

THE SUCCESSION PROGRAM PLANNING OF DAMAI SEJAHTERA FAMILY BUSINESS

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ABSTRACT

This research was conducted to describe the succession program planning at Damai Sejahtera family business. This research was a qualitative design in which the data were gained through conducting survey supported with non-participative observation and in-depth interview for unconfirmed answer given. Four internal informants of Damai Sejahtera were interviewed to gain the data needed. The informants were the CEO, the wife of CEO as the family member, the employee as a CEO's confidant, and the future successor.

The succession program planning of Damai Sejahtera covered five basic factors of succession planning, namely the CEO preparation, the business preparation, the successor development, the family preparation, and the owner preparation in order to find out the readiness of the business and the family to the succession program that would be implemented. The result of the research concluded that Damai Sejahtera is not ready for succession program planning program and has to follow managerial implications that covers 5 basic factors proposed by Aronoff.

Keywords: CEO, Family Business, Succession Program, Successor, Indonesia.

INTRODUCTION

Family business is an important pillar for the economy of Asia, family businesses in the region recorded a total cumulative profit is equal to 261% during 2000-2010, with a compound annual growth rate of 13.7% during this period (Kompas Ekonomi, 2011). In Indonesia, the majority of family businesses engaged in wholesale and retail trading for 36%, 24% on manufacturing and distribution, professional services 14%, two types of business on 13%, agriculture and fishing for 4%, 3% on construction, finance, real estate for 2%, transportation, hotel and entertainment only 1% (Grant Thornton Indonesia, 2013). Succession is a must do in a family business considering of CEO or founder's performance will continue to decrease as they are getting older so that should be a transfer of corporate responsibility to the next generation. The purpose is to maintain the continuity of the family business is because there is no certainty on when the CEO of the family business will be off from duty so that later the company has a system of self-organization that can be passed to the next generation (Aronoff CE, 2011: 9-10). Preparation for succession planning program will be implemented in Damai Sejahtera, a family business managed by the first generation or founder named Soewarno Ongkowidjojo who handles almost all of the activity from finance, marketing, human resources and operational with some assigned workers.

Damai Sejahtera has been doing business of plastic mica for over 15 years and handles almost all of the packing materials using plastic mica like souvenirs' packs for special events such as wedding, valentine and other celebrations, packs for dried foods, baby shoes, underwear and also distributes unprocessed plastic mica from suppliers to customers in rolls with various sizes and thickness levels of plastic mica or made to consumer's demand to be processed either in the form of sheet mica or printed following the shape desired by the customer.

The main issue for Damai Sejahtera is that this company has not prepare succession program planning for the second generation and as written that the entire existing activities in the company is controlled by founder and using his own efforts rather than rely on or involve other family members to work on part of the company.

The second generation has not fully briefed and no detailed deepening in Damai Sejahtera so it can be said that the second generation is not ready to be a successor, it is exacerbated by the presence of internal conflict within the family over the last 4 years because of differences in opinions and principle issues in financial so that the relationship is not going on well and effected on the company because of this ineffective communication. Succession program became essential to be done in order to provide preparation for Damai Sejahtera to the first and second generation for the survival of the family business. The research is expected to provide an overview of how the program is being prepared for succession.

Based on this issue, this paper formulates the research question as follows:

- (1) How about the readiness of succession program planning in Damai Sejahtera family business?

LITERATURE REVIEW

Sentot (2014) conducted a case study on succession in family businesses in Indonesia found that succession is a crucial issue, with a continuation percentage of first-generation family business is only 30% to second and third generation continues to only 12%, that number continues to shrink with the shift to the next generation. It is mostly caused by first generation for feeling hampered of unpreparedness of the second generation. Nyanyu and Wawan (2012) found that succession can be started from the successor's intention to continue the family business as well as gaining the trust of the family to continue as the basic in family business that has been running and connected to the needs, goals and successor' abilities as main indicator, it was found also that the successor does not have to be the first child and family problems may also make the next generation able to decide to enter the family business or not.

Succession is achieved with leadership transition from CEO to be by a successor. Every CEO in family businesses has a way to do that is succession; according to Poza (2010: 112-116) there are six systems that are used in the majority of CEOs with different scales in preparing the family business succession, starting with The Monarch where there is no thought from the CEO to retire and there is no discussion of succession, The General where CEO seemed looking forward to succession but the CEO have prepared a plan to return, The Ambassador which is giving the responsibility to the next generation or professional management for business operations the CEO is still holding role to represent the company, The Governor is where CEO has set a time for succession to the next generation and then announce it to the public with a commitment

aims to prepare the succession as a whole before the specified time, The Inventor is where CEO has built a business with the operational structure that will help the successor to lead the company, the CEO in this system also provides training, advice and negotiating meeting to discuss measures to be implemented in the company, Transition Czar is where CEO will act to provide training and support to each successor in different ways and forms divisions structured so that the successor will still has a good relationship in the family business level and also with the CEO.

Gimeno & Coma-Cros (2010: 72-77) has a different view of the model system for the family business and preparation for succession, first is Captain and Emperor Models where it has two systems have in common in succession to prepare working CEOs and elderly led to a succession of not performing as well as having a business structure that is at risk, Professional Family Model is developed in the mid-level succession, the successor able to overcome the problems with maintaining relationships between family members and still be professional in accordance with their respective capabilities, Corporation Model is developed by a succession of different models from the family professional model which is more focused on professionalism in management roles with or without family members.

Business preparation for leadership transition is also preparing for family business that will be continued by the successor with following indicators (Aronoff CE, 2011: 28), (a) Sales and profit growth, (b) Location (c) Attractive product with high demand on the present and future, (d) Marketing program focuses on a well-defined marketing segment, (e) Employees are trained to take responsibility, (f) Financial statements, management reports that are reliable and good control, (g) Facilities and the latest equipment, (h) Standard procedures and policies on site, (i) No threat to the regulations and potential litigation. Transition of leadership by the CEO to successor, carried following indicators to be ensured successful (Poza, 2010: 89), (a) Possessed in knowledge and passion in family business, (b) Understand the capabilities and shortcomings as well as having the experience and education, (c) Determination to lead and serve, (d) Support from the generation predecessor, mentor and professional, (e) Good relationship and able to adjust to other people, (f) Trust on non-family professionals, (g) Control of the leadership and ownership, (h) Appreciation from employees, customers, suppliers and family, (i) Able to suit the business needs of the family, (j) Appreciate the past and focus on future business and family.

The successor profile had to have the basic things to be fulfilled in order to reach success in both business and family. Those are trust, good communication and values that are mutually shared life in the family business (Michael Henry, 2013). Family Preparation for future leadership transition is in following indicators, (Aronoff CE, 2011: 53), (a) Family values relating to the business, (b) Family involvement policy in business, (c) The principle of compensation for family members, (d) Ethic code relating to business, (e) Policies in the financial information, (f) Guidelines to form a family organization. Preparation for ownership is in following indicators (Aronoff CE, 2011: 60), (a) Successor seeing themselves as business people, (b) Consider the welfare of others (business, family and shareholders) as themselves, (c) Education about business ownership, (d) Understand the privilege of ownership, (e) Business value addition as an institution.

In preparation for the succession program there are 5 basic factors that are universally recognized in the family business succession,

(1) CEO Preparation, as a business owner, CEO prepared to provide control for the successor to the business planning and preparation for retirement. (2) Business Preparation, the CEO shall be independent in order to make the system ready with new leadership. (3) Successor Development, the value of life, ability and ethic code. Future development will focus on successor for the future of the business, including for the top leadership position. (4) Family Preparation, support of the family in the form of a discussion on the influence of the family business as well as approval for same vision and mission of the business as well as in family. (5) Ownership Preparation, the transition from the CEO or founder to successor in the family business with acknowledgement on business ownership, business arrangements and cooperation. These five basic factors have purpose to let the family business able to be continued by a successor with a independent system that leads to perfect leadership in family business and five basic steps used as reference in succession for problems and solutions for a variety of family business (Aronoff CE, 2011: 4.17-18).

Research Method and Result

Putra (2013: 87) says the qualitative research is to provide a major concern on the meaning rather than measure and is often described as the cause of cultural studies focusing on the relationship between human beings and / or human relations with the products, services and brands in a specific cultural context. In this research the author will examine Damai Sejahtera family business that specializes in plastic mica for 15 years involving the four people as internal part of Damai Sejahtera, the first is Soewarno Ongkowidjojo as CEO, Cicilia Ira Ratnawati as administrator, Adi as employee who have worked more than five years and become confidant of the CEO who knows the family and the business internally, Christopher Gerry as the author's brother who is still attending senior high school as a potential successor. The main issue in the family business is there is no preparation for the second-generation succession program planning as the first generation is still in charge on the overall activities at Damai Sejahtera so that the second generation has not had the preparation as a successor for the future.

Method of Data Collection

In researching of Damai Sejahtera family business succession readiness, the author use the survey questionnaire because the scope of the answer only refers to the indicator points at each step to determine the succession preparation program planning proposed by Aronoff (2011).

Validity and Reliability

Surveys were conducted by distributing questioner to the four informants and accompany each informant to answer each point of the five-step, non-participatory observation on the business and family. It conducted unstructured interviews that refer to confirm the answers that are not clear in the survey for example that in the family preparation to the question 'Does the family have a family values relating to the business?' 'Questions on the four informants, for example, if the CEO answered' yes'

then the answer will be tested its validity by asking 3 other informants such as the CEO's wife who answered 'yes', because at a time when a family gathering, the CEO expressed to successor to not to be greedy in taking advantage when doing business in the future. Employee answered 'Do not know' due to not following the family meeting and the successor has the same answer with CEO's wife so it has a validity of data so that it does not use in-depth interviews but only to give general reasons for any answers given of each point.

Method of Data Analysis

The research will follow the 5 basic factors of preparation program of Damai Sejahtera business succession. Analysis of these data will be processed in a descriptive and detailed thoroughly explained with existing data with primary data obtained by the survey (Aldoranuary, 2012) which will be established in general because of the limitations of the study are based on a survey in accordance with the help of non-participatory observation and unstructured interviews which are elaborated on validity and reliability. Four informants are using code as A is CEO, Wife of the CEO is B, C is Employee and D is Successor. Indicators of 5 basic factors are in the following (Aronoff CE, 2011),

CEO Preparation which includes (a) CEO readiness for succession, (b) Financially secured, (c) Strategic plan for the family business, (d) An election to the successor and retirement, (e) Complete property planning, (f) Life after retirement, (g) Permit to successor to take risks in the family business, (h) Sense of comfort with the successor model of leadership in business and the new system by the successor.

Business Preparation which includes (a) Sales and profit growth, (b) Location (c) Attractive product with high demand on the present and future, (d) Marketing program focuses on a well-defined marketing segment, (e) Employees are trained to take responsibility, (f) Financial statements, management reports that are reliable and good control, (g) Facilities and the latest equipment, (h) Standard procedures and policies on site, (i) No threat to the regulations and potential litigation.

Successor Development that includes (a) A work experience outside of the family business, (b) A personal development plan, (c) A family member or tutor to help successor, (d) Opportunity to contribute independently and in a real business. (e) Sustainable way to learn skills and values in business and beyond, (f) A mentor or family member to teach the history, philosophy and business strategy, (g) Opportunity to practice outside of business leads and gains appreciation, (h) Develop a rational individual to work in the business, (i) Time with other family members to share the interest.

Family Preparation that includes (a) Family values relating to the business, (b) Family involvement policy in business, (c) The principle of compensation for family members, (d) Ethic code relating to business, (e) Policies in the financial information, (f) Guidelines to form a family organization.

Ownership Preparation that includes (a) Successor seeing themselves as business people, (b) Consider the welfare of others (business, family and shareholders) as themselves, (c) Education about business ownership, (d) Understand the privilege of ownership, (e) Business value addition as an institution. Research at Damai Sejahtera is conducted to explain the succession readiness program planning in the family business. Researcher

has chosen four informants to be involved in the family business for an interview including CEO, the CEO's wife, employee (CEO confidant) and successor.

Preliminary research on family business succession program planning in Damai Sejahtera, referring to the 5 basic factors proposed by Aronoff because it is used as reference in succession for problems and solutions for a variety of family business (Aronoff CE, 2011: 4.17-18). Based on the results of the research that has been done can be concluded that the Damai Sejahtera is not ready to do succession program planning with several factors succession as successor still too young, employees are not familiar with the successor and the following result:

1. CEO Preparation with six of the eight indicators show the CEO has been prepared to implement the program and still need preparation through managerial implications succession when the program starts.
2. Business Preparation with eight of the nine indicators show the business is ready to implement the succession program and only needs to overcome doubts on successor and employee about mica plastic' products.
3. Successor Development with eight of 10 indicators showed the successor is not ready to implement the program and will be guided so that when the program is executed successor will be ready.
4. Family Preparation six out of six indicators showed the family was ready to implement a succession program
5. Ownership Preparation of four of the five indicators indicates ownership by the successor of preparation and is not ready to take a concerted education and ownership of the business.

CONCLUSION

The research has shown that Damai Sejahtera is not ready for succession program planning based on 5 basic factors by Aronoff and suggestions for further research is to involve consumers and suppliers as external parties to determine insightful market, then using a family mediator in order to obtain more accurate data and neutral side whether in a good family situation and conflict as well and using in-depth interviews in each informant to obtain information so that the quality of the information obtained, the research can answer perfectly.

The study was conducted in order to obtain maximum results, but this study cannot be separated from the limitations, the results of this study using only simple survey for a variety of internal conflicted conditions and advised to the family to use the interview directly to obtain more accurate data for further research.

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