FAMILY BUSINESS VIEWED FROM COMPLEXITY FAMILY AND BUSINESS AND HOW TO MANAGE TO ACHIEVE SUSTAINABILITY

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ABSTRACT

The myth that family firms can not survive through three generations, is supported by many facts in different parts of the world, that the number of companies that can last up to three generations is small. From the data also mentions that family companies contribute greatly to the Gross Domestic Product of a country. So very unfortunate if this family business can not last long. The purpose of this study is to explain the family business in terms of business complexity, family complexity and how to manage it in companies that are still held directly by the founder / first generation. Family business has its own uniqueness because it combines business, family and ownership, resulting in various roles of the people involved such as only family members or family members who act as employees and family members who are also as shareholders. The different roles will result in family complexity and business complexity. When it reaches third generation family complexity occurs more complicated than if it occurs in the first generation, because in the third generation then involved in the business has been involved in the relationship cousins while in the first generation involved only founder. Likewise the three companies become larger then it will have a heavier complexity than at the beginning of the stand. For that family company can still survive and sustainable it needs a good way of managing, and for each character of the company as in the newly established business is certainly different ways to manage it with a long-standing company, but also companies that are still held directly by Founder will be different way of managing it compared to companies that have reached third generation. In the first generation of companies need to pay attention to managing business by way of professional operation, pay attention to succession and managed family complexity.

Key words: Family Business, Business Complexity, Family Complexity

INTRODUCTION

The contribution of a family company to a country's economic growth is undoubtedly because it contributes 50% of GDP in the United States (Shanker and Astrachan 1996), while in Indonesia 90% of the existing firms are households contributing 80% of GDP of the country (World Bank, 2017). According to Groysberg (2014), family business that can survive one generation is only 70%, so it can be said that this family company is difficult to sustain. Ward's argument, 1987, states that the critical condition is due to the transition of leadership from the first generation to the next generation that did not go well.

The difference between family business and non family business is that of family business there is family involvement in it (Collins and O'Regan (2011). It is also supported by Chua (2003), so there is a difference of interests between family demand and business demand (Carlock, 2001). While Tagiuri and Davis (1982) stated that the family business has a three-circle model that explains that there is overlapping between family, ownership and business that will affect the condition of family business.

Based on its characteristics family business can be categorized into five models (Gimeno, 2010), starting from the newly-called Captain model to the Corporate model where the family business is big with the characteristic that is involved in managing not only the nuclear family but also involving Professionals in the company's operations.

In this study aims to describe Family Business in terms of complexity family and complexity business and how to manage Family Business in the first generation company.

Issue Family Business

The three-circle model of Tagiuri and Davis (1982) in Figure 1 states that the family business model has three circles consisting of family, ownership and business, resulting in overlapping of the three parts that will affect the condition of the family business.

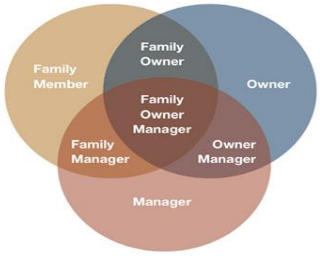

Figure. 1 Three Cycle Model (Tagiuri and Davis (1982)

This overlapping condition has many consequences, meaning that the role of a person can be distinguished into seven different conditions causing complicated governance (Mustakallio et al., 2002), meaning someone who acts only as a family member or family member who also doubles as an employee or Family member who doubles as employee and also owner. Differences from internal stakeholders involving these intergenerational differences result in a family of complesity (Gersick, 1997). The complexity of family business (Gemino, 2010) is distinguished by three dimensions or axes, ie business axis, family axis and owner axis, each of which axis has different phases and will determine family complexity and business complexity.

Family Complexity

Family axis phase (Gemino, 2010) categorizes business into 4 categories: young business family, entering the business, working together and passing the baton, whereas according to (Churchill and Hatten, 1987) differentiate into owned-managed business, Founders, then at the stage of training and development of the generation means starting to involve the second generation into the business, in the partnership between the generation has involved wider cousins and families, and the transfer of power stage means that the founder must start ready to let go of leadership and divert on next generation. Every family business also has different life cycles and each stage has different challenges. Companies that are still categorized as small medium enterprises will have different challenges than those that have reached the corporate scale (Cowling et al., 2015, Churchill and Lewis, 1983). This family axis phase discusses more details about the life cycle of the family. Family Axis Phase differentiates the difficulty level of young business family, entering the business, working together and passing the baton. The stages in the young family are not too complicated because every decision to be taken does not involve many parties because it involves only the founders alone compared to the conditions at the time of passing the baton, which must involve between the first generation and the second generation. This is related to family business life cycle.

This family axis phase will be associated with the Ownership Axis phase, as discussed tends to family relations. Ownership Axis phase (Gemino, 2010) is divided into 3 conditions: controlling owner, sibling partnership and cousin consortium. The condition of cousin consortium is more difficult than when the company is only controlled by the owner, because with many people involved it requires such good communication and interpersonal skills to maintain harmony of the family and also the existence of different family backgrounds. Your relationship will be related and affect the emotional, social and cognitive development of a brother (Dunn, 2002; Karos et al., 2007; Pike et al., 2005), this is because the bond of brotherhood is a long-term relationship. This brotherly relationship will also have an impact on social aspects such as involving cooperation and conflict (Edwards et al., 2005, Punch, 2008)

Business Complexity

By using indicators such as business size, company location, diversification and business sector, the business complexity of Axis phase is divided into 3 points; Start up, expansion-formalization, and Maturity. Conditions at a company start up certainly has a different complexity compared to companies that are doing expansion and mature.

The results of the study from Chua et al. (2012), suggests that large or small companies will also cause variations in differences from family involvement such as social status and family harmony. It is also triggered by business ownership that will affect corporate goals (Chrisman et al., 2012; Jones et al., 2008). Small companies are usually easier to allocate resources than larger companies (Chrisman et al., 2003; Kotlar, 2012).

Family business model

According to Gimeno (2010) based on complexity level and development structure, a family company can be classified into 5 models: Captain Model, Model Emperor, Family Team Model, Professional Family Model and Corporation Family Model

From the results of his research illustrates that Family business can be categorized into five types based on family complexity, business complexity and structure development. For the captain model is a family business that has the lowest level of complexity, business complexity and development structure compared to other models, while the Corporation Model has the highest complexity and development structure. This is explained because each model has different characters. Table 1 shows the different characteristics of each model.

Table 1. Characteristic of Family Models

Family Business Model	Characteristic
Captain Model	SME managed by founder
Emperor Model	Business and Families managed by leader
Family Team Model	Extended family working in business
Professional Family Model	Complex family governing a complex business
Corporation Model	Family with varying complexities investing together

Source: Gimeno (2010)

Management Family Business in the Captain Model

A company must be managed professionally as well as it should happen to the family business that is in Captain Model, at this stage the company is still categorized in small medium enterprise because usually new company stands and still under the leadership of the direct founder so that when viewed from the family complexity can be said Is not there because only the first generation that operates the company and he is also directly responsible for the decisions taken. Family business with captain model also has a business complexity that is still low because of the size of the business is still relatively small and usually also do not have many branches or business lines, so it can be said that the level of business complexity is still low compared with the already large companies. In the business family with the captain model category, it is appropriate to the characteristics that are still managed directly by the founder with a relatively small business scale, it is necessary to do some things (Gimeno, 2010), namely (1) the company must be managed professionally, (2) Managing the succession process and (3) managing well the family complexity

Professionalization of operation

Companies must be well managed to produce good performance, so also applies to family business. In order for family business to survive and sustainably it is necessary to manage its human resources well. This is related because family companies usually work is from family members, it is necessary to note the competence, for family members who do not have the knowledge, skill and attitude according to the required demands, it can be increased competence by providing training (Gersick, et al., 1997).

In addition, the owners of the family company also need to establish the mission of the company that should be described in the corporate strategy and planning as the mission is the foundation for future plans (Harris et al., 1994). Based on the mission can be made a strategy in accordance with the expectations of the owner, so the determination of the mission is the foundation for the company (Leon-Guererro, 1998)

Succession Management

In the family enterprise, the critical condition that needs attention according to (Brockhaus, 2004) is on the succession process, supported by research from Beckhard and Dyer, 1983; Which states that only 30% of family companies are successful in continuing to the second generation. According to Sharma et al., 2001, succession is the process of shifting leadership positions from one generation to the next. In this relay process it is necessary to have a good plan for this succession process can run well.

Some factors that may hamper this process of succession are from the founders, such as concerns about death, fear of loss of power, while the family is fear of loss of identity and rivalry among brothers (Susanto, 2007), while opinions (Solomon et al., 2011) States that from the incumbent there are four things to note are the conditions of marriage, the condition of the child, the vision for pension and the position of the lifecycle of the individual. The obstacles of this succession process are also triggered by concerns about the condition of future family enterprises, as described by Sharma (2004) in Figure 1, that family business has conditions from family dimensions and business dimensions, so that four parts are created, of course a founder will want That the company will be in quadrant 1, namely the condition of high emotional and high financial capital, because this is a condition where there is a harmonious family and the company goes well.

		Family Dimension	
		Positive	Negative
Business Dimension	Positive	I Warm Hearts Deep Pockets High Emotional and Financial Capital	II Pain Hearts Deep Pockets High Financial and low Emotional Capital
	Negative	III Warm Hearts Empty Pockets High Emotional but low Financial Capital	IV Pain Hearts Empty Pockets Low Financial and Emotional Capital

Figure 1. Performance of Family firms (Sharma, 2004)

Preventing growth of Family complexity

The results of the study (Holland and Boulton, 1984), suggest that the relationship between management and family will enhance the complexity of the organization. At the time the company is still new and still small category then the business complexity is also still low level compared with the company that has been big and long standing. For that in the family business companies are still Captain Model category then the level komplesitasnya not as complicated when it is at the position of the corporation model. In addition to the Captain model because the company is still run by the founder then the level of family komplesitasnya also still low compared to when it entered the third generation that involves not only the nuclear family but already involving cousins in the management

CONCLUSION

Family business is a company that many established but few can survive beyond third generation, it is because family business that have uniqueness because combine system family, system business and system ownership. These three things will affect the family complexity and business complexity. The newly established business and still managed by the direct founder certainly has a lower family complexity than the business managed by the third genre. While the new company / captain model certainly has a lower business complexity than the company that has been long standing and growing like a corporation model.

To manage the business that is still managed directly by the founder, it requires more professional management, because usually this business depends on the figure of the direct owner. Another thing to note in order for the company to be sustainable is the process of succession, because it involves the first generation and the second generation, the founder's factor that can be a constraint such as worrying about death or fear of losing power, while from the successor there are some things that It should be noted that the loss of identity or the occurrence of rivalries between siblings. While the latter is to try to avoid family complesity by managing the time well, because the main source of the Captain model is the founder, everything is centered on the founder, so the founder must be aware that the future of the company will move on to the next generation whose number of people involved more Many and successors must be able to have the ability to deal with it.

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