of which was conducted by Utami et al., (2017), explaining that family value and trust building as parts of the family system have a significant influence on the success of succession in family companies

## FRAMEWORK

**Family Business:** A company can be categorized as a family business if the company has at least two generations of family influence on the creation of the company's policy, where there are also interests and family goals. This means that a company is a family business if there are more than two family members that influence the formation of company policies and regulations for the benefit of the family in the family business (Harms, 2014). The family business is a company that is managed with the aim to form and run a business vision held by the main coalition which is under control by the same family members or several family members across generations (Ghee et al., 2015). The family business is often seen as a solution to the economy through creating prosperity, providing employment, having a relationship with local community, and surviving for a long time. However, among the things explained previously, there are some conditions that always become problems in running a family business. Growth targets, succession decisions, product offerings, or even small stuff like operating hours can trigger conflict in the family. Business conflicts can also be triggered by family problems such as time spent away from home, differences in marriage, or lack of attention to important family moments (Ghee et al., 2015).

**Succession:** Succession is an activity that aims to find the right person for certain responsibilities through various processes until such decision is made. In a family business succession, this process can take a long time, even years (Henry et al., 2013). Succession planning is the activity of placing the right person at the right time. Such activities include identifying potential leaders in an organization and developing their potentials in order to prepare them carrying out their role as a leader (Pisianto & Mustamu, 2014). There are four stages in succession: (1) Management by the owner. In this stage, company owner or founder has a complete business direction and uses his or ability to create organizational culture while at the same time run company's daily affairs

which will have long-term benefits for a successful succession. Also, in this stage a company owner or founder learns to handover. (2) Training and development. In this stage, a successor candidate enters organization and starts to participate in daily affairs. Successor candidate learns and develops their abilities to run the company and to submit. (3) Cooperation between predecessor and potential successor. In this stage, more authority is given to potential successor in order to strengthen relationship between predecessor and potential successor. (4) Power becomes the company successor's responsibility. In this stage, predecessors seek new opportunities in their lives to simplify the succession process. Succession process consists of three stages. The first stage is introduction stage for potential successor with family company informally. The second stage is immersion stage, where a potential successor has completed formal education as an entry point in family company and begins to help deal with rough and non-managerial tasks. The third stage is tutorial where potential successor begins to participate in the company's operational activities as observers (Haryanto & Harjanti, 2014).

**Trust:** A family business needs trust to keep the business runs smoothly. Several factors can eliminate trust among family members like conflict, jealousy, and competition between siblings which can worsen relationships between family members, thus affecting business stability (Ghee et al., 2015). According to Carlock and Ward (2001) in Khorlina and Mustamu (2015), trust is the basis of individual expressions with family and business. Family companies foster a sense of trust when working together to plan or solve problems and resolve issues occur in the company. Trust is a special part of business capital which is critical for all relationships in the organization. Specific things must be done to build trust between business owners and potential successors, such as encouraging open communication and encouraging shared values among family members (Henry et al., 2013). Furthermore, according to T'jiang and Mustamu (2014), significant role given by trust to succeed the delegation process in achieving succession as stated above will slowly fade if it is not followed by transferring the right values. Three dimensio of Trust are competence, identification, and trustworthiness (Erdem & Atsan, 2015). However, according to McAllister (1995:25) in Erdem and Atsan (2015), trust is not only thought but also felt. Affective trust is built in emotional bonds, and many believe that this sentiment is interrelated to each



other. The structure of trust includes dimensions of virtue, attraction, loyalty, altruism, commitment, and mutual respect. Gagné et al. (2014) claim that factors that influence trust can vary due to different relationships of family and non-family members based on different norms. Harmony or disagreement between family members and non-family employees may often arise directly because of a trust problem. For example, nepotism is an important reason for mistrust of non-family employees.

**Family Value:** Planting family values in a company cannot be separated from the culture brought and created by family (Liliweri in Haryanto & Harjati, 2014). Culture will show values, norms and attitudes held by a company. According to Ghee et al., (2015), family values and beliefs unify family members and tend to influence sustainability of a family company. According to Adrian and Ardianti (2014), a family council meeting is expected to become a means of bringing together potential successors with families involved in the company as well as a means to obtain family values that will be indirectly shared through delivery of experiences, information, and expectations related to family environment and company. A particular culture configuration created and transferred by company founders plays an important role in the survival of the company (Dyer in Ghee et al., 2015). Some of family values are ambition, resilience, responsibility, thoroughness, honesty and progress which are also entrepreneurial values that largely form company foundation. Meanwhile, other values such as openness and ability can support the survival and long-term growth of an organization. Morris et al. in Adrian and Ardianti (2014) show effective factors that can also be interpreted as succession plan stages which are arranged in three general stages. One of the stages is family relationships, where family values are inherited to potential successor as principles, guidelines, and experiences. For Tjiang and Mustamu (2014) there are four dimensions of family values: honesty and integrity, care and share, respect, and unity. A study by Boyd et al., (2015) shows that exploratory knowledge such as general knowledge can easily be transferred to others, while technical knowledge requires individuals who share similar background. Implicit knowledge is harder to transfer, yet offering greater potential for the creation of isolation mechanisms. Implicit knowledge is included in the category of intuitive knowledge based on training and experience which cannot merely be translated into written form. Experiential knowledge can be divided into three types.

They are special knowledge (idiosyncratic knowledge), detailed knowledge of specific time and location that are not formalized, and related experience knowledge (subject-related experiential knowledge) which refers to knowledge of skills on specific substance or products such as an individual's knowledge of a particular field of art or craftsmanship. The experimental knowledge is related to networks and knowledge of family business social resources.

## OBJECTIVES OF THE STUDY

This paper aimed to describe the process of: (1) building a level of trust between senior generation and junior generation and (2) transferring family value during succession in a family business.

## METHODS

The research is a descriptive qualitative research that aimed to find out facts or describe reality. Descriptive research is used to describe the stages of building trust and the process of transferring family values to make sure the family business succession runs well. In doing so, data collected were then analyzed qualitatively and descriptively. Two types of data were used in this research, namely primary data obtained from interviews with informants and secondary data obtained from related literature studies and previous studies. The data source was internal source in form of medium-sized family business or medium enterprise in Indonesia. The researchers determined family businesses that have experienced trust building and Family Value Transfer during preparing family business succession as sources of data in this research. The total number of informants in this research was five (5) family businesses, dividing into two, senior and junior generation. Subjects were determined using purposive sampling, where the data source sampling technique is based on certain considerations (Sugiyono, 2015: 53).

The data were obtained from interviewing different informants, amounted to ten people who met the criteria of predetermined informant. The informants were 5 seniors or the first generation of company founder (senior generation), 4 children or second generation of company founder (junior generation), and 1 person as an expert in family business. The researches interviewed the senior generation to find out information on starting a business, transferring trust or

other values to their second generation or children. The researchers used documentation studies through online or printed media and company archives for personal documents. Triangulation method, which is a combination of various techniques of data collection and existing data sources, was used for data collection and credibility testing (Sugiyono, 2016:241). Triangulation method was conducted by triangulating data sources obtained from interviews with informants (senior and junior generation and family business expert). Data analysis technique used was field analysis with Miles and Huberman model explained in Sugiono (2015:91) with the stages of data reduction, data presentation and conclusion drawing or verification

Table 1

*Informants*

Company Name	Senior Generation	Length of Interview	Junior Generation	Length of Interview
Samaja Bali Villas	MS	27 minutes 10 seconds	P*	-
Bali Wong Indonesia	HE	30 minutes 39 seconds	YM	22 minutes 44 seconds
Surya Anugerah Utama	JE	11 minutes 5 seconds	SM	21 minutes 46 seconds
Gading Murni	AS	33 minutes 55 seconds	SS	19 minutes 23 seconds
Citra Mandiri Abadi	A	31 minutes 19 seconds	MH	15 minutes 37 seconds

\*P: Researcher

Table 2

Name	Status	Length of Interview
HW	Academic and expert in family business	24 minutes 25 seconds

## RESULTS AND DISCUSSION

An object of this research is medium-sized family businesses (medium enterprise) in Indonesia. The researchers determined the companies that have undergone a process of Trust Building and Family Value Transfer for family business succession preparation as informants in this research. In this research, the researchers also acted as second generation of family business engaged in tourism. The researchers were directly involved in all stages of research, starting from building trust and family transfer value in succession preparation process in family business.

### Variable of Trust

Variable Trust consists of competence, identification, and trustworthiness in order to know the stages in building trust between senior and junior generations. The results of the analysis of the sources are presented furthermore.

a. **Competence** is the ability to complete responsibilities according to the needs and punctual in order to maintain networks which have a large role in a company. According to HW as an expert in family business, competence factor included responsibility given to a successor as a benchmark for success in developing tasks and given roles. The following excerpt displays his opinion when interviewed.

“Talking about succession is talking about trusting his or her competence. So, the founder must believe that his successor has the competence required. Trust is somewhat difference. Generally, trust means someone is given freedom but also responsibility, while in succession, founder trusts his or her successors that he or she can continue to carry out the assigned task or the role given to them” (HW).

Competence is an individual’s ability to possess extensive knowledge of various tasks, can be a quick and effective problem solver, and can become a facilitator in dealing with family and company issues (Erdem & Atsan, 2015).

**b. Identification** is the ability to recognize company needs in the future in order to protect important resources and family integrity from outsiders (Erdem & Atsan, 2015). Identification can be realized through several stages. The first stage (1) is awareness taught to the next generation to learn and understand the very details of their company. AS viewed protection of a company as something that had been conceptualized by predecessor or relative which would later be given and continued by the family itself, as displayed below:

“Well, the family business is one that when we apply it as a whole, becomes a business under the concept that all efforts we do are for all family. All the successors must be from the family environment. So, a family business cannot be run by another person outside the family, except that the family members are proven incompetent to run the business, then another person outside the family can be hired to run the business. However, well, trusting family business to another person outside the family is one weakness of family business. If family members are considered enough, especially in Indonesia, I think it is a risky business to hire a professional outside of family because professionals can read the ins and outs of family business we have.” (AS)

The second stage (2) is to provide appropriate formal education to educate next generation, thus able to answer challenges faced by family business in the future. Lastly, according to JM from Surya Anugerah Utama Company, in order to protect company interests, a company must be run by next generation who has continued education in higher level in accordance with business field of the family company, as shown in the following excerpt,

“I am interested to handover this business to my children, because that is what is supposed to be. Moreover, after they graduate from university, they must work and what they have got from their education is all about the family company. So there is no wrong in hand-overing the business to my children.” (JM)



The third stage (3) recognizes children's potentials and their abilities for their improvement. Business owners must start planning steps for successor preparation as early as possible. According to HE, a senior generation of Bali Wong, the form of protection given to the company is by recognizing the potential of all his children and giving them the freedom to create, but previously he has fostered strong closeness and attachment with their children in order to provide real life example. All behaviors and systems in his family are indirectly shaped by getting close to his children that he considers as a form of protection and investment in his children. This was stated in the following interview:

“Well, run it, try to handle new divisions such as FnB division, open culinary or small dining place, or restaurant. I support that idea, it is Rio's (informant's child) idea and turns out good, then he opens healthy division under cooperation with...well...the factory in Malaysia and the turnover reached my target, so I support his decision and give his freedom. So, I give them trust and freedom to support them in becoming creative, but they still discuss their decisions with me, just like, mom I want this... dad, I want that... That is what makes me more interested to continue to support them because they are so enthusiastic.” (HE)

**Trustworthiness** is an individual who possesses honesty, outspokenness, sincerity, and satisfaction (Erdem & Atsan, 2015). A competence to demonstrate someone's potential in order to gain trust in carrying out responsibilities from first or senior generation. This can be actualized through the following stages: Stage one (1) Trusting second generation to tasks with measurable scales, starting from low-risk to high-risk scale. In this case, MH from Mitra Mandiri Abadi was given a form of trust by his parents, including giving assignments to handle projects outside the city without assistance from his parents. The following is the excerpt from MH:

“Just like what I explained yesterday, in 2016 I worked with my father; I was assigned a project in South Kalimantan, precisely in Banjarmasin. I built concrete poles from Java Island to South Kalimantan. There, my father like, immediately asked me to handle

everything without his help. I contacted my father's people when I faced problems and finished them directly at that place. So it means when I am given trust, I must do it directly and personally.” (MH)

Stage two (2) provides confidential information related to the company. The SS family as the owner of Gading Murni has been through several phases used by them starting from seeing the situation in the company's environment, one of which is the production department. Through this process, some additional information about positive and negative things that occurred in the company can be obtained in order to determine what plan can be carried out to be submitted to the senior generation, as described below:

“Eee, well, for me, Mr. AS did not just give me responsibilities, but I was told to look around first and then given project office chairs. From there, I got to understand the procedure of production process, attitudes of employees, purchasing process, where the “holes”, who are the “rats”, and when I had that kind of information, I managed the information, giving directions, planning some future steps, and problem-solving. Mr. AS then trusted me after I was proven able to handle such affairs”. (SS)

Stage three (3) is about great responsibility and authority. YM, whose family is also engaged in culinary business, Bali Wong, agreed that there were stages as an investment in fostering trust, starting from a low level according to the age of next generation. One level that is given is the provision of responsibility in handling a project where the next generation determines project decision. After successfully passing that stage, the next stage is to pass another greater responsibility and challenge. The following excerpt is the interview:

“Eem.. according to my opinion, every time is the right time, every time is made to grow from the beginning, but maybe the scale is made different, meaning that probably, when the next generation is still in young age, they can handle small trust, do not give them big responsibilities such as handing big project, but other small responsibilities such as deciding price and many more. Then, when this next generation reaches a specific age, trust can be improved by

giving them greater project challenge and so on. This means that every time is the right time, if not; they will lose this main capital, because, as I said previously, trust is the main capital, so if a company cannot plant trust, they cannot gain other capitals. “(YM)

In order to build trustworthiness, successors in a company who are also the subjects of this research are all who undergone formal education. All potential successors have undergone all levels of formal education. Undergraduate level or S1 degree is an informal condition for potential successors of family company. To introduce potential successors with company operational activities, since they were in college, potential successors had participated by helping their parents manage their company. They were often invited to meet clients, help company administration, and learn how to manage projects. Additionally, they deliberately participated in seminars to broaden their knowledge on how to manage their company. Through these efforts, trustworthiness can be built across generations will be handed over to senior generation responsibilities (Tjiang & Mustamu, 2014).

### Variable of Family Values

The researchers conducted analysis on family values consisting of Honesty and Integrity, Care and Share (concern for sharing), Respect, and Unity to find out the process of transferring family values in preparing family business succession. The results of analysis are explained furthermore,

a. **Honesty and Integrity:** According to Tjian and Mustamu (2014), a family company always tries to be fair and do not judge a person based on one's level of prosperity or social level but from the level of family member's individual ability. This aspect can be realized by early preparation stages by senior generations for their children, such as (1) studying a major that suits the family business, and (2) involvement in working atmosphere as early as possible, as experienced by MH to gain trust from his parents. For this, MH prepared himself since he was in semester 4, until he managed to hold a business sector in East Kalimantan. His experience is shown in the following interview excerpt,

“Trust given to me by my own father is like, well, when I was in semester 4. After that, I was given freedom to develop my intentions, like I had to improve myself by continuing my education in UC (Ciputra University). Soon after that, I could gain his full trust, so I now am responsible for business sector in Balikpapan, East Kalimantan.” (MH)

Later, (3) is giving assignments by measuring risk scale starting from small assignment to other increased projects. YM from Bali Wong said that trust was gained from assigning smaller risks, and then increased to other projects with larger risks.

“Then, when this next generation reaches specific age, trust can be improved by giving them greater project challenge and so on. This means that every time is the right time, if not; they will lose this main capital, because, as I said previously, trust is the main capital, so if a company cannot plant trust, they cannot gain other capitals.” (YM)

The next stage (4) is transferring methods in managing company, yet allowing next generation to develop the methods. This is supported by the statement from SM family that trust is a form of success that can be obtained after completing a project or assignment:

“Of course we believe that, generally, or specifically in a family business, people say that trust is definitely seen by the results. However, it can become a weakness since some people do not want to see know process but they tend to know what kind of result they will get. What will happen is of course we have to be involved in the process first. So, trust is the result of an inseparable process that must be completed.” (SM)

This statement is consistent with the findings by Wahjono in Tangradi (2016), where planting family values is very important to be done together. To avoid conflict, a clear statement on rights and obligations of each family member is needed as early as possible. Concept of a unit entity (the distinction

between one's possession and company's possession) must be clearly understood by all family members. Furthermore, other factors that determine success of succession are enthusiasm, intention, honesty, and sincerity in doing business. Often, conflicts that arise between older and younger generations emerge from different treatments in viewing how to continue family business.

**b. Care and Share:** Family companies will show concern for both families and other workers (Tjiang & Mustamu, 2014). Showing concern is a form of values transfer in a company, both in terms of performance, philosophy, method or other, so that a certain generation does not lose its values. This is manifested in several points as follows: Firstly (1) is Honesty. All family companies emphasize this aspect in the next generation. Honesty is defined as telling the truth in conducting business or services, with friends, relations, networks, even in a relationship between employers and employees. Surya Anugerah Utama, represented by SM, stated that it care and share in his company is manifested in values of honesty and hardworking. As a company that provides services, care and share, it leads to the best form of service to customers based on its values, through providing service charges, renewing SOPs periodically, and realizing prosperity for all employees. The following is SM's account related to honesty:

“From what I shared about yesterday, my father's values are more on honesty and hardworking and these values are sensed by his guests. Now, what I want to apply is how I share a value that our own employees can feel, I have to warn myself that I am also an employee, you know, I have to set my position, I am indeed an employee, so how am I sure that employees working or living from this Laota Stall can prosper. For example, a service system is what I want to implement. Previously we never implemented service charge at all. So when I plan to have I service charge in our business, but first I have to undergo through processes, yes, one of which is how we improve our service to the guests, so we have to set SOP and job description on it.” (SM).

Secondly (2) is Sincerity, covering all company aspects especially in human relations both between companies and employees, companies with



relationships, and companies with other networks. Thirdly (3) is Selfless, in working and prospering all employees and in benefiting the surroundings. This attitude will hopefully foster similar thing for the company. The fourth (4) value is Good Corporate Governance and Finance for company survive and sustainable. The SS family, owner of Gading Murni Company, told that he got transferred values from AS by familiarizing their children in working environment in order to nurture his own love desire to manage family company, as conveyed in the following account:

“Well, for starter, Mr. AS decided for me to only look around, but apparently that was his way to observe me, observing my attitude with employees, paying attention to sales and buyig terms such as cash flow and others. When Mr. AS trusted me to handle a project, my first reaction was shocked because I questioned myself, “Am I ready? Do I deserve this? “I do not want to put my family to shame...” and so forth.” (SS)

The fifth is (5) Religious Attitude and Behavior, on top of everything so all works ae blessed.

**c. Respect:** Family companies must show justice, respect and understand family and employees (Tjiang & Mustamu, 2014). Respect will trigger justice, respect on each other and understand family and all employees. In other words, respect is the most basic or most influential factor in establishing relationships between individuals and a foundation in creating a just society as well. Respect in the family is produced in several forms: (1) by gathering together or familiarizing themselves with each other to build mutual trust and understanding between family members. In Bali Wong family company owner, YM explained that respect culture in his family was in a form of gathering together to facilitate value transfer and to become more intimate with each other. Also, this gathering is expected to facilitate achievement from each individual. The following is his statement.

“For me, family values of this company are very unique from other families’ value. Compared to others who only maintain their gatherings with, for example, racket or whatever happens they must

gather together. While in this family, what makes its values unique is that they must balance between achievements and gathering. These two values support each other.” (YM)

Secondly (2) is Honesty and Hardworking, these values will nurture the growth of respecting job, hence facilitating more professional service. At Surya Anugerah Company, a culture of respect in the family is manifested in forms of honesty and hardworking at work that affecting their professionalism, which is expressed in the following description:

“He upholds honesty from his childhood and he endorses that value to us since very little. So, when we enter our business, we do not have to think hard to manipulate others because we get used to speak honestly. We believe that when we lie to our guests, they will not come back again. Honestly speaking, we still practice familiarity value here instead of a very professional value, yet we survive for 16 years so it means something for us to sustain our business with honesty and hardworking values.” (SM)

Thirdly (3) is assigning more responsibilities and authority over as other forms of trust besides respect, and finally Fourth (4) is giving trust to personally improve skills already possessed. For the family of Citra Mandiri Abadi, culture of respect is shown by giving responsibility and greater authority for the family members who are trusted and considered as competent. This is shown in the statements from MH,

“Well, my father, yes, of course, you now hold financial problems for company operational affairs, such as paying tickets, hiring workforces, handling overhead costs. That is one responsibility that I hold.” (MH)

**d. Unity:** Family companies will always try to unite and protect their members from existing threats (Tjiang & Mustamu, 2014). The form of family company unity is not always in the form of literal protection, but in educating and preparing their next generation as early as possible, precisely to take the role of protecting themselves with hardworking attitude, honesty

and positive behavior so later they can protect their family company. Aspect of **unity** in a family company can be manifested in several forms, for example: (1) to familiarize children since childhood with working atmosphere in their parents' company, resulting in value and knowledge transfer since early childhood. In SS family that represents Gading Murni Company, this form of protection is manifested in the forms of familiarizing their children with hardworking and creative attitudes. One example of this value is when Samuel was allowed to have small business since childhood, modeling his parents' job as a trader, as explained in the following statement:

“I started to jump into my business family officially starting in 2011 but actually I informally started doing business since I was very young, not in a company but in trading. Small tradings, such as making keychains using machine in the office and selling them, just like that” (SS)

Secondly (2) is providing education with a strong business background which is suitable with family business sector. For MH family who owns Citra Mandiri Abadi, the form of unity is also manifested by providing education while at the same time providing experience. Mohammad Hisam gave example during his time in fourth semester, when he was trusted by his father to handle several projects, shown in the following excerpt:

“Trust given to me by my father in the company was when I was assigned responsibilities in semester 4. Before that, I was obliged to continue my education, in UC to improve myself. After graduating from UC, my father trusted me completely, I was assigned project in Balikpapan, East Kalimantan.” (MH)

Thirdly (3) is providing business experience for next generation, because by experience, children have understanding on their family business. The fourth (4) is to let children improve themselves through working experiences in other places which can become examples for their family company. A form of unity done by JM, the owner of Surya Anugerah Utama, is by higher education of

their children overseas, learn and improve themselves, in order to gain new experiences that can be used to expand family business.

“First, we invite him first, take him to the workplace. After that, we look around to decide where to start first, and then wait patiently for them to handle the tasks given to them. For Simon, my son, it is important for him to study overseas to make him understand how to run a restaurant. He worked in someone’s restaurant first, and then he could transfer his experiences in this family business.” (JM)

### **Variabel of Other Findings Outside Indicators**

The researchers have found some new variables associated with the process of succession preparation in the family business. The new variables are Moral and Religious, Communication, and Education. The analysis results are described as follows:

a. **Moral & Religious:** Form of inner relationship across generations is built through an individual approach in the form of informal education. The element of moral system has a very deep meaning, as an example to remind each person to always behave and act with the right principles and in accordance with elements of Confucianism value, which is also defined as a set of guidelines, ethics, and moral values. These elements play a role in developing human beings to make sure that they have positive impact on families, communities and organizations (Adrian & Ardianti, 2014). Meanwhile, according to Lily and Praptiningsih (2014), the moral values applied by family businesses are in the form of motivational words and advices in order to support performance of potential successors in their working activities. Religious aspect, according to Glock & Stark in Fauzan (2013) is a brilliant formula in which those concepts are viewed from one or two dimensions, but paying attention to all dimensions. According to Ancok in Fauzan (2013), religious aspect has five dimensions namely belief, religious practice, experience, religious knowledge, and consequences. Additionally, according to Fauzan (2013) religiosity is projected through ritual, ideology, intellectual, and consequences in order to explain variations in business ethics variable. With the existence of religious aspect, relationships across generations are expected to be

more intimate, where informal education presents such as moral and religious attitudes, as explained by MS as senior generation of Samaja Bali Villas:

“In my opinion, generally, trust is a mandate of real and unreal responsibility. If trust exists and integrated with our inner self, it will result good things, and also vice versa. For family businesses, trust is absolute. Inner relationship across generations must be intimate. Allow me to take example from our Balinese cultural context. In our culture, parents are responsible for their children from the womb until they are married. I am sure that child believes in his parents from childhood to adulthood and is directed to do good things, being fed well, being advised, good education, and many more. They expect that children will do similar thing to their parents later in the future. Since we believe in karma law, if a child disobeys his parents’ trust, he will receive bad karma in his life, and vice versa. Therefore, doing good and trusting each other is absolute as our life destiny.” (MS)

In this research, the researchers found some aspects in building moral and religious values, which are (1) God’s Guidance. Always asks for His guidance and permission before performing job and always be devoted to God. It is expected to get positive things in all life aspects. (2) Karma. Our actions with family, company, and environment emphasize aspects of mutual respect to harmonize among others, also to show that family business has own values which are different from other companies. Family companies also believe that doing good things will get good results too and vice versa. (3) Harmony with other family members is important in order to maintain relationships across generations and in big family. (4) Planning for life, covering domain of life aspects such as advices, dietary intake, campus schools, and others. (5) Discipline. This attitude is required by each person to carry out his or her tasks well especially in this rapidly growing era, and to protect themselves from negative influences. (6) Honesty. This main thing to complete a task is to show professionalism and cause a sense of comfort and pleasure. (7) Responsibility. Responsibility across generations is needed to maintain harmony and to avoid disappointment across generations.



b. **Communication:** Family business is unique because this business is managed by a family. Communication is, therefore, a must in maintaining intimate relationships among all family members. In the context of family business, communication can develop more quickly because there is openness between individuals because they are active and can trust one another. Communication becomes crucial in the succession planning process, where communication covers every aspect of this process and includes communication between families, corporate environment, company relations and many more. Intergenerational communication can explain the views of individual these intergenerations have different views due to their life as different generations. Brainstorming process can become one solution in the future to maintain good communication across generations and for company progress. This is explained by SM in the following interview:

“Yeah, sure, I will do another approach, yes, we can chat, we can brainstorm, share what is in our mind, what we expect. You know, one of the first processes is that inside our core family first. We must know what our core family expects, and then entering our extended family, ask them what they expect and what are their hopes for the company. After approaching all families, we approach our employees, and then our customers. After finding the expectations from these four parties, we combine them all and later discuss them with parents so they know what direction to take.”  
(SM)

Communication means a process of a communicator to convey stimulus in order to change and shape others' behaviors (Hoveland in Sitinjak, 2013). In this research, the researchers found aspects of the communication process in family business, firstly (1) is Relationship among individuals, families, companies and the environment, be active in carrying out interaction between each subject who has a special relationship to improve trust and relationships. Secondly (2) is Brainstorming, defined as discussing views with each other in order to synthesize best solution. Thirdly (3) is Openness, no room for limitation in communicating with each other, especially when discussion about company development of the company and not closing the possibility of discussing outside the context. Fourth (4) is Location, where

communication is not done in working atmosphere, but also done outside workplace to get calming atmosphere and reduce tension between individuals. Fifth (5) is a Special Agenda. Communication among individuals can be scheduled at any time, such as building communication with members who share similar hobbies, family gathering, recreation, eating together, and many more. Sixth (6) is the ways of communication with families and influenced relations, affecting individuals' views. Seventh (7) is Data, by preparing data or information before having communication that can affect level of confidence in arguments being said.

c. **Education:** Succession is based on trust, grown by persons' competencies. Succession must have a system and good planning as well as improving generations' competencies with education. Producing junior generations cannot be done instantly, but need education and guidance to prepare more mature generation. These can be obtained from inside and outside the company such as parents, corporate environments, colleges, training, and many more. This is also in line with A's statement as senior generation of Citra Mandiri Abadi where junior generation in his family is educated and guided and being advised since very early, as a preparation effort for future corporate leaders in the future. His statement is conveyed in the following account:

“Yes, indeed, producing next generation is not easy as 2 times 2 equals to 4. 3 plus 1 also equals to 4, and 8 divided by 2 equals to 4 as well. By this analogy, family company cannot be automatically handover to the next generations. As a leader or parent, I have to guide them, apply this in my company; means that I need to become example for my family business. It cannot be done automatically and instantly, but gradually. Transforming next generation must be done since they are in high school. For example, I have many friends in Perak who failed to prepare their successors or regeneration, because company leaders or their parents themselves cannot become good models and set examples, cannot guide their children to sustain their company.” (A).

Education is the key to all progress and quality developments because, with education, humans can realize all of their potential both as individuals and as citizens. In order to realize self-potential into multiple competencies, people must go through the educational process implemented in the learning process. In this study, the researchers found that there are several aspects that must be followed by next generations to become future leaders of their company. The aspects are (1) Planned competencies, where planning is done to help junior generation to shape their identity and improve their abilities. (2) Formal education, in the form of primary, secondary, and higher education level. Informal education can be obtained from training in other companies, training and mentoring from coach business. This is done to sharpen skills, increase knowledge and build mindset required in the context of business. (3) Introducing company environment, knowing the ins and outs of the company that will be carried out later when leading the company in the future.

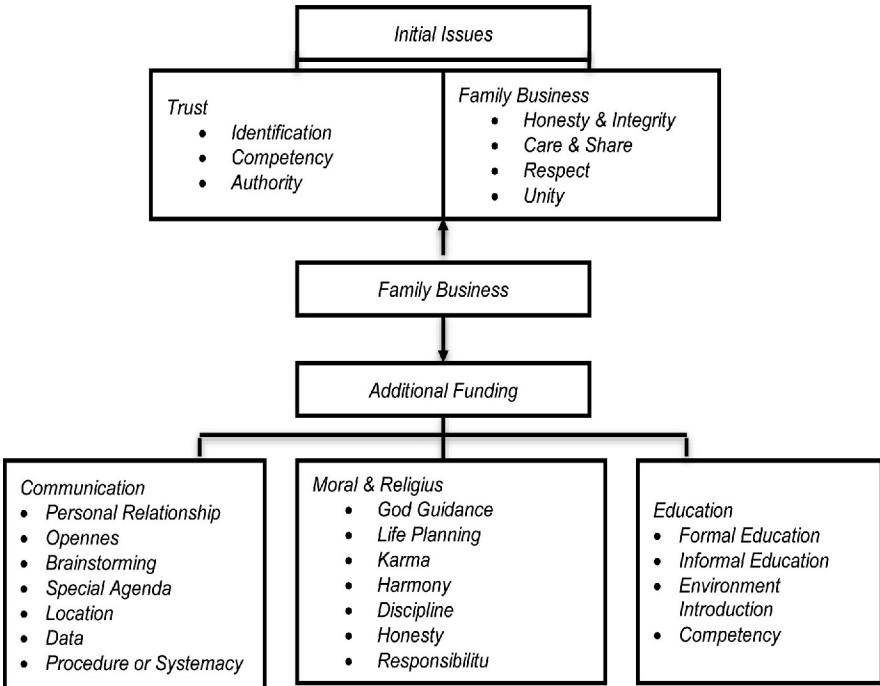


Figure 1. Model of Succession Preparation in Family Business  
 Source: Data processed

The process of succession preparation in family business requires variables of trust and family values. Besides these values, other variables are also found after conducting this research, which are moral and religious, communication, and education. There are certain stages in each variable that must be done repeatedly based on the context of the process of succession preparation in family business.

## CONCLUSIONS

Based on the results of research done by the researchers, it can be concluded as follows: (1) Stages that must be passed by family members, such as the senior and junior generations, in order to build trust across generation in succession preparation in family business. For succession in family 161 transfer, for variable Trust, is as follows: The first stage (1) is to identify competencies possessed by family members involved in family business, in form of completing all tasks or responsibilities assigned to them, be on time, and competent in building network and business relationship. The second stage (2) is building capacity in identifying needs to prepare successors and future business directions, including preparation of targeted formal education backgrounds, familiarizing children with work ethic, and being able to recognize potential successors. The third stage (3) is providing measurable authority and responsibility when completing the work in gradual stages, based on their competencies and positions given in the company, starting from a lower position to sharing conditions and corporate strategic plans.

For variable of Family Value, stages in transferring family value in succession preparation in family business are as follows: The first stage (1) is manifested by shaping children's characteristics as early as possible for transferring family values for successors have developed good and positive character, involving successors in working atmosphere to learn about work ethics, assigning assignments with different scales of authority and risk gradually. The second stage (2) is spreading family values, especially in a family company. The values are honesty, sincerity, self-less, company management, financial management, and religious attitudes and behaviours. The third stage (3) is fostering respect as main thing. Respect is built by gathering frequently, sharing and maintaining friendship to familiarize each other, and fostering trust and closeness in the family, nurturing ethos of honesty and hardworking to

improve professionalism, giving more responsibility and authority, and giving trust to develop technical and psychological skills. The fourth stage (4) is protecting all family members to make a successor able to protect family company, which is manifested by introducing work ethics. During research process, the researchers found several new dimensions or new variables that are related to each other, and can be used as stages in the succession preparation process in family business. Moral and religious dimension with the following aspects: (a) God guidance, always asking for His guidance and always be devoted to God, (b) Life planning in life aspects including advices, food intake, college life, and many more, (c) Karma, our actions with family, company, and environment emphasize aspect of mutual respect under presumption that if we do good deeds, we will get good things also, and vice versa, (d) In harmony with all family, including senior and junior generation, and extended family, (e) Discipline, this is a value that must be possessed by individuals to make them able to carry out their jobs properly especially in this rapidly growing era, and be immuned from negative influence, (f) Honesty, especially in completing the assignment, and (g) Responsibilities across generations. Communication dimension with the following aspects: (a) Personal relationships between individuals, families, companies and environment, be active in carrying out an interaction between each subject with special relationship, (b) Openness to avoid limitation in communication, especially discussion about company or even outside that context, (c) Brainstorming, discussing about personal view of each family member because each of them has different opinion, in order to get the best solution from each discussion, (d) Special agenda, in order to build communication between individuals which can be scheduled every time when needed, (e) Location, communication cannot only be done in a workplace but can also be done outside the workplace, (f) Data, preparing data or information before having communication, (g) Procedures to communicate with families, companies and relations which also affect each member's view. Education dimension with the following aspects: (a) Planned competencies, where planning is done to help junior generation to shape their identity and improve their abilities. (b) Formal education, in form of primary, secondary, and higher education level. Informal education can be obtained from training in other companies, training and mentoring from coach business. This is done to sharpen skills, increase knowledge and build mindset required in the context of business. (c) Introducing the company environment, knowing



the ins and outs of the company that will be carried out later when leading the company in the future.

## RECOMMENDATIONS

Based on the findings and conclusions, the following suggestions are made:

1. For family businesses who are preparing for succession. In addition to technical skills that must be mastered, family members involved in the family business must have soft skills and stable emotions to manage the company, able to negotiate, read situation, make decisions, and many more; and
2. For future researchers. The researchers recommend using other approaches, especially patterns of trust building and family value transferring and its effectiveness. The emergence of new variables as findings of this research, which are moral and religious, communication, and education open possibilities to continue exploring succession planning with these variables.

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