SUCCESSION PLANNING FOR FAMILY BUSINESS UD. DABIAN

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ABSTRACT

Abstract: The purpose of this paper is to find the right succession planning for UD. Dabian family business. Succession planning is one of the key for the survival of a family business from generation to generation. Succession itself is a transfer of right from the pioneer hand to successor hand. This research use qualitative methods to approach and find the answer to the problem statement itself. This research finds that in succession planning there must be collaboration between the pioneer, and the successor cannot be just one of them. The result of this paper find that the right succession for UD. Dabian family business is by planning it step by step starting from background identification, determination of successor criteria, determination of collaboration between the successor and the pioneer, and succession planning but in between the process itself there’s a need for monitoring to detect the problem the moment it happen, and the give solution to solve the problem itself.

Keywords: Family business, succession, succession planning, founder, successor

INTRODUCTION

Copra is a crops that are processed into CCO (Crude Coconut Oil) then further processed into cooking oil. According to Daulay (2015), a large part of cooking oil that is made, and spread in Indonesia were created from CPO or CCO, and not just that oil industry is one of the most important industries for Indonesia, so it was constantly monitored and controlled by Indonesian government. According to Malinan as cited in Turukay (2009), Indonesia is the second largest producer and exporter of coconut oil in this world. Based on survey by indonesian BPS it was found that Indonesia oil consumption is increasing from 0.198 at 2007 to 0.223 at 2015. Based on another survey by UQ Business School, 85% business in Indonesia is a family business, and 25% of Indonesia GDP are made by them. So from that it can be seen how important oil family business is to Indonesia.

UD. Dabian is a family business that sells copra to the manufacturer that is an oil company. UD. Dabian was made in 1957 which mean UD. Dabian have more than 50 years of running time, UD. Dabian right now is owned by Mr. William Suhendra, and Ms. Infona De Rozari though right now Mr. William Suhendra already passed away, and leave this business to her. Based on the history of UD. Dabian it was found that UD. Dabian have already changed their name from UD. Sinar Mas because of failure in succession from the 1st generation to the 2nd generation which resulted in the closure of UD. Sinar Mas which is later opened again by Ms. Infona De Rozari, and Mr. William Suhendra 5 years later. From that history, researcher decided to further research the problem using pra-survey, and interview to find the cause of the problem. From the interview it’s found that succession failure from 1st
generation to 2nd generation happen because the successor at that time wasn’t prepared. So to make sure that this problem doesn’t happen again to UD. Dabian, the 1st generation from UD. Dabian need to prepare their succession. Researcher also found another problem from UD. Dabian that is Ms. Infona De Rozari right now feel tired from working the business alone which in turn affect badly to the company itself. Ms. Infona De Rozari have 3 childs that is Mr. Petrus David Suhendra, Mr. Billy Suhendra, and Mr. Benedictus Andy Suhendra, so because Ms. Infona De Rozari have 3 childs, succession need to be further planned in order to avoid problem that’s going to happen when the succession occur.

These three children also have different plan in their mind where the founder want their children to collaborate together in the family business meanwhile the successor starting from Mr. Petrus David Suhendra that want to focus their work in medical field, and doesn’t want to have anything with family business, and the other two successor that still can’t help fully in the family business because both of them are still in university. According to Aronoff & Ward (2011), By planning a succession and controlling the process of the successor selection itself it would help to make sure that succession would stay healthy. From that theory it can be seen how important succession planning is to a family business. According to Hoy & Sharma (2010), lifecycle of a family business with an owner that’s 31-75 years, the business itself already reached maturity state, and would go to decline state if it not controlled.

According to Filser, Kraus & Mark (2013), factors that affect succession of a family business is readiness, emotion, conflict, resources, and skill or ability. From the theory it can be seen that succession need to be planned, and the plan itself need to include all the factors that might affect it in the future. From all the theory that’s been explained above it can be found that UD. Dabian right now still hasn’t planned their succession yet, meanwhile succession itself is a regeneration process of a family business and if it isn’t planned then it would affect the organization badly in the long run. So to make sure that the succession problem that happen before in UD. Sinar Mas not to happen again to UD. Dabian, this research is done to find the right succession planning for UD. Dabian family business.

LITERATURE REVIEW

Theoretical Foundation
Family Business

Family business in Indonesia can be small, medium (UKM), or big. Right now there are many issues that’s discussed regarding how to define family business, there is many definition regarding family business. According to Tjondrorahardja as cited in Laurence & Mustamu (2015), family business is divided into three main category that is family business is a company that’s owned by family, and operated by one or more family member, family owned business is a company that’s owned by family but is operated by a professional, and business family is a company that are leaved by the founder to it’s descendents, and there are really no ambition to grow it bigger meanwhile the descendents choose to use openn management in order to sell the company, and use the money earned to do investment.

Succession

After explaining regarding family business it can be seen that a family business always experiences succession within the organization, so succession itself can be defined as : According to Le-Breton-Miller et al. (2004), succession within family business is complex so there’s many perspective that’s needed to know, and define it. These perspective is divided into two that is business, and human that’s related to each other. According to Juliani (2009), succession is important to leadership within company because succession itself is a transition phase of leader within an organization. Succession itself also can be further divided into three that is top manager, middle manager, and lower manager.

Successor Selection Model

According to Susanto as cited in Remiasa and Wijaya (2014), criteria to choose a successor is divided into five that is ACEMAN:

- Acceptable means that a successor need to have ability to accept, and filter opinion, critique, and suggestion frm other people.
- Charismatic means that a successor need to have high sense of charisma.High charisma can be shown through vision, charm, and attractiveness of a successor.
Energetic means that a successor need to be energetic. Energetic here doesn’t only mean physically it can also be seen through ideation, magnificence, execution, and opportunity utilization.

Managing means that a successor need the ability to do or manage their work. It doesn’t mean only the ability to finish it but also the ability to be responsible to the work that’s done.

Achieving means that a successor need a track record of their successfulness so that the successor can be accepted, and appreciated by family or other people within the organization.

Networking means that a successor need to show their ability to have a big network within business in order to grow the family business and the future. Networking itself can be build through cooperation, seminar, approach, and others.

**Retirement Planning**

According to Son-nenfeld and Spences as cited in Bakhtiar and Kodrat (2015), retirement planning is divided into four main style that is:

1. **Monarchs** : Monarchs mean that retirement is done by the founder while holding their power for confused in selecting their successor

2. **Governors** : Governors is used when the founder is not successfull in their worktime, but founder still want to success in their last work time and at the end will let go of any connection within the company

3. **Generals** : Generals is used when the founder want to monitor their successor continously, but if the founder feel that the performance of their successor is not acceptable then the founder will take that back

4. **Ambassadors** : Ambassadors is used when founder is successful to lead to middle level, and realize that there’s a need to go back. This is done when the founder doesn’t have a vision, and position that’s ideal to the company in the future which later would help to make vision from both the founder, and successor side.

**Succession Planning Model**

Succession planning is a process that’s associated with future, so because of that succession planning need to be based from strategic planning, and purposes of an organization (Chlebikova et al., 2015). According to Chlebikova et al. (2015), a succession planning is divided into five phases that is:

- Development Needs : In this phase successor needs in order to fulfill the criteria needed for the organization would be identified
- Identification of potential successor : In this phase potential candidate successor that have enough or even more potential would be identified
- Development and training successors : In this phase the successor that’s been choosen would be train and develop according to the strategic planning that’s already been made and choose, so that the successor can train and increase their potential.
- Remuneration and benefits : In this phase successor is ready to accept their job, and from there remuneration with benefits to organization would come
- Shift in position : In this phase successor is ready to accept the succession, and do their job for the organization

**RESEARCH METHODS**

**Research Design**

The research design that the researcher use in this paper is qualitative apporach in order to find the needed result. According to Blumberg et al. (2014), qualitative research is a research that’s done in order to analyze data from the expression of the respondent, behavioral observation, artifact study, and find evidence from the environment. Descriptive qualitative apporach usually would point to get the complete information regarding problem that’s interviewee’s facing (Sugiyono, 2014).

**Research Subject & Object**

In this research, the subject choosen by the research is an individual or group that understand UD. Dabian business, so that the subject can give a detailed condition regarding issue that’s going to be researched that is succession. The subject choosen in this research is founder of UD. Dabian, potential successor from UD. Dabian, human resources management expert, and family business expert. All the
subject selected is selected according to their relativity to the copra business, and their understanding regarding how to do succession within a business and is trying to get into the next generation.

**Data Collection Method**

A research need to be based on data that in the end would be analyzed to a result. This research use semi-structured interview in order to collect the data. According to Sugiyono (2014), semi-structured interview is an interview that’s conducted based on structural question but it is still possible to get deeper to the situation openly. Researcher choose to use semi-structural interview because researcher hope that the researcher can find the problem stated, and also dig the information deeper regarding the condition that the interviewee is facing.

**Validity & Realibility**

Validity, and realibility is a term used in order to scale the credibility, and objectivity of a research (Silverman, 2016). According to Sugiyono (2014), data can be said as valid if the data used by the research is the same data that’s happening for real to the research object. This research use source triangulation to prove the data validity, and realibility. The use of source triangulation in this research is applied by comparing the data from many types of interviewee’s within this research that is UD. Dabian founder, UD. Dabian successor, expert in human resource management, and expert in family business.

**Data Analysis**

These are the steps used by research in analyzing the data according to (Sugiyono, 2014), first step is data reduction is an analysis that sharpen, choose, focusing, dispose, and compile the data where conclusion can be made. Second step is data presentation, in qualitative research data presentation can be done by using table, connection between category, flowchart, and others. Third step is conclusion, in this step researchers started to make a conclusion from the first data collection by searching through meaning, patterns, configuration, causal plot, and proposition.

**RESEARCH RESULT AND DISCUSSION**

**Founder and Successor**

Every company has a different background, just like how a company have a unique vision, mission, founder, and successor. This differences is caused by different in succession planning between each company. From the interview result it’s found that UD. Dabian founder, and successor doesn’t have any big problem within UD. Dabian the only problem that happen there is differences in opinion that’s resolved by using family consensus. In choosing the potential successor, both founder, and successor have the same mindset that is to focus it to second, and third successor. Other than that it’s also found that there’s differences in vision regarding UD. Dabian future. Two of the successor want to press their own value to UD. Dabian meanwhile the founder hope that all the successor can collaborate together for the future of UD. Dabian. The problem of differences in vision within UD. Dabian can be resolved slowly through the increase of relationship between founder, and successor slowly, increasing participation of the successor to the family business, and last applying an open communication in order to remove gap between successors, and founder. According to Kazimoto (2013), one of the main key to resolve a conflict is by having a communication, and an effective negotiation.

**Determination of successor criteria**

The determination of successor criteria need to be done because every human being have different skills, so to scale something you need a limitation without limitation the scaling of someone skill cannot be done well. Based on the interview data that’s obtained it can be found that the criteria of successor for UD. Dabian is:

1. **Acceptable** : Successor need to be able to accept critique, or suggestion well, openness to the working environment, ability to filter both suggestion, and critique, and last the ability to give the right response from critique or suggestion that’re given.
2. **Charismatic** : Successor need to have a good leadership physically, and mentally, have a high attractiveness, responsibility to their work, just, and honesty.
3. **Energetic – Managing** : Successor need to have ability to manage the company along with their subordinate, have a good physic and energetic, skill in executing business, good ideation, profesionalisme, and persistence in business.
Achieving : Successor need to have a good reputation, good track record within UD. Dabian because if the successor doesn’t have any track record within the company itself it means that successor still doesn’t have any experiences within company.

Networking : Successor need to have a wide networking especially in the business area so that it can help UD. Dabian to expand more in the future, ability to communicate with third party, and the ability to find supplier, customer, and market in UD. Dabian.

Other aspect : Other than the main aspect ACEMAN it’s also found that successor need to have passion for the business itself because if there’s no passion then the successor won’t have any drive to keep working in order to expand UD. Dabian more.

**Identification of business release style**

Business release style is different from one founder to another because of the differences in the company condition, or family within a family business. In UD. Dabian it’s found that founder wishes to adopt generals business release style so that the founder can monitor their successor wisely, meanwhile the first successor think that the best for UD. Dabian is ambassadors so that the founder, and successor can have a same mindset regarding vision of UD. Dabian, and second successor want founder to adopt governors style so that the successor can take control fully of the business, and the founder can rest after the release of UD. Dabian.

Based on the opinion of expert interviewed it can be found that the most ideal business release style for a family business without expecting their condition is ambassadors, but from UD. Dabian condition it can be seen that founder still haven’t trust their successors yet meanwhile successor also still doesn’t have full ability to run UD. Dabian. Other than that there’s also differences in vision within UD. Dabian itself which further complicate the condition of the company. Considering the condition of the company, wishes of successors, and founder wishes it can be found that the most ideal business release style is for UD. Dabian to adopt generals in the beginning so that founder can monitor their successor wisely, and after founder can trust their successors then UD. Dabian can change their business release style to ambassadors with the purpose to find the right vision for UD. Dabian from both successor, and founder.

**Identification of potential successor**

The total number of successor within UD. Dabian is three so to find the potential for each successor the criteria explained above is used that is ACEMAN, and passion. According to Susanto as cited in Remiasa & Wijaya (2014), potential successor need to have knowledge, and qualification in developing company in the future. After comparing the result of the three successor within UD. Dabian it’s found that the first successor show a lack of ability in accepting suggestions, lack of a good track record within the company, lack of networking in business, and the passion to inherit UD. Dabian. The second successors shows the lack of ability to filter suggestion, lack of firmness in leading, and professionalism in working. The last successor shows lack in experiences, lack of record within UD. Dabian, and a normal passion to inherit UD. Dabian. Based on that result, it can be seen that the potential successor for UD. Dabian is the second, and third successor that still have passion in UD. Dabian, and also because of their criteria is fulfilled. so it’s recommended to focus on both second, and third successor meanwhile for the first one can be reconsidered if his passion for UD. Dabian started to grow.

**Successor Development**

The development of successor is important within succession planning because if successor is not developed then successor can’t fixed their own lack of abilities. According to Remiasa (2017), the development of a successor can be done through the increase of formal academic abilities, training program, transfer knowledge, and increasing work experiences.

Based on data obtained it can be seen that the most ideal way to do successor development is by using SOP as the base to do it, or to plan it step by step. UD. Dabian right still doesn’t have a working SOP right now so the successor development can be done through planning it step by step detailedly, but this plan also need to consider many factors such as the background of the family, the advantages and disadvantages of the successor, and vision from both successor and the founder itself. So the most ideal successor development for UD. Dabian is by using transfer knowledge, and increasing working experience to the successor this is because UD. Dabian successor is lacking in abilities in that criteria.
Collaboration between founder, and successor

Collaboration between founder, and successor is important in the implementation of succession because succession within a family business cannot be done if there’s only one side that does it; succession need both side to collaborate in order to gain consensus to be done well. According to Laurence and Mustamu (2015), an open communication is one of the main solution to ensure success in implementation of succession.

The desire to collaborate between founder, and successor within UD. Dabian have differences, founder want the collaboration to be done between the successor, and founder would help successor through monitoring this is done in order to increase the independentness of the successor. First successor feel that the collaboration between successor, and founder is impossible because of different in mindset, and vision so collaboration can be done by successors by having an open idea exchanges. Second successor wanted the collaboration to be done with region dividing or through SOP so that each successor can work in their own way, and for founder can be done by dividing the job.

Based on the opinion of family business expert the most ideal way to collaborate in a family business is by having a shared vision, and mission within the organization. Meanwhile, human resource management expert said that collaboration need to be done by planning it, but first the plan need to be accepted by both sides so that there would be no problem when the plan is implemented. So it can be seen that the most ideal collaboration between successor in UD. Dabian is by having an open communication in order to exchange opinion. Meanwhile for collaboration between founder, and successor it can be done by having a job dividing, and founder can take monitoring job in order to learn situation of the company better.

Implementation of succession

Implementation of succession is an important process to a company that’s going to give it’s leadership to the next generation. Succession is a process of leadership, and power exchanges within a company to ensure the continuity of a business (Aronoff, 2003). One of the main key to ensure the success of succession implementation is it’s dynamism, so within succession there’s nothing certain, and to reach success there’s a need to adapt to the problem itself (Chebikova, 2015). In UD. Dabian there’s differences in the company characteristic because of that to ensure the process of succession can reach success there is a need to change the model to a model that’s more suitable to UD. Dabian. This is the proposed ideal model for UD. Dabian:

From the model proposed above it can be seen that the model proposed have it’s own dynamism that would never stop except the company go bankrupt. According to Tjipronto (2016), one of the main key to failure in succession is lack of professionalism in a business. According to Roth et al. (2017), professional planning within a company is different between one company to each other but the plan itself is never to early to start, or to late to start. Fear of changes is also one of the main factor that lead to failure in succession planning (Filser et al., 2013). From the research it’s found that UD. Dabian still doesn’t have any professional within it’s family business, and 100% of the shares is still owned by family, because of that professionalism in UD. Dabian is proposed in order to monitor the family business through third parties but there’s no real hurry to implement it early because of the condition of UD. Dabian itself right now.

From all the discussion discussed above then the most ideal succession planning for UD. Dabian is:
1. Succession at UD. Dabian can be done in accordance with the desire of founder, and successor by dividing the area between the second successor, and the third successor because the first successor
right now has no intention to run the family business, but if the first successor wants to join then the division can be done in accordance with the desire of the first successor that is first successor took part unrelated to the founder because of the inability of the first successor to collaborate with the founder while the founder took the financial part to monitor the condition of the company itself
2. The development of successor can be done by transfer knowledge from the founder to the successor, increasing successor experiences by working in UD. Dabian, and training program in order to make successor exceed their own lack of abilities
3. Collaboration between successor, and founder, or between successor can be done with an open communication system so that every problem can be solved by family consensus in order to gain an optimal result for the company. Open communication system also further help solve the differences in vision problem because the often founder contact their successor their gap would slowly lessen, and their vision would also started to synchronize slowly.
4. Founder business-release style in UD. Dabian can be done with generals or to wisely monitor successor this is because founder already reach the age of 58, and doesn't have ability to work alone and also because of founder is still cannot trust the successors to work alone thus causing further difficulties when founder directly releases the family business unto his successor. For the future when the founder is convinced by the successor's competences then the style can be changed to the ambassadors in order to synchronize the vision, and mission of the founder and successors themselves so that the ideal conditions for UD. Dabian can be found.
5. If in the succession planning or when the implementation is running a problems arise then the problem can be resolved in accordance with the following sequence:
   • Kinship / consensus due to family in UD. Dabian has no problems between each other so the family in UD. Dabian can be more open to each other
   • If the problem cannot be resolved with consensus then the second alternative is to use the founder as a decision maker
   • The next alternative is by using 3rd or 4th parties with the aim to solve the problem without bias because 3rd or 4th parties can see events more objectively than those inside. 3rd party or 4th here can be a business consultant
   • If the problem still cannot be solved then the last solution is to remove/fire the one that bring the problem itself this is in accordance with what is said by the family business expert.

CONCLUSION AND SUGGESTIONS

Conclusion

Based on the result of this research that’s obtained through interview, it can be found that UD. Dabian right now still hasn’t planned their succession yet, eventhough the founder already entering the age of 58 years old. Other than that, it’s also found that founder, and successor didn’t have the same vision regarding the future of UD. Dabian. All these problem bring many downside to UD. Dabian succession even though succession planning itself is the key to ensure the continuity of a business from one generation to the next generation.
Because of that to conclude this research, the right succession planning for family business UD. Dabian is:
1. Founder :
   • Determination of Successor Criteria : Determination of successor criteria in UD. Dabian can be done using ACEMAN and passion of the successor itself.
   • Identification of business release style : The ideal business release style for UD. Dabian family business is by using generals for the early state. Then at the late phase UD. Dabian can use ambassadors.
2. Successor :
   • Identification of potential successor : Identification of potential successor that are based from the criteria identified, it can be found that the potential of successors in UD. Dabian is good enough even though there’s some criteria that’s unfulfilled
   • Successor development : Successor development can be done according to their potential weakness by giving knowledge regarding UD. Dabian that’s founder already have, and
also by increasing participation of successor inside UD. Dabian family business in order to increase both experiences, and networking.

3. Collaboration between founder, and successor:
Collaboration between founder, and successor need to be done by applying a open system with purpose to resolve trouble or conflict with democratic way, exchange idea between successor even between founder and successor, increase communication along with family relationship, and last to synchronize vision within UD. Dabian slowly.

4. Succession Planning:
- Succession in UD. Dabian can be done through region dividing between successor with purposes to increase independence of the successor, and founder would take financial part in order to monitor successor, and if there are any problem found then founder can offer help to successors
- In problem solving within UD. Dabian there’s a need to prioritize the use of consensus but if the problem still can’t be solved then the other alternatives is by giving the decision to founder, if it still can’t be solved the other solution is by using third party or professional, and last is by firing the source of the problem.

Other than all of that, UD. Dabian also need to reconsider regarding the usage of professional within the company, because the usage of professional can help a family business in the long run especially regarding company monitoring.

Research Limitation & Suggestion

Research Limitation
In this research, researcher try to approach from an open communication, but this research still have some deficiency, and limitation such as:
1. This study relies on the interpretation of the researcher on the meaning implied in the interview so that the possibility of bias can occur
2. This research have limitation because this study only limit the research in the planning of the succession only, not including the implemention part.

Suggestion for further research
In the further research, researcher hope that other variabels regarding how to determine the criteria, and the identification of successor potential can be used. Other than that research also suggest the usage of benchmarking system to other business that’s aspired to be in the future so that the result gained can be more relatable. Last researcher also hope in the net research the succession planning model used can be boarder than the model used in this research.

Suggestion for other family business
For other family businesses, researcher suggest to prepare succession in the eraly stage. Other than that in planning a succession for family businesses researcher suggest the collaboration between founder, and successor because succession cannot be done with only one side. Last researcher also hope other family business to increase the participation of professional within their family business.

REFERENCES


