

SUCCESSION IN FAMILY GOLD SHOP

Adam Bakhtiar¹, David Sukardi Kodrat²

Ciputra University, Surabaya
INDONESIA

E-mails: ¹adamsappleindustri@hotmail.com, ²david.kodrat@ciputra.ac.id

ABSTRACT

“The purpose of this study is to provide solution, recommendations and measurement that can be taken in succession Issues Company A-Dua gold shop.

Succession in family firms such as company A-Dua gold shop is unique because in it, there is interaction interplay between three elements: ownership, family, and business. Therefore, succession in family firms have a fundamental difference when compared to non-family firms. On a non-family firms, for example, the public company managed by a group of professionals, succession solely related to the succession of the board of directors alone. Ownership in companies generally do not change dramatically. Similarly, enterprise management mechanism and organizational structure in it, are unlikely to change. The timing of the succession can be anytime, more driven by business needs and majority shareholder. In a family company, succession is not just changing the leader, but further than that for succession means an enterprise grant ownership forms,”

This study uses descriptive qualitative method and will explain about the succession of the company gold store family.

Keyword: Family Company, Succession, Organizational Structure

INTRODUCTION

A-Dua showed symptoms of lack of financial health. Starting in February 2014 A-Dua failed to pay debt interest payments, so that the owner was forced to hand over financial management from Abdul Wachid to Adam Bakhtiar. Adam Bakhtiar's status was appointed as general manager of the three subsidiary A-Dua group. He managed the task of family, ownership, business policy and portfolio wealth Settings. He was to obligate to set the platform management in a short time to restructure Integration family of Abdul Wachid.

The financial problems eventually trigger a succession problems in A-Dua group gold shop. This happens due to lack of clear division of tasks in the second generation that causes confusion and ultimately the process of working relationships disturbed. So up to now in the company succession A-Dua group wasn't went well.

From the issues above, the researchers found that the gold shops in the town and surrounding Stone experiencing similar problems. The issues led to a decrease in market preference to products sold in the store gold and most shifted to purchase alternative products and moved to another gold traders such as: Pawn Shops. In this case the gold shop business model could be threatened by unfavorable transitional regeneration.

Contexts

Based on the problems above, the authors formulate the issues that arise and discuss it in this research. The issues formulated is "How to plan succession at A-Dua gold store, to maintain the existence of the company from the first generation to second generation?"

LITERATURE REVIEW

Succession Definition

Definition of succession according to Retno Djohar Juliani, dan Erwin Dwi Edi Wibowo in the journal "The Importance of Leadership Succession In A Company." (2011) defines a succession within the company as a transition of leadership in a company. Leadership succession can be carried out either at the peak (top managers), medium level (middle manager) as well as at the level of the first line (lower manager).

The Family in Family Business

This sub-section is a translation of an analysis tool that view succession from the perspective of the family as a variable succession.

Genograms

Genograms is a depiction of a family member as a whole, exit and entry of family members into the company system and the relationship of each members. Starting from the founder of the company to prospective successor to the business.

Genograms useful to predict potential problems and inheritance of each family member which will appear. Also to study the dynamics of the company now and in the future.

Perception Map

After knowing anyone who are in the circle of family firms and prospective successor, next tool needed is an analysis tool for perceive potential and weaknesses of each of these individual with a perceptual map. Perceive map itself is an assessment table to perceive roles of each member of the family is involved in the family company.

Ismail and Mahfodz (2009) stated that the personal perception of a potential successor company is an important factor in view and assess the level of preparation for a potential successor company to continue the company's leadership in the family. At this level from the standpoint of the successor company for the selection of candidates for education and responsibility will be given to him as the successor parent company of the family.

The Business in Family Business

Here are the tools to assist in the management of the family enterprise efficiency and effectiveness of the company's performance. According to Sharma, Blunden, Tsabaki and Algrin (2013: there are six useful conceptual tool to describe how the family system affects business systems.

1. Organization / Ownership Chart

The organizational structure is an arrangement of components or work units within an organization. The organizational structure shows that the division of labor and how it functions or the different activities that are coordinated. And besides it also shows the organizational structure of the specializations of the work, or the command line submission of the report.

The organizational structure is an arrangement or relationship between component parts and position within an organization, the components that exist in the organization has a dependency.

So if there is a good component will affect the other components and will certainly affect also to the organization.

In family firms need to be given information about the placement in the organizational structure and composition of family members in each department. This serves to control the performance of each position has a composition of family members therein. Here is structure of the main object's organization chart

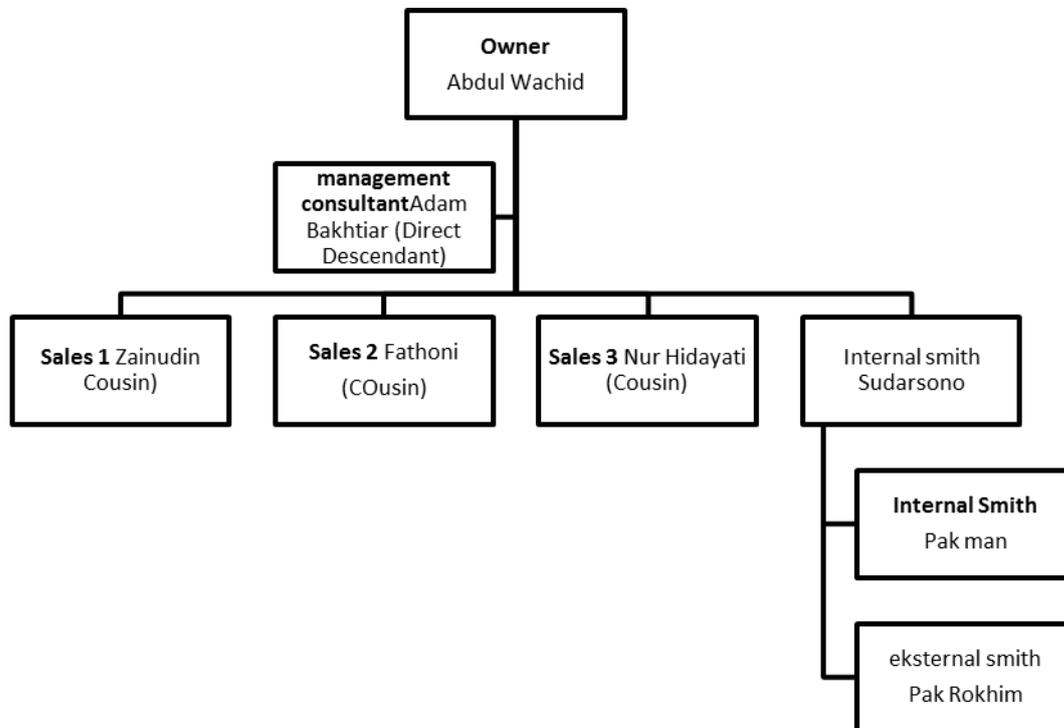


Figure 1. A-Dua Organization chart

Source: Internal Data

2. Succession Issues

Succession is an important point of the three pillars of sustainability of the family enterprise. Failure in succession can leads to companies' shut down, no matter how big and healthy is the companies. Succession of family firms involves internal interaction within the family or between family members and interaction with the family members of the company.

The process of succession in family enterprise focused on the strong communication between the older generation to the younger generation in order to reach a common view forward to working together in order to achieve business objectives by taking steps as follows (Lansberg, 2005, p.167):

- Be active, prioritize deliberation to be able to choose the right option or choice and consequence the implications of any succession. Family company in facing challenges ahead, especially in the succession process still uses the process of replacing the leadership wisely.
- Creating favorable conditions for family members to talk about their hopes and dreams for the future. This is an idea of the owners of a family company that wants a rapid progress and development of their business
- Continuing re-assessment of the feasibility of hopes or dreams. This is an introspection of his own family were skeptical of hope and vision of the company. Make long-term

planning and short-term succession strategy is a step towards a greater emphasis on the needs of the company

- Development of structures and processes of effective leadership. Leadership structure that focuses on institutional development to determine the rights and responsibilities of each member of the family
- Cooperate with all family members involved
- Always searching for the latest information and continuously improve the enterprise management system and development of quality
- Building mutual trust and have a sense of compassion and act fairly and to develop both vertical and horizontal communication in order to implement the vision for the future of the company

According to (Chrisman, Chua, and Sharma 1998). There are six steps are recommended to go through this transformation process

- Define ownership widely, define objectives and corporate management. With the division of ownership and clear objectives succession planning can begin
- Form a task force of succession
The task force serves in managing succession led by founder. This task force will provide input and advice to the founders in succession.
- Define the criteria for the successor Contains rule out, as already discussed above.
- Prepare successor. Once Company's Successor has elected, then regeneration can be started by placing a successor in the appropriate fields to develop their careers.
- Create a plan based on time. Once a potential successor to contribute to the company specify the time when they will be ready to occupy the position that is prepared, while measuring performance in the occupied section
- Provide opportunities for family members who have retired.

Unlike corporations, the family company of family members who already retired remains a member of the family. Therefore give an opportunity to the already retired to fill his original position for the continuation of the company's system.

3. Retirement Planning

According to (Son-nenfeld and Spence 1989) there are four styles of pension that can be owned by a family member in a strategic position. Integration leader running this style is currently undergoing a transition in its position.

- Monarchs: maintaining control for critical decision making. This is done when the chief difficulty in the task bequeathed his successors. They want the great success of late,
- Generals: carefully monitor his successor but is not satisfied with its performance so that this type of leader wants to take over its remit back
- Governors: experienced by leaders who are less successful in his time, but to experience success in the last period, before finally cut ties with the company altogether
- Ambassadors: to lead the company to a level of success that is mediocre, and conscious when they had to retreat. They do not have the vision and the ideal position of the company

The best scenario is when the former leader could always hands on to provide guidance at any time needed by their successors.

4. Successor Commitment's Type

According Sharma and Irving (2015: 13) there are four reasons were found to encourage the next generation's decision to pursue a career in the family firm, among others:

- Affective commitment: having a strong belief in receiving and running the purpose and vision of the company, the confidence and desire to contribute to that goal. Commitment is based on beliefs and desires

- Normative commitment: have feelings and are obliged to pursue a career in the family business to establish a good relationship to the people who he perdulikan. Commitment is based on responsibility.
- Calculative commitment: having a sense of compulsion to continue the family business so they do not lose the wealth and significant opportunities. Commitments under obligation
- Imperative commitment: has distrust yourself if working outside the family firm. Commitment is based on necessity.

5. Exploitation and Exploration of Products and Markets

According Bergfeld and Weber (2011) in Sharma, Blunden, Labaki, Tsabari and Algarin (2013: 16) family firms that survive have high levels of innovation as the following, among others:

- Incremental Innovations: focused on increasing market share and enhance the efficiency to provide a given product or service. This innovation is based on the exploitation of market development formed to minimize risk.
- Progressive innovations: focused on adding technology to add an existing market with a moderate risk.
- Radical Innovations: focus on structural changes in technology that is used to get the product in order to discover and reach new markets with a high degree of risk.

6. Conflict Type Family Company

According to (McKee, Madden, Kellermanns, and Eddleston (2014) conflict type in family company is divided into three, namely: tasks, processes and relationships. Divisions over the goal was conflict in the task. In terms of the process is often disagreement as to how to how to achieve the goals. While in relationship conflict is mistrust, tension, rivalry, hatred up hostility among family members.

According A.B. Susanto (2013) Conflict in the family enterprise can be defined as a situation at work where two or more people or groups of people in the family have ideas, views, arguments, perceptions, and opinions that are contrary or contradictory so they blame each other resulting in the company.

From this sense, the conflict within the family enterprise can be grouped into three, namely the conflict between business interests and family, conflicts among members of the family, and the conflict between family and employees.

The conflict between business interests and the interests of the family caused by the differences between family values and business values. In the family, a relationship based more on emotion, whereas in business relationships more rational and logical.

In business person holding an office is the most competent person, while in the family blood ties more talk. The top position as far as possible filled people closer blood ties to the owner / founder

RESEARCH METHODS

To give a conclusion on the Succession management issues in family gold shop, the type of research methodology that will be done is descriptive qualitative research. According Koentjaraningrat, (1993: 89). Qualitative descriptive research is a study, which included qualitative research. The aim of this study is to reveal the facts, circumstances, phenomena, variables and circumstances that occurred while running the research and presenting what it is. Interpret qualitative descriptive study and said the data is concerned with the current situation, attitude and outlook that occurrences in society, comparing between two variables or more, the relationship between the variables, the difference between facts, influence on a condition, and others. Problems examined and investigated by qualitative descriptive study refers to

quantitative studies, comparative studies, and can also be a correlation study one element alongside other elements.

The researchers describe the subject of the study of language as a principal language is the target of observation or informants in a study conducted by researchers. To get comprehensive data management family gold shop will be shared with some of the following classification

Table 1 List of Informants

Main Object	Object Comparison
<ul style="list-style-type: none"> • Gold shop owners A2 	<ul style="list-style-type: none"> • Bumimas gold shop owner (Pandaan) • The gold store owner Ratna sari (Stone) • The gold store owner Hidayah (Batu) • The gold store owner sources mas (poor)

Source: Internal Data

Researchers chose the above data because of similarities problems experienced by fellow gold shop undergo succession to the second generation and still had a relationship with a gold shop A-Dua. So the data obtained can be a useful comparative data in this study.

To collect data as research material researcher use these methods,

- auditing techniques, this technique is usually only examines documents and archives on matters relating to research
- Observation, is one technique providing data, refer to the basic techniques and subsequent conversation refer freely, conversation, record, record
- In-depth interviews (in-depth interviewing), Walliman (2006) states "Interviews, because of Reviews their flexibility, are a useful method of Obtaining information and opinions from experts during the early stages of the research project". The questions were given to the informant is open ended and led to the depth of information. This technique usually equipped with proficient techniques with basic fishing techniques and subsequent semuka. The interview will be conducted on the owners and stakeholders.

Data Analysis Methods

Researchers analyzed data to research gold shop succession using the theory of family in family business and business in family business. This theory has five analytical tool includes multiple additional parameter analysis. On Family in family business, researchers using two analyzers are genogram and perception map. According to Sherma, Blunden, Tsbari and Algarin (2013: 3) tools. This analysis can be used for understanding the effectiveness and efficiency in the family company.

Table 2 Indicators and Analysis Tools

Indicators	Analysis Tools
Family in Family Business	<ul style="list-style-type: none"> • genogram • perceival map
Business in Family Business	<ul style="list-style-type: none"> • Organization / Ownership Chart • Succession Issues • Planning to retire • Type of successor commitment • Exploitation and Exploration of Products and Markets • types of conflict family company

Source: Internal Data

Research Result and Findings

Family in Family Business analysis

The first analysis in Family in Family Business, to understand the family aspect of each gold shop in the following carefully genograms of each object.

Genogram

Genogram is a useful tool in determining who will be the successor. This tool can be used over who should have the right and duty to be a successor of Heredity factors and analyzes the emotional connection between each member of the family. This is important so as not to give rise to conflicts of interest of their respective successors.

Researchers realized that the succession of the company is closely related to cultural and religious factors are adopted each owner of the company. The tendency in Indonesia always prioritize biological descendant of such articles below:

"The successor company preferably one biological child families (45%) or some biological children (31%). Another criterion is a competent family members (8%), a member of the family shareholders (7%), other family members (3%), non-professional family members (2%), according to the decision of shareholders (2%), and the other (2%) had not even thought about succession planning. (A.B Susanto 2014) "

Here is the main object genogram

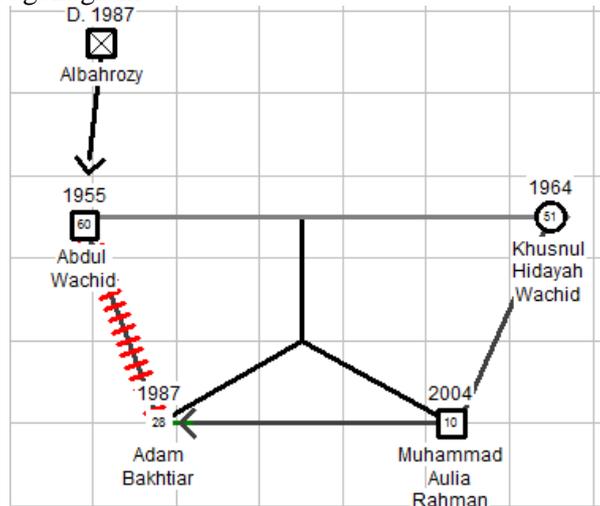


Figure 2: The main object genogram

Source: Internal Data

Prior to determining who's good successor to the leadership of the company owners use genogram to better map out the possibility of alternative successor. If the line of succession mapping can be done well, a succession of companies can run more smoothly. In accordance with the genogram function according to Sharma, Blunden, Labaki Tsabari and Algerin (2013) the following:

"When analyzing family business cases, preparing a genogram of the controlling family starting from the founding generation, can be a powerful tool to capture the family system's key players and relationships effectively. Each row depicts a generation of a family, and lists siblings from oldest to youngest, from left to right. Gender, marital status, age, nature of relationships and other details like role in the business and ownership can be included using legends. "

Perception Map

After filtering through a genogram successor candidates, it helps companies store gold family sort out the feasibility of each candidate according successor's Competence. Way sorting can help in determining the ability of first-generation potential successor to lead the family gold shop. Competence itself according Syafei (2007) as:

"The skills needed someone who demonstrated by its ability to consistently provide adequate performance levels or higher in a specific job function"

As for the specific job functions mentioned above can be implanted by first generation in the form of family rules which translated as SOP in the company.

Such data studied, none of the family company mapped prospective competency successors well. It can be seen from the data obtained researchers, three fundamental business owners make mistakes to perceive competence of prospective successors. As for the perception of 3 points on the perceive map according to Sharma, Blunden, Labaki Tsabari and Algerin (2013) are: strength, weakness and ideal position. To determine the competence of candidates with a better successor could be add competency points by Kravetz (2004), namely: KSA (Knowledge, Skill, and Attitude) or knowledge skills and attitudes. At 3 points Sharma, Blunden, Labaki Tsabari and Algerin, the first generation did not have or do not care at all assessment of competence of prospective successors. It is caused by

- Inability to first-generation successor candidates in sorting competence in business with family a relationship.
- Gender bias that led to the inference that the boys always will bring the company to a better direction than girls.
- The paradigm that the next generation is not always experienced, and the first generation never thought of experience and innate ability of the future generations.
- Communication is not smooth and
- Motivation crude successor in the eyes of the first generation and the rigidity of the first generation vision.

If the barrier above is removed, perceiving map-making competence then analyzing potential successor company will be better and leads to better successor candidates.

Business in Family Business

Having determined the successor candidate in the family, the company gold store education in family can be started by introducing and involving a potential successor into the job. It is important to build up experience, business sense and resilience of each candidate.

But according to the research results, the company gold store family have various obstacles to involve the candidate.

Organization and Ownership Chart

To process cadetting to potential successor, gold shops should involve their families in the units within the company. But from the 3 companies who are all researchers analyzed, not one have a clear division of tasks in organizational structure. In the A-Dua gold shops and Ratna Sari 2 gold shop only 2 positions to be occupied, namely: Sales and smithy. Generally the core competencies that perceived by gold shop only sales and products.

With the data obtained, researchers can understand that the successor cannot develop his career in the family firm gold shop, increase knowledge or acquired extensive experience. So 2 out of 3 companies which in meticulous, next generation prefers to open stores separate gold from gold store first generation. Such actions could lead to the succession does not go well and led to the collapse of the gold shops that have been built by the first generation.

Therefore, the first generation should make the division of tasks and SOPs are clear and detailed in his company in order to more easily develop the next generation of career, expertise and knowledge in gold shop family.

Succession Problems and Solutions of Conflict Type

After creating a better organizational structure, the first generation and the successor can start the regeneration process and transfer knowledge and skills in the next generation. In its journey regeneration process with the collaboration of this kind always have problems. Based on this research analysis, succession problems, researchers found three major issues, namely:

1. No representation expression of desires, goals and needs
2. The difference is seen as a burden rather than an asset.
3. Lack of appreciation and recognition

As to minimize and overcome the above problems, Gold shop founder family should categorized types of conflict that arise well. Is the conflict regarding the objective, process or relationship as described McKee, Madden, Kellermanns, and Eddleston (2014). Types of conflict experienced by determining the type of solution that will be done.

Task (goal) and the conflict process in question is

"Task and process conflicts revolve around work issues. While the task conflict is focused on disagreement in a group regarding goals or objectives to pursue or Accomplish, process conflict relates to "how to Achieve the agreed-upon objectives." McKee, Madden, Kellermanns, and Eddleston (2014)

While the conflict is the relationship

"... Relationship conflict is not linked to the 'what or how' issues of business operations. Instead, it is based on negative emotions or feelings such as intense anger, rivalry, resentment or animosity among family members "(Kellermanns and Eddleston 2004).

As already discussed in the analysis of the data, the type of conflict resolution could be by way of establishment and family council deliberation, the appointment of advisors or two Sides communications.

It's suggested that all the problems, conflicts and the resolution always stored as records (template) so that the same problems recur treatment can be carried out more quickly and effectively. Or if one with the same core in a larger scale, the problem can be more easily isolated.

Commitment type and Exploitation and Exploration of Products and Markets

In this section researchers discuss about the future of the company. With the stabilization of the gold shop after a family succession issues and all types of conflict can be controlled, gold shops companies can plan for future family business model, with categorized what types of changes will be made. From the data found in research in the family gold store changes to be made is closely related to the type of motivation that is owned by the prospective successor. The link can be seen in Table below.

Table 3. Relationship of commitment and Exploitation and Exploration of Products and Markets

<i>Gold Shops</i>	<i>Motivation type</i>	<i>Exploitation and Exploration of Products and Markets</i>
<i>A-Dua</i>	<i>Affective commitment</i>	<i>Radical Innovations</i>
<i>Hidayah</i>	<i>Normative commitment</i>	<i>Incremental Innovations</i>
<i>Ratna Sari</i>	<i>Imperative commitment</i>	<i>Incremental Innovations</i>

Source: Internal Data

On this data the researchers found that the type of successor who has Affective Commitment and have the same goal as the first generation will have the confidence to bring radical changes in the gold shop business family, although the process would be at great risk. As disclosed Erick P.C. Chang, W. Franz Kellermanns (2013)

"Family members may have divergences in setting goals, especially in cases when intrafamily succession is imminent, that may later generate social interaction processes where family members need to bargain towards collective agreements to avoid potential conflicts." Erick PC Chang, W. Franz Kellermanns (2013)

Apart from that, among the four types of commitment and 3 types of innovations that made the researchers did not find the ideal combination. Each type of commitment and innovation could change depending on the succession process is done. If the succession is done well then the level of commitment can be increased, and vice versa.

Retirement Planning

After the gold shop company decided the successor for the first generation. The business founder can begin to make retirement planning in order to avoid the dualism of leadership in the company. From the analysis of the data, it turns out none of the company's first-generation gold shops have retirement planning. Each assume there is no limit for them to retire. Whereas retirement first generation is an important part for the sustainability of the company.

After learning these facts researchers asked further if they have to retreat what position they would take. The answer of the informant will be categorized into four types of pension classification (Son-nenfeld and Spence 1989). Of the three companies studied, only the first generation A-Dua gold shops that decide to position themselves fully as advisors, wherein two gold shops others want to get involved until their physical condition does not allow.

The best case scenario according to Sharma, Labaki, Tsabari, Algerin (2014) was when the first generation aware and determines when to retire and how the position after retirement. Because unlike the corporation, retired leaders will remain a member of the family, to avoid potential conflicts.

"The best scenario is when the past leader of the enterprise is available for consultation and guidance when approached by the new leader. But, it helps to retire often an individual into a new project or role, so she/ he is moving into something while letting go of Reviews their previous position. "

Responding to these researchers argue, would be very dangerous if the next generation has been elected the pace of change has already begun, but the first generation did not come out of the organizational structure and decision-making. For business conflict, as already discussed very likely reappear and destructive to the management that has changed. Although conflict can be isolated or minimized, nonetheless it could be a significant obstacle.

CONCLUSION

Planning and above stages are necessary to maintain the existence of the company if it wants to resolve the financial and managerial problems that now spring is upon gold shop A-Dua. The approach to reform should be carried out simultaneously between Family in Family Business and Business in Family Business, because these tools are meant to fix two different areas in the succession of the family company.

In summary this study not only the answer to these problems but also provide space thought and action to make the process of succession to the optimum and efficient.

REFERENCES

- Arnoff, Craig E, Mclure, Stephen L. dan Ward, John L. (2011). Family Business succession- The Final Test of Greatness, First Edition.US: Pelgrave Mcmillian.
- Hadinugroho, Eveline dan Mustamu , Ronny H. (2013). “Analisis Deskriptif Proses Suksesi Pada Perusahaan Keluarga yang Bergerak di Bidang Konveyor”: Agora Vol. 1, No. 1
- Hoy, F dan Sharma, P. (2010). *Entrepreneurial Family Firms*, New York: Pearson prentice Hall.
- Juliani, Retno Djohar,dan Wibowo, Erwin Dwi Edi. (2013). Pentingnya Kepemimpinan Dala Suatu Perusahaan, Agora
- Mitchel, Kammerlander. (2013). “*Trusted Advisor in a Family Business Succession Planning Process an Agency Perspective*”, Agora
- Nurwantoro, dan Sobirin, Achmad. (2013). “Analisis Kepemimpinan Perusahaan Keluarga di Sentra Batik Pekalongan”, Prosiding Seminar Nasional 2013 Menuju Masyarakat Madani dan Lestari, ISBN: 978-979-98438-8-3
- Sharma, Pramodita, Blunden, Robert, Labaki, Rania, Algarin, Juan O., dan Tsabari, Nava. (2013). *Analyzing Business Cases: Tools abd techniques, Case Research Journal*, Volume 33 Issued 2, 1-9
- Silva, Paulino dan Silva, Rui. (2014). *Family BusinessTransfer: The Importance of Contributing The Business*, Porto: Horizon Research Publishing
- Susanto, A.B. *World Class Family Business*. (2005). Qiantum Bisnis dan Management, PT. Mizan Pustaka, Jakarta Selatan, ISBN. 979-3758-03-1
- Supriatna, Mamat. (2009). Layanan Bimbingan Karier diSekolah Menengah. Bandung: Depatemen Pendidikan Nasional Universitas Pendidikan Indonesia Online