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Socio-emotional Wealth, while Family Conflict and Family Firm Governance both Exist in Family Business

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ABSTRACT

This study examines how family conflict and family firm governance affect socio-emotional wealth, with decision-making as a mediating variable. This research was carried out on 48 samples of individual family members, as well as business owners and managers to examine the perception of socio-emotional wealth. The method used in this research is quantitative, with PLS-SEM. The results show that family conflict has a negative but not significant effect on decision-making and socio-emotional wealth, and decision-making has a positive and significant effect on socio-emotional wealth, while family firm governance has a significant positive effect on decision-making and socio-emotional wealth. Meanwhile, decision-making has a low mediation effect in explaining the relationship between family firm governance and socio-emotional wealth.

Keywords: Family conflict, family firm governance, decision-making, socio-emotional wealth, family business.

INTRODUCTION

Since the beginning of its conceptualization in the study of family business, (Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, and Moyano-Fuentes, 2007) socio-emotional wealth have gained a lot of attention in the particular field. The concept is focused on wealth from a non-financial standpoint. Socio-emotional wealth is defined as a non-financial endowment in the form of affective values that bind family members bound in the family business. Theoretical and empirical researches suggested that while facing dilemma of risk that might affect socio-emotional wealth or financial risk, a family business will focus more on retaining socio-emotional wealth in making strategic decisions (Gomez-Mejia et al., 2007). However, evidence shows that very rarely can companies survive across generations in order to maintain socio-emotional wealth as the result of family conflict. (Sumardono and Hanusz, 2007; Kets de Vries, Carlock, and Florent-Treacy 2007; Gordon and Nicholson 2008) The question is, how a conflict might affect socio-emotional wealth, and how the governance system of a family business might mitigate the effect of conflict to socio-emotional wealth.

After more than 10 years since its development in 2007, many researches either theoretically or empirically have related the concept of socio-emotional wealth with other constructs. Most of them treated socio-emotional wealth as an antecedents to decision-making, or in other word socio-emotional wealth is seen as a motivation behind particular decision-making of a family business (Shepherd, 2016; Berrone, Cruz, and Gomez-Mejia, 2012). Some researchers found that within the guidance of socio-emotional wealth, decision-making is more beneficial to a family member than other stakeholder (Kellermanns, Eddleston, and Zellweger, 2012; Newbert and Craig, 2017). Decision-making is more toward preserving socio-emotional wealth, and less optimal in the financial gain (Gomez-Mejia et al., 2007; Gomez-Mejia, Cruz, Berrone, and De Castro, 2011; Martin, Campbell, and Gomez-Mejia, 2014; Gomez-Mejia, Patel, Zellweger, 2015; Kalm and Gomez-Mejia, 2016; Poletti-Hughes and William, 2017). Decision-making that was made within the guidance of socio-emotional wealth was directed to prepare for succession (Gu, Lu, and Chung, 2016; Strike, Berrone, Sapp, and Congiu, 2015). Under the influence of socio-emotional wealth, while facing social compliance, decision-making was more to maintain a social image (Cennamo, Berrone, Cruz, and Gomez-Mejia, 2012; Vardaman and Gondo, 2014; De castro, Aguilera, Crespi-Cladera, 2016; Deephouse and Jazkiewicz, 2015; Ding, Qu, and Wu, 2015). Moreover, socio-emotional wealth is also studied as a moderating variable that influences company performance (Schepers, Voordeckers, Steijvers, and Laveren, 2013).

Despite the valuable contribution from the previous research, there are also some suggestions in expanding the research to the antecedents of socio-emotional wealth, or seeing socio-emotional wealth as a dependent construct as mentioned by Morgan and Gomez-Mejia (2014). Schulze and Kellermanns (2015) also suggest research on the mechanism for the formation of socio-emotional wealth. Arredondo (2016) suggests assessing socio-emotional wealth from an individual level of family business member. Miller and Le Bretton-Miller (2014) suggest research to expand focus on nature of socio-emotional wealth and motives of family members who plays an active role. To close the gap in the socio-emotional wealth research, this research was conducted to elaborate some antecedents that might influence the formation of socio-emotional wealth, which were family conflict, family firm governance, and decision-making. The antecedents were chosen more in the light of behavioral studies to understand how the perception of family business members might shape their perception of socio-emotional wealth. Family conflict was studied as one of the antecedent variables since empirical evidence shows that prolonged conflict makes a difficulty for a family company to survive across generations. Conflict has a potential to damage family business because of the stressful situations it causes (McKee, Madden, Kellermanns, and Eddleston, 2014; Kellermanns and Eddleston, 2004). Furthermore, family firm governance was also examined as an antecedent variable in order to determine the extent to which this variable influences the formation of socio-emotional wealth perceptions in a family business. Family firm governance, which regulates the relationship between the parties involved, was expected to resolve disagreements in the operation of a family business. Decision-making was used as a mediating variable, in which strategic decisions produced by the board of directors in a family company are subject of evaluation for a business owner, which determine perceptions of socio-emotional wealth.

Despite the objective of this research to contribute to the development of management theory uniquely in the family business studies, it also might give comprehension to the stakeholder of a family business as a means to evaluate the business that they conduct for its continuation. Understanding the characteristics of conflict and its impact to socio-emotional wealth might give the family member in charge of managing the family business the clue how to take benefit from it and how to avoid its destructive aspects. Furthermore, the function of family firm government can be developed in order to maintain the socio-emotional wealth. This research was conducted on 48 companies in Indonesia, in which the respondents selected were family members, as well as business owners, and were involved in business management according to the model created by Tagiuri and Davis (1996). The method used in this research was quantitative with PLS-SEM (Hair, Ringle, and Sarstedt, 2011; Hair Jr., Hult, Ringle, and Sarstedt, 2014; Sarstedt, Ringle, Smith, Reams, and Hair, Jr., 2014) and the data were processed with SmartPLS 3.0, developed by Ringle (Hair Jr. et al., 2014).

FRAMEWORK

Social Learning Theory, Power Distance, and Collectivism

This research was designed based on the social learning theory (Bandura, 1971) The social learning theory was built to answer the reason behind human behavior. Individuals tend to behave based on their cognitive patterns, which mean the traits or dispositions that have been formed through their entire life by observing and modeling from other's experience as a vicarious model, from inside themselves as a person, and from their environment. Through reciprocal interaction, individuals make a selection which behavior will lead to a more beneficial outcome and the modification depends on the beholder, thus the traits are usually consistent (Bandura, 1971 and Bandura, 1989).

This research was conducted to samples that might be influenced by cultural aspects that have shaped their cognition. The theory of culture that was used in this research was developed by Hofstede (1980). Culture refers to a pattern of thinking, feeling, and potential acting that were learned through individuals' lifetime. Once the pattern was established within an individual's mind, individuals have to unlearn the existing pattern to learn something different, and it is regarded as more difficult to unlearn than to learn for the first time (Hofstede, Hofstede, and Minkov, 2010). The most suitable dimensions of culture to explain in this research was power distance and collectivism which will be further elaborated. Power distance is not just about the perception of the relations between the lower rank and the higher rank in the system, but it's also about how they expect the relations or how they would like their environment to be. This value or the mental software as Hofstede et al. (2010) said is set firstly in the family from the examples set by the elders. The character expected from the younger is obedience and respect to elders. In high power distance nations, the characteristics also influence the relations in the working environment, which set the relations between higher rank and lower rank in the workplace. The characteristics of relations between the lower and higher rank are more consultative, autocratic, and dependent. Among 75 national level samples, Indonesia (which is both the location of the research and the country of origin of the research samples) is ranked number 15-16 and scored 78 (highest 104, lowest 11). The findings show that Indonesia ranks highly in the power distance (Hofstede et al., 2010). Meanwhile, collectivism is characterized as prevailing the interest of group above the interest of an individual. Collectivists are characterized as pro-harmony, seeing confrontation as rude, valuing opinions from others highly, emphasizing loyalty to a group, sharing resources, and responding with shame if an infringement is known by others. In the individualism research as the contrary of collectivism, Indonesia is ranked 70-71, scored 14 among 76 countries. It means Indonesia is high in collectivism (Hofstede et al., 2010).

Moreover, a family business in this research is defined as an organization where two or more members of a large or extended family influence the direction of the business together, through family ties, managerial roles, and the rights of business ownership (Tagiuri & Davis, 1996).

Socio-emotional Wealth

The concept of socio-emotional wealth was first proposed by Gomez-Mejia et al. (2007), developed from research on family businesses. This concept is related to affective non-financial inheritance within family businesses (Gomez-Mejia et al., 2007; Berrone et al., 2012; Hauck et al., 2016; Debicki, Kellermanns, Chrisman, Pearson, and Spencer, 2016; Shepherd, 2016). Berrone et al. (2012) built five dimensions known by the acronym FIBER: family control and influence, identification of family members with the firm, binding social ties, emotional attachment of family members, and renewal of family bonds through dynastic succession. Hauck, Suess-Reyes, Beck, Pruegl, and Frank (2016) examined the dimensions created by Berrone et al. (2012), producing three dimensions that are: identification of family members with the firm, emotional attachment of family members, and renewal of family bonds through dynastic succession.

Family Conflict

Family conflict is interpreted as a clash or disagreement acknowledged by the parties involved (Jehn & Berdensky, 2003). Jehn and Berdensky (2003) categorize conflict into three types: task, process, and relational. In the study of Family Business, Kellermanns and Eddleston (2004) categorize it into three types: task or cognitive, process, and relational conflict. Task or cognitive conflict is a conflict that does not involve negative emotions. Cognitive conflict is a disagreement on the long-term strategy of a business or strategic project that will be taken. Process conflict is based on the aspects of task division, concerning who is the best individual to perform certain tasks in executing a project. Task and process conflict said to be non-negative, and even enrich considerations needed to make decisions for the good of the business. Meanwhile, relational conflict can jeopardize a business because of its negative aspects (Eddleston, Otondo, and Kellermanns,2008). Meanwhile, relational conflict arises due to personal disagreements that are not related to business activities, such as differences in personality, religion, politics, fashion, and others. This kind of conflict contains tension, resistance, and a feeling of being disturbed or uncomfortable. Consequently, parties involved in the business often find it difficult to enjoy their work in groups (Jehn and Berdensky, 2003; Kellermanns and Eddleston, 2007).

Family Firm Governance

Some aspects of family firm governance are including matters that bind, voluntary agreement, shared value, formulation of vision and mission, operational, council, decision-making, vote and veto, dialog, relationship, and enrichment, ownership, supervision control, company performance, family needs, communications, cooperation, information flow to minimize manipulation, monitoring non-managerial aspect, and sense of togetherness. (Goldbart and DiFuria, 2009; Gersick and Feliu, 2014; Mustakallio, Autio, and Zahra, 2002) Mustakallio et al. (2002) built two dimensions of family firm governance which named relational governance and contractual governance. Relational governance consists of social interaction and shared vision. Social interaction facilitates all activities that are deliberately created: informal gatherings, formal family meetings, and family councils, in which family business plans are discussed together. Through such an institution or family council, the needs and aspirations of family members, who are also owners of the company, are represented and integrated. This institution creates opportunities for family members to discuss issues that will improve interaction between family members. Shared vision is the expected result of good interaction between members or business owners. When a shared vision has been established, the family council may determine who will represent them on the board of directors. Family representatives on the board of directors are the members who accomplish contractual governance. Contractual governance covers responsibility of the board of directors and a function is to monitor and counsel. Monitoring is done as a way to evaluate company performance, either its long-term strategy or its financial performance. Counseling functions involve more aspects that serve to advise, form business relationships with outsiders, and introduce the business to the external environment.

Decision-making in Family Business

According to Oliveira (2007), decision-making centers on options and behavior. Decision-making involves a process of thinking and reactions about the world outside of oneself, including all the possibilities that may occur in the future, and the psychological consequences of a decision for oneself. Eisenhardst and Zbaracki (1992) view the decision-making that is important for business owners as strategic decision-making, i.e., the fundamental decision that determines company direction. Strategic decision-making covers what actions must be taken, what resources must be provided, and what preparation must be done. Mustakallio et al. (2002) emphasized that governance is measured by the perceived quality of the decision-making and the commitment to carry it out.

Research Model and Hypothesis Development

Research on socio-emotional wealth can't be separated from its emotional aspect (Morgan and Gomez-Mejia, 2014; Hauck et al., 2016). Therefore conflict that might have emotional aspect can be predicted to affect socio-emotional wealth in a family business. Prolonged conflict can complicate its formation (Morgan and Gomez-Mejia, 2014). Even though it is suggested that the presence of socio-emotional wealth in the family business might mitigate conflict (Schulze and Kellemanns, 2015), the situation might be different if the relations is in the other direction. Futhermore, Schulze and Kellermanns (2015) suggested that in societies where family groups are highly respected, such as in India or China, the drive to maintain socio-emotional wealth will specifically become more prominent. Since Indonesia has similarity with China and India in the sense that all are ranked high in power distance and collectivism (Hofstede et al., 2010), it can be suggested that the drive to maintain socio-emotional wealth is high in Indonesia, despite the presence of conflict in the family business. However, it can be anticipated that the perception of socio-emotional wealth might not be as high as in the family business without emotional conflict. Therefore, it can be hypothesized as follows:

Hypothesis 1: *Family conflict has a significant negative effect on socio-emotional wealth.*

Furthermore, the three categories of conflict: cognitive (task), processes, and relational, have effects on decision-making, particularly on strategic decisions in a family business. A conflict that does not involve negative emotions, where ideas are discussed openly, will produce quality strategic decision, opening the scope of choices or options for decision makers in making better decisions. Cognitive and process conflicts can improve decision-making by increasing discussion on what tasks must be done and which strategies must be taken. Meanwhile, negative emotions will make strategic quality decisions difficult to achieve (Jehn and Berdensky, 2003; Kellermanns and Eddleston, 2004; Berdensky, 2003;, 2007; and Eddleston, Ottondo, and Kellermanns, 2008). Despite the different result of a conflict that might be predicted to influence decision-making, in the society with high power distance and collectivism, the aspects of culture might bring the influence to other direction. The respect to the leader, and the drive to maintain collectivism in the family business might be predicted still produce good decision-making. However, it can be predicted also that the perception of decision-making quality might not as high as in the family business without emotional conflict. Formally it can be hypothesized as follows:

***Hypothesis 2:** Family conflict has a significant negative effect on decision-making*

Family firm governance has a significant effect on decision-making. It might empower families to apply decision-making that can be understood and is transparent to take advantage of opportunities and challenges to achieve business objectives (Mustakallio et al., 2002; Goldbart and DiFuria, 2009; Chrisman and Holt, 2016). Therefore, family firm governance is predicted to have a positive effect on decision-making, which meant the higher the family firm governance, the higher would be the decision making. Formally it can be hypothesized as follow:

***Hypothesis 3:** Family firm governance has a significant positive effect on decision-making*

As stated by Hauck et al. (2016), one of the determinants of socio-emotional wealth is the emotional features, in the form of the extent to which a common vision of the family members is articulated through a decision made by the board of directors. Theoretical research stated that family firm governance has significant effect to socio-emotional wealth (Goel, Voordeckers, van Gils, and van den Heuvel, 2013). Within the sphere of socio-emotional wealth, even family business might find nepotism in the governance body beneficial (Firfiraya, Cruzb, Neasuc, and Gomez-mejia, 2017). Deepening understanding of the responsibility to control the business as part of socio-emotional wealth might also drive to innovativeness (Filser, De Massis, Gast, Kraus, and Niemand, 2017). Empirical research found that family firm governance had a positive impact to socio-emotional wealth (Moreno-Gomez, Gomez-Betancourt, and Ramirez, 2016). Family member CEO was seen as an asset for the family business which stay privately, since the CEO might act as the controller, protecting dynasty and reputation (Naldi, Cennamo, Corbetta, and Gomez-mejia, 2013). Based on the theory and research findings above, it can be predicted that family firm governance has a positive significant effect on the socio-emotional wealth.

***Hypothesis 4:** Family firm governance has a significant positive effect on socio-emotional wealth.*

Researchers studied the influence of socio-emotional wealth toward decision-making found that the maintenance of socio-emotional wealth might direct the management process, strategic choices, organizational governance, stakeholder relationship, and the business journey of a family business (Gomez-Mejia, 2011; Berrone, et al., 2012; Kellermanns et al., 2012; Cennamo et al., 2012; Vardaman and Gondo, 2014; Strike et al., 2015; Deephouse and Jazkiewicz, 2015; Ding et al, 2015; De Castro et al., 2016; Shepherd, 2016; Gu et al., 2016; Newbert and Craig, 2017). Family Business Company were found to prefer financial performance decline more than to give up on socio-emotional wealth (Gomez-Mejia et al., 2007; Martin et al., 2014; Gomez-Mejia et al., 2015; Kalm and Gomez-Mejia, 2016; Poletti-Hughes and William, 2017). On the other hand, "How decision-making might influence the perception of socio-emotional wealth?" Mustakallio et al. (2002) proposed that if the representatives of family members on the board of directors perceive the quality of decision-making and have the commitment to do so, they will be satisfied emotionally. Furthermore, Moreno-Gomez et al. (2016) added that decision-making affects socio-emotional wealth, in terms of strategic decision-making that involves the consideration of family needs, and can generate mutual trust, cohesion, and harmony. Thus, socio-emotional wealth will be maintained. Based on the above theory and research findings, good decision-making can be predicted to have a positive effect on socio-emotional wealth. Formally it can be stated as follows:

Hypothesis 5: *Decision-making has a significant positive effect on socio-emotional wealth.*

Based on the theory and relationship among the variables that have been described above, the structural model of this research is shown in Figure 1.

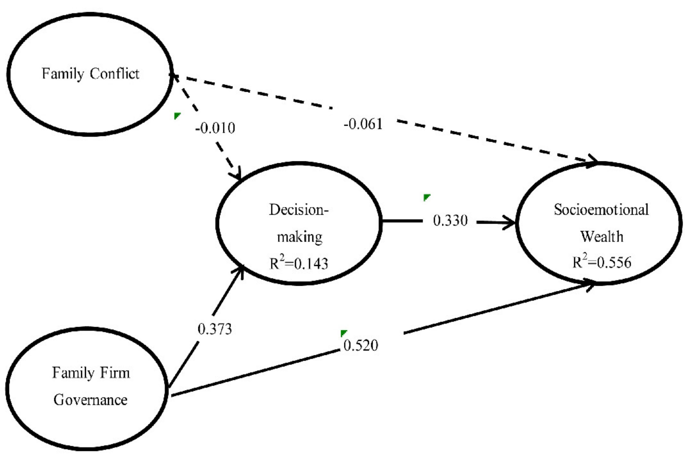

Figure 1. Path model and PLS-SEM estimates.
Notes: $p \leq 0.10$; dashed lines represents non-significant relationship

OBJECTIVES OF THE STUDY

The objectives of the data finding in this research were to: 1) study the percentage of variable variations of the model and the influence of independent variables toward a dependent variable simultaneously; 2) study mediation effect of decision-making variable; and 3) study loading factor of items / measurements as the variant of each construct.

METHODS

Samples

This research was conducted quantitatively using the PLS-SEM (Sarstedt et al., 2014). The samples were taken from members of the Indonesian Chamber of Commerce in Surabaya, which has a membership of over 1,000 companies. Since the Indonesian Chamber of Commerce refused to give information on its members' businesses, whether they are family business or non-family business, the questionnaires were distributed to 150 members of this organization during their limited gathering. Out of all 150 questionnaires, 63 were returned to the researchers, and after conducting the initial test, the sample size was reduced to 48. This size is still in agreement with the terms of statistical power proposed by Hair Jr. et al. (2014). The other 15 questionnaires were not treated as samples because even though the respondents were business owners, they were not take part in making business decisions. With a sample size of 48, the response rate was 32%.

Respondent profiles in the questionnaire covered personal information, such as age, education, generation in the business, and position in business (director or member of the board of directors). This is to anticipate the existence of certain groups with a different response pattern to the statements. Position in the business was asked in order to obtain samples as determined in this research, according to the Tagiuri and Davis model (1996). The respondents had to be family members and business owners, as well as involved in business governance. Related to the company, the profiles asked about business age, business type, and the number of employees, in order to determine the maturity and complexity of managing business governance (Stanley & Morse 1965; Hodge, Anthony, and Gales 2003; Sarasvathy 2008).

Variables, indicators, and measurements

Three indicators are set for the family conflict variable, namely, cognitive conflict, process conflict, and relational conflict (Kellermans and Eddleston, 2004; Kellermanns and Eddleston 2007; Eddleston et al., 2008). Four indicators are set for the family firm governance variable, namely relational governance vision, relational governance interaction, contractual governance monitoring, and contractual governance counsel (Mustakallio et al., 2002). For the decision-making variable, there are two indicators set: quality of decision-making and commitment to decision-making (Mustakallio et al., 2002), while there are three indicators set for the socio-emotional wealth variable: emotional attachment, identification of a family business, and continuity of ownership dynasty (Hauck et al. 2016).

Two statements were provided for each indicator, thus the total statements in the questionnaire were 24 statements. The statements were taken from previous research with the highest loading factor or were appropriate and could be adapted to the understanding of business in Indonesia. The questionnaire was written in Bahasa Indonesia. The statements for cognitive and process conflict indicators of family conflict were taken from Kellermanns and Eddleston (2007), while the statements for relational conflict were taken from Eddleston et al., (2008). Since the statements of relational conflict were not included in the project, it was taken from a journal article written by McKee et al. (2014), which cited the statements made by Eddleston, et al. (2008). The statements for family firm governance and decision-making were taken from Mustakallio et al. (2002), except for decision-making commitment. The statements for decision-making commitment were newly created for our research. The new statements were as follows: "decisions are implemented consistently," and "decisions are implemented with full responsibility." The statements for socio-emotional wealth were from Hauck et al. (2016), except for the statement "In family business, happiness as the family is more important than financial gain," which was newly created, and the statement "family members are proud to tell others that we are part of the family business," which was modified from the Hauck et al. (2016) questionnaire statement. All statements were measured using a Likert scale (1932), with a 1 to 5 scale, or from "strongly disagree" to "strongly agree."

To avoid acquiescence bias (Podsakoff, Mackenzie, Lee, and Podsakoff, 2003), there was one statement given that required the respondents to answer 3 or undecided. Harman's single factor test was used to test the presence of common method bias (Podsakof et al., 2003). The test results showed 34.731 as its score.

During the SmartPLS 3.0 testing, some modifications were made on the indicators to increase their number from 12 to 24 since the program treated each statement as one indicator. Thus, the two statements for each indicator in a 12-indicator-based model changed into a 24-indicator-based model. All of these indicators were measured reflectively. There were no changes in the default SmartPLS 3.0 program, yet this research used a 10% significance level since this research was an exploratory study (Hair Jr. et al., 2014)

RESULTS AND DISCUSSION

The following description is the result of tests using SmartPLS 3.0. Determination of the critical value was taken from Hair et al. (2014); Gozali and Latan (2015); and Chin (1998). Table 1 shows the profile of respondents, and Table 2 informs the result with descriptive statistics.

Table 1

Respondents Profile

Profile		Frequency	Percentage
Age	20 - 30 years	19	40%
	30 - 40 years	6	13%
	> 40 years	23	48%
Education	College / University degree	40	83%
	Master degree	7	15%
	PhD degree	1	2%
Generation	Generation 1	19	40%
	Generation 2	21	44%
	Generation 3	8	17%
Position in management	Owner and member of Board of Directors	18	38%
	Owner and Director	30	63%
Field of business	Production / Manufacturing	15	31%
	Trading	12	25%
	Service	18	38%
	Others	3	6%
Age of business	Less than 5 years	8	17%
	5 to 10 years	16	33%
	Above 10 years	24	50%
Number of employee	Up to 19 employees	20	42%
	20 up to 99 employees	15	31%
	Above 100 employess	13	27%

Table 2

Descriptive Statistics

		Mean	Min	Max	SD	Loadings
Cognitive Conflict						
X111	There is much conflict of ideas in our family firm.	3.229	1	5	1.279	0.869
X112	We often have disagreements within our family firm about the future strategy.	3.167	1	5	1.344	0.844
Process Conflict						
X121	We often disagree about resource allocation in our family firm.	2.521	1	5	1.323	0.813
X122	There is much conflict in our family about task responsibilities.	2.604	1	5	1.365	0.862
Relational Conflict						
X131	There is much relationship conflict in our family firm.	1.792	1	4	0.865	0.509
X132	There is much emotional conflict in our family firm.	1.979	1	4	0.924	0.603
Relational Governance : Vision						
X211	Family members agree about the long-term development objectives of the firm.	3.771	2	5	1.065	0.757
X212	Family members share the sama vision about their firm.	3.649	1	5	1.407	0.718
Relational Governance : Social Interaction						
X221	Family members maintain close social relations.	4.000	1	5	1.258	0.819
X222	Family members know each other on a personal level.	4.167	1	5	1.179	0.778
Contractual Governance : monitoring						
X231	Formal financial reports pepared by top management are reviwed in board meetings.	3.75	1	5	1.109	0.657
X232	The board closely monitors top management's strategic decision-making.	3.75	1	5	1.164	0.763
Contractual Governance : counsel						
X241	The board is actively involved in shaping the firm's strategy.	3.75	1	5	1.051	0.662
X242	Board members give top management plenty of counsel on firm's strategy.	4.062	2	5	0.827	0.676
Decision-making Quality						
X311	Strategic decision help the company achieve its objectives.	4.229	3	5	0.743	0.854
X312	Strategic decision contribute to the overall effectiveness of the company.	4.354	3	5	0.595	0.810
Decision-making Commitment						
X321	Decisions are implemented consistently.	4.104	2	5	0.684	0.646
X322	Decisions are implemented with full responsibility.	4.208	2	5	0.644	0.678
Dynastic Succession						
Y111	Successful business transfer to the next generation is an important gosl for the family	4.438	2	5	0.788	0.822
Y112	Continuing the family legacy and tradition is an important goal for family members.	4.146	1	5	0.913	0.737
Emotional attachment						
Y121	In my family buisness, the emotional bonds between family members are very strong.	4.271	2	5	0.784	0.667
Y122	In family business, happiness as the family is more important than financial gain.	3.958	1	5	1.172	0.633
Identification with Family Members with the Firm						
Y131	Family members are proud to tell others that we are part of the family business.	4.062	1	5	1.008	0.718
Y132	Family members have a strong sense of belonging to my family business.	4.125	2	5	0.881	0.873

Measurement model assessment

Validity testing and reliability measurement were done reflectively at this stage. Validity testing was done through convergent and discriminant validity tests. Convergent validity was seen through a loading factor and AVE. The overall loading factor had exceeded the critical value, which is 0.5 for all indicators (Chin 1998; Gozali & Latan 2015). AVE had exceeded the critical value of 0.5 ; thus it can be said that the overall indicators were qualified for convergent validity. Data from the SmartPLS 3.0 testing can be seen in Table 2 for loadings factor and in Table 3 for AVE value. Discriminant validity was done by examining the Fornell-Larcker test. The result shows that all the AVE values of constructs were higher than the squared inter-construct correlation. A cross-loadings evaluation shows that all indicator loadings are also higher than their respective cross-loadings. The overall requirements had exceeded the critical value; thus, it can be said that the measurement test met the requirements of discriminant validity. The data for

Fornell-Larcker are presented in Table 4. The cross-loadings are presented in Table 5. The reliability can be seen in Cronbach's alpha and the composite reliability. The overall variables had exceeded the critical value, thus it can also be said that the whole measurement model was qualified, as seen in Table 3.

Table 3

Convergent Validity (AVE) and Reliability (Cronbach's Alpha and Composite Reliability)

	AVE	Cronbach's Alpha	Composite reliability
Family Conflict (X1)	0.582	0.848	0.890
Family Firm Governance (X2)	0.534	0.875	0.901
Decision-making (X3)	0.566	0.769	0.837
Socioemotional Wealth (Y1)	0.557	0.838	0.882

Table 4

Discriminant Validity (Fornell-Larcker Critertion)

	Family Conflict (X1)	Family Firm Governance (X2)	Decision-making (X3)	Socioemotional Wealth (Y)
Family Conflict (X1)	**0.763**			
Family Firm Governance (X2)	-0.540	**0.731**		
Decision-making (X3)	-0.211	0.378	**0.752**	
Socioemotional Wealth (Y1)	-0.412	0.678	0.540	**0.746**

Note : AVE value are bold. All figure are bigger than the value below.

Table 5

Discriminant Validity: Cross Loadings

	Family Conflict	Family Firm Governance	Decision-making	Socioemotional Wealth
X111	**0.869**	-0.445	-0.191	-0.347
X112	**0.844**	-0.480	-0.183	-0.331
X121	**0.813**	-0.516	-0.152	-0.389
X122	**0.862**	-0.434	-0.228	-0.298
X131	**0.509**	-0.137	-0.126	-0.155
X132	**0.603**	-0.349	-0.072	-0.311
X211	-0.355	**0.757**	0.375	0.596
X212	-0.482	**0.718**	0.135	0.444
X221	-0.567	**0.819**	0.162	0.543
X222	-0.519	**0.778**	0.208	0.493
X231	-0.319	**0.657**	0.195	0.332
X232	-0.357	**0.763**	0.288	0.493
X241	-0.219	**0.662**	0.353	0.504
X242	-0.373	**0.676**	0.397	0.475
X311	-0.416	0.487	**0.854**	0.544
X312	-0.096	0.209	**0.810**	0.427
X321	0.122	0.133	**0.646**	0.235
X322	0.094	0.101	**0.678**	0.279
Y111	-0.249	0.585	0.550	**0.822**
Y112	-0.165	0.376	0.474	**0.737**
Y121	-0.400	0.458	0.248	**0.667**
Y122	-0.389	0.603	0.342	**0.633**
Y131	-0.263	0.430	0.321	**0.718**
Y132	-0.372	0.524	0.429	**0.873**

Structural model assessment

The first step in assessing a structural model is to test its collinearity. The test result showed a value between 1.167 and 1.575, so it can be concluded that there was no collinearity in this model.

A Structural model assessment was done by looking at the R^2 (predictive power), f^2 (predictive effect), and Q^2 (predictive relevance).

The R^2 count result for decision-making was 0.143, or categorized as weak, while the R^2 for socio-emotional wealth was 0.556, or categorized as moderate. The value of f^2 for family conflict on socio-emotional wealth was 0.006, or categorized as small, while the value of f^2 for family conflict on decision-making was 0.00. Next, the value of f^2 for family firm governance on decision-making was 0.115, or small; the value of f^2 for family firm governance on socio-emotional was 0.386, or great; and the value of f^2 for decision-making on socio-emotional wealth was 0.211, or moderate. The value of Q^2 was obtained by blindfolding, the result of the decision-making value was 0.045, and the value of Q^2 for socio-emotional wealth was 0.265. Both values were between 0 and 1; thus, all of the requirements for structural model assessment were met. Later, the significance of outer loadings and path coefficient were measured. The test results were obtained from bootstrapping without changing any parameter of the SmartPLS 3.0 program unless its significance value was changed to 0.1. The statistical results for outer loadings and the path coefficient can be seen in Tables 6 and 7. All outer loadings showed significance at $p \leq 0.1$. A Family conflict had a negative but not significant effect on socio-emotional wealth and decision-making at $p \leq 0.1$. Family firm governance has a significant effect on decision-making and socio-emotional wealth, and decision-making has a significant effect on socio-emotional wealth at $p \leq 0.1$.

Mediation analysis

Mediation analysis was performed to measure the effect of family firm governance on socio-emotional wealth with decision-making as a mediator variable (Hair Jr. et al., 2014; Sarstedt et al., 2014). After eliminating the decision-making variable, the first test showed that the path coefficient of family firm governance on socio-emotional wealth was 0.682, or significant at $p \leq 0.1$. The second test showed an indirect relationship between family firm governance with socio-emotional wealth by decision-making variable, with a coefficient of 0.125 that was significant at $p \leq 0.1$. After that, VAF (variance accounted for) was calculated using the formula VAF = indirect effect / total effect. The calculation result showed the value of 0.185, which means that decision-making had a low mediating effect in the relationship between the family firm governance and socio-emotional wealth.

After analyzing the data, a summary of the results showed that family conflict has a nonsignificant negative effect on socio-emotional wealth, and family conflict also has a nonsignificant negative effect on decision-making. Thus hypotheses 1 and 2 were not supported. Furthermore, family firm governance has a significant effect on decision-making. Family firm governance also has a significant effect on socio-emotional wealth, and decision-making has a significant effect on socio-emotional wealth. Thus hypotheses 3, 4, and 5 were supported. The mediation results of the decision-making analysis show that this variable has a low mediating effect on the relationship between family firm governance and socio-emotional wealth.

As mentioned previously, this research was conducted based on the theory of social learning, with the strong influence of power distance and collectivist culture. The result shows that family conflict has a nonsignificant negative effect on socio-emotional wealth. The response is stating that the indicators of cognitive conflict are at the mean of undecided or neutral. This suggests that the respondents tend to prefer being neutral or to not act to conflict-related long-term ideas and strategies. Next, the mean of process conflict shows the value between disagreeing and undecided, thus there is no conflict regarding business management and task division within the company. Later, the mean of relational conflict shows that there is no relational or personal conflict. All three indicators above are in the range of disagree to undecided; therefore, family conflict is not sufficiently significant to influence socio-emotional wealth. This condition might occur due to cultural influences in Indonesia as suggested by Hosftede's Culture. (2010) Indonesia was ranked high in the collectivism and power distance culture which can be beneficial for the formation of harmony in the family business. As mentioned by Hofstede, power distance is not only about a perception of the relation between the younger generation and the older generation, but the concept is also a perception of an ideal relationship. Furthermore, the indecisive result can be mean that there is no conflict in the samples, or on the other hand, it might also mean that respondent decided not to expose the difference in their family business as the result of a collectivist culture which manifested in the behavior of maintaining harmony.

The result also shows similar things to the relations between family conflict and decision-making. This situation might occur due to the very common tradition to honor elders in the Eastern culture which is the manifestation of power distance and collectivist culture (Hofstede, 2010). The elders, especially from the generation of business founders, are seen by the extended family as being very good at building and growing businesses, proficient in constructing bond with stakeholders, wise in managing disagreements in the family, sharp in reading business opportunities and are treated by the whole family as being capable of making the final decisions. The results of the Hypotheses 1 and 2 tests support the opinion of Schulze and Kellermanns (2015), who suggested that in societies where family groups are highly respected, such as in India or China, the drive to maintain socio-emotional wealth will specifically become more prominent. A similarity between India and China and Indonesia where the study conducted are all ranked high in power distance and collectivism.

The finding in this research also support previous research conducted by Mustakallio et al. (2002) and Goldbart and diFuria (2009) that is said that family firm governance can be an opportunity for family members of business owners to have their opinions known through decision-making that is perceived to result in good decisions along with the commitment to carry them out. The effect will be stronger while the CEO is part of a family that can make the decision-making beneficial to socio-emotional wealth (Goel et al., 2013). Furthermore, interactions in the family council that produce the same vision can make family members of business owners believe that the board of directors will protect the interests of each family member in the company. The trusted board of directors is deemed able to carry out the monitoring function of the business and to advise the decision-making corresponding to the interests of the family.

Our research results also support the opinion of Hauck et al. (2016) and previous research conducted by Moreno-Gomez et al. (2016) and Naldi et al. (2013). A well-perceived family firm governance will be able to accommodate the emotional needs of the owner's family members, as well as the business actors. In addition to the aspects of interaction and similar vision, which affect the comfort levels of joint owners of a business, the role of a board of directors capable of counseling or monitoring the business, will make improved socio-emotional wealth. The perception of the interests of business owners being accommodated on the board of directors will make the business owner feel an emotional bond being part of a strong family running a business, with the high identification of effort and the desire to continue family ties through a successful dynastic succession process. As stated by Hauck et al. (2016), one of the criteria of socio-emotional wealth is the emotional aspect, in the form of the extent to which a common vision of the family members is represented through a decision made by the board of directors.

Our research results are in line with the opinions of Mustakallio et al. (2002), who said that if quality and commitment to business goals are met, then family members will be satisfied emotionally. The results are also in line with the results of Moreno-Gomez et al. (2016), who stated that decision-making has a significant effect on socio-emotional wealth. Good strategic decision-making involving family needs considerations can generate mutual trust, cohesion, and harmony. Thus, socio-emotional wealth will be preserved.

CONCLUSIONS

In summary, this research was conducted in response to the suggestion to take the course to the antecedent of socio-emotional wealth. To study the perception of socio-emotional wealth within the dynamics of family business, the research was testing the influence of family conflict, family firm governance and decision-making. The structural model shows that the good family firm governance as predicted resulting in good decision-making, and family conflict can be avoided. Unsurprisingly, the socio-emotional wealth showing good result. Moreover, the result of non-existing conflict within the family business might be strongly influenced by the culture of the family business which is collectivism and power distance, which hinder them to show the disagreement.

RECOMMENDATIONS

Managerial implications

Based on the results of this study, it can be seen that there is no conflict in the family businesses within the samples. However, when viewing the tendency of respondents which is Indonesian to conceal conflict public, it could be assumed that the undecided choice is a manifestation of their attitude. It can be said that the behavior not to show the disagreement is the result of socialization which is part of governance within a family business, that in the long run resulting good socio-emotional wealth. The attitude and behavior of covering conflict can be a double-edged sword for a family business. In the positive side, it can be the guarantor that conflict might be kept at bay. On the negative side, it can be a time-bomb that in the future have the potential to destroy the business if the disagreement continued.

To anticipate, it is strongly suggested that family firm's governance which is highly influenced by the culture of power distance and collectivism be open and sensitive to the opinion of other family business owners. The governance body of family business is encouraged not just behave as an agent of socialization of loyalty and respect to the family, but also as the board to articulate the idea in the way that appropriate to the culture of the family business. The willingness to share ideas, questions, and opinions can be the source of brainstorming to anticipate the misunderstanding and noise that in the long run might destroy the relationship within a family business.

Limitations and Future Research

Understanding that there is no perfect research, the limitations might be seen as the opportunity to conduct further research. In this research, the impact of culture in the family business management was not elaborated in detail. Further research is open to test the individual level of culture that might influence the behavior of family business member especially like in Indonesia which is nationally positioned as a country with high level of collectivism and power distance. Not to mention other dimension of culture like long term orientation.

Moreover, limitation of this research is the difficulty in obtaining a large number of samples. Sarstedt et al. (2014) mentioned that this difficulty is prevalent in family business research. The unwillingness to open up and the hesitation to participate in the survey are the obstacles to obtaining a large number of samples. The other limitation is the insufficiency of specific data about family businesses in Indonesia. Family ownership of businesses in Indonesia is mostly hidden; information about such businesses can be described as frozen. Even if the claim is that the number of these businesses is large and they contribute significantly to

Indonesian GDP (CSR Mandiri 2012), specific data that show which companies are family businesses are unavailable.

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