

KNOWLEDGE TRANSFER METHOD ON FAMILY BUSINESS FOR CV. KNJ

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ABSTRACT

The purpose of this research is to explore and to understand the process of how knowledge transfer method is carried out in family businesses. Planning to transfer knowledge about the company during the succession process is a key to keep the sustainability of the family business from one generation to the next one. Transferring knowledge is a step that can be done by the company's founder to provide an understanding about the company to the future successor. In this research, a qualitative approach was used to answer the problem formulation. The study found that a knowledge transfer process must contain a synergy between the founder and successor in order to keep the company's continuity alive. In addition, this research also found that transferring of knowledge does not have to start since the successor early age but can also be done when the successor has grown mature. There are several methods to transfer knowledge, for example by giving examples (seeing), verbally (listening), and giving opportunities or chances (doing). This research also found for categories of knowledge transfer, namely knowledge about the business, knowledge about business management, knowledge of how to overcome problems, and knowledge to hold on company's principles.

Keywords: Family business, knowledge transfer, methods, founder, successor

INTRODUCTION

A family business is a type of an organization where one or more family members hold, at least, 51% of the company's shares, the company is owned by one or more family members, and there are two or more family members who are actively involved in the business, controlled and lead by family members, and the company will be passed down to the next family generations (Remiasa and Wijaya, 2014). According to Family Firm Institute in Family Business Review, the statistic shows that only 30% of existing family businesses could survive on their transition period from the first to the second generation. Unfortunately, only 12% of family business are able to survive until the third generation, while in the fourth generation and beyond, only 3% of family businesses are able to survive the transition process (Wahjono, 2009). These results indicate that there is a precarious problem faced by family businesses, namely in maintaining competent leaders from the first generation to the next generations (Le Breton- Miller, 2004).

Family business are companies that are rich in idiosyncratic knowledge (Lee *et al.*, 2003; Cabrera-Suarez *et al.*, 2001). Compared to non-family businesses, idiosyncratic understanding in family business has its own unique characteristics. In family business, idiosyncratic knowledge is about individual's specific understanding about leadership. Due to its unique characteristics, only family business' owners can transfer their knowledge to the other family member(s) or non-family member(s) who the owner trust (Lee *et al.*, 2003).

The owner of the company has a tendency to choose family members who have limited capability to become an heir rather than choosing non-family members that hare more qualified in managing the company (Bertrand *et al.*, 2006). This situation creates a condition where the successors must be able to master the skills and knowledge possessed by their predecessor in order to be able to gain credibility

from the company's stakeholders (Chirico, 2008; Lee *et al.*, 2003). The company owner and the successor must ensure that the process of transferring knowledge can run smoothly so that all information and knowledge can be fully transferred to the successor (Chirico, 2008, Cabrera-Suarez *et al.*, 2001; Treviño-Rodríguez and Tapiés, 2006).

One of the reasons for company's failure is the inability to fully transfer knowledge to the next generation. The process is not easy and can cause instability in family business (Treviño-Rodríguez *et al.*, 2006). One of the problems during the process of transferring knowledge is not only the lack of experience of the company's owner, but also the successor of the company. The problem lays on how the owner share the information and how the successor able to take and process the information. The ability of both parties can determine how long the knowledge transfer process will be carried out (Kusuma, 2015).

Family businesses have, at least, three important elements during the succession process: transferring power, transferring managerial skills, and transferring knowledge (Treviño-Rodríguez and Tapiés, 2006; Varamaki *et al.*, 2006). Transfer of knowledge will be the foundation of the entire process that takes place within the family business. The process is facilitated by the existence of a strong relationship between generations (Higginson, 2009).

RESEARCH METHODS

The analytical method used in this study is the quantitative method where the data is obtained by conducting interviews. The data analysis is done by organizing the data into several categories, describing the data into unites, analyzing, and compiling the data in accordance with the research problems (Miles, Huberman and Saldana, 2014). The data is formed into a report and made into conclusions that makes it easier to understand.

To analyze the family business research, the data was obtained from company 1, company 2, and company 3 and the result will be selected on its appropriateness. The data will be analyzed using analytical content to identify the patterns and the themes. The data obtained will then be compared and identified. Furthermore, a cross synthesis is carried out in each case to obtain similarities and differences according to each characteristic (Yin, 2009). The final result of the data will be formed into visual form to make it easier to understand (Sugiyono, 2013). Thus, a suitable knowledge transfer model will be form.

The family businesses under study is family businesses that has gone into succession process. The criteria used in determining the informant are companies that have been established for at least 15 years and have succeeded in the succession stage. The informants are the owner of a food & beverage company, the owner of construction company, and a manager of confectionery company.

To test the validity and credibility of the study, the researchers will use participant validation or member checking and source triangulation. Participation validation will involve participants for the validation process. The result of the study will be sent back to the participants to ensure that the results are appropriate. Source triangulation is done to obtain information from trusted sources in order to minimize bias that will arise from a certain people or a certain position in triangulation.

RESULTS

Transfer of knowledge is a part of the successor's preparation in continuing leadership in the company. It requires knowledge of the state of the company, including the way the company operates, the management skills related to influencing others, as well as an understanding of the successors' strengths and weaknesses. Therefore, the successors must be able to master the tacit and explicit knowledge that the predecessor already has. Knowledge transfer will happen when the two parties are willing to do so and there is an interaction between the two. Moreover, it is better to start transferring the knowledge since the successors are still in their early age (Lee, 2003).

The results of the study show that the knowledge that are transferred by the founders to the successors are mostly tacit knowledge and supported by explicit knowledge. Tacit knowledge is information regarding the successors' daily activities in the company environment (Cabrera-Suarez *et al.*, 2001). In this study, the author divides the knowledge transferred by the founders to the successors into four type of knowledge: knowledge of how the business is done, knowledge of the business management, knowledge to overcome problems, and knowledge to hold onto company's principles.

The methods used during the knowledge transfer period were done via several ways, such as by giving examples (seeing), verbally (listening), and giving opportunities or chances (doing). It is in accordance with a theory by Notoatmodjo (2012) that most human knowledge is obtained by the senses of the ears and eyes, while sensing occurs through the vision, smell, hearing, taste and touch. During the process of transferring the knowledge, the successors will see real/ live examples from the founder figures in running the company, listen to what the founder taught, and practice what has been taught by the founder. During this period, the founder has to give the successors some opportunities to practice their knowledge and skills. The successors will tend to perform 'learning by doing', where the successor learns by completing the responsibilities given by the founder.

In addition to learning directly from the founder, the study also found that the successors were also given a trial-and-error time to test their abilities by opening a simpler business outside the main family business. This is in accordance with a statement by Varamaki (2002); it stated that successors will learn from experience by solving several real cases. Trevinyo-Rodriguez *et al.* (2006) stated that the founder's responsibility during the knowledge transfer process is to provide opportunities and space for the successors to develop their potential by considering the risks.

Within the knowledge transfer process, there are two transfer processes, which are the successors obtain knowledge from the business environment and from outside the business environment. From within the business environment, the successors acquire knowledge from the founder, while from outside the business environment, the successors gain knowledge from formal education and experiences from working in other companies where the knowledge acts as a complementary knowledge. This is similar to a statement by Kusuma (2015) who said that knowledge transfer method is a learning method where the successors are able to get concrete experience and conduct experiments. When the successors are getting knowledge from two type of sources, they must be able to combine the two sources of knowledge that he has obtained from inside and outside the company.

Furthermore, this study found different process of knowledge transfer, which are accumulated from previous theories, where they suggested that knowledge transfer process was completed within three stages (initiation, implementation, and ram up) and five processes (passive initiation, active initiation, initiative, light responsibility, and heavy responsibility). However, the researcher found different things, where the process of knowledge transfer is done in three stages (initiation, implementation, and ram up) and only three process (partial passive initiative, initiative, light responsibility and heavy responsibility).

The researcher found that the process of knowledge transfer does show weakness where the successor must work very hard during the process of transferring knowledge due to the lack of experience and responsibility given directly; this finding is in contrast to the process that was discovered previously which was carried out in stages. The process found by the research is indeed quite difficult to do. However, the process can run quickly so it does not require a long time. It is different to the other type of knowledge transfer process that were found in different studies as other type of processes require longer time because it is done in more steps. In conclusion, this study found that family businesses can choose the most appropriate ways to transfer knowledge according to individual's circumstances.

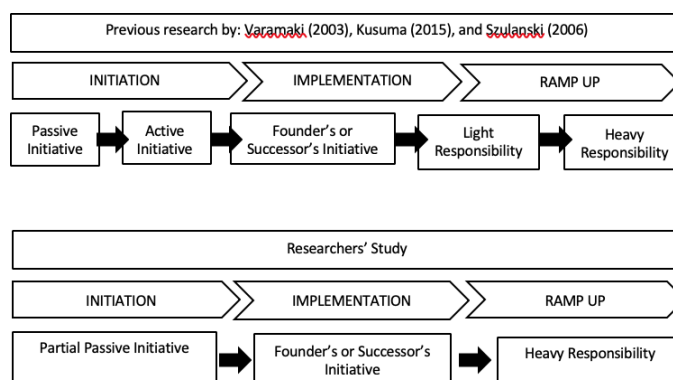


Figure 1. Transfer Knowledge Process

Source: Processed by the Researchers

How to apply results of this study on CV. KNJ is by using the knowledge transfer method found by the

author, where the process of knowledge transfer is done in three stages (initiation, implementation, and ramp up) and only three process (partial passive initiative, initiative, light responsibility and heavy responsibility). The method is chosen because the successor can study the company as a whole in a short time. The initiation stage begins by following the founder's daily activities to find out what is done. While at the ramp up stage the successor has begun to take responsibility as a leader in stages.

Discussion

The results of this study show that in the aspect about the businesses, knowledge transfer tend to be done by looking at and studying the existing system, listening to the predecessor's conversation, and seeing the company directly. Knowledge application is done by studying the company's system, such as: ways to order products, ways to store products, ways to send the products, the types of products, the price of each products, the quality standard of the products, etc., and the successor actively participate in founders' activity and learn from what the founder is doing.

In terms of knowledge about business management, the results of the study found that knowledge transfer is done via verbal, direct viewing, reading, getting involve in the founders' activity, and successors' involvement since the early age. There are several ways to implement the process: the existence of two-way interaction between the successor the founder, the founder often tells and teaches about the effects of each decision made, and the successors should pro-actively ask about the company's situation. In terms of knowledge in overcoming problems, the result of the study found that the most knowledge is done by practice. The knowledge is applied by giving opportunities to the successor to jump into the field.

In regards of knowledge transfer methods, the results of the study show that the methods that are mostly used during the transfer process are by giving direct examples, verbally, providing opportunities to practice, formal education, and seeking work experience elsewhere. The implementation is done by giving direct and/ or indirect examples to the successors, conducting discussions and telling stories about the company, and providing opportunities for the successor to take care of some company's responsibility in a certain period of time.

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