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Planning the next generation for family business: affecting factors on successes succession at Padang city

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Abstract: This study aimed to examine the role of strategic planning as a mediate in affecting succession planning, non-family leadership on the successful succession of family businesses. The population is the family businesses in the second or third generation. One hundred managers or CEOs of the family businesses were selected as samples using purposive and convenience sampling technique. Quantitative analysis methods are applied to analyse the data. The result showed that succession planning does not significantly affect the successful succession of family businesses. Nevertheless, the effect of succession planning is significant to strategic planning, and strategic planning was significant affected success succession. Therefore, succession planning is fully mediated by strategic planning through the success succession of family business. Furthermore, non-family management does not significantly and directly affect the successful succession, and neither, non-family management is mediated by strategic planning through the successful succession of the family business.

Keywords: succession planning; non-family management; strategic planning; success succession.

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1 Introduction

Family business constitutes if a business that is considered dynamic and can affect the economics of a country. Family businesses are dominated by most countries in the world, including Indonesia. Family business is significant to the Indonesian economy as they can contribute about 82.44% its gross national product (Marpa, 2012). From several previous studies, it can be understood that family businesses play a very significant role in increasing the economic growth of a country in the world by contributing 45% to 70% of gross domestic product and create any opportunity in various countries (Glassop and Graves, 2010; Mandl, 2008). Some big American companies are the fastest growing family businesses (Miller et al., 2001). In Indonesia, the contribution of family companies has continued to increase amounting to 95% if the total 195,000 family businesses in Indonesia (Susanto, 2013).

The problems that most occurred in family businesses are in managing the succession of the family company. A successful succession leads to the sustainability of a family business (Sharma and Dave, 2013). Succession planning can be understood as a systematic and thoughtful process done within the organisation to make sure a smooth

transition in the change of leadership (Peters-Hawkins et al., 2018). Further, an effective succession planning can affect the distribution of knowledge and experience, reduction of organisational costs, minimisation of staff turnover, facilitation of professional development training on employees, and employees' information about available opportunities (Eichenberger, 2017). Moreover, a family business is owned by and falls under the management of one or more generations of family members, where the company's values, vision and mission set by the founders will be strictly maintained (Bakoğlu et al., 2016). Besides that, family businesses represent a large number of companies and are considered as vital source of employment in most countries. They have also become the driving force of the national industry, and their stability is critical in fuelling the countries' economy (Rexhepi et al., 2017).

Looking at the phenomenon of many family businesses that have been built for decades by the first generation, they ultimately fail because of the inability of the successor to run the company. In this case, most of the causes of failure are the inability of the owners in the next generation to prepare for succession planning as well as family enterprises lacking long-term strategies, inadequate knowledge of process and planning (Aronof, 2003). This phenomenon is in line with the results of past research conducted by the Family Firm Institute mentioning that approximately 70% of the family companies fail to achieve success in the second generation, whereas 30% survive into the second generation, while 12% in the third generation and only 3% in the fourth generation (Tjahjadi et al., 2013). The survey results of Jakarta Consulting Group (2014) argue that 67.8% of family companies in Indonesia are not prepared to be handed over to the next generation. While 32.2% of others have not prepared on the grounds that the founders thought the younger generation is not interested in participating in the company. Another reason was that the difficulty in choosing which children would be a competent successor to run the business (Kamener et al., 2015).

The transition period or the change of leadership is a critical time in a family business history (Buang and Sidek, 2017; Gordon and Rosen, 1981). It is not really known how many family companies can survive due to the failure in management switch (Salvato and Corbetta, 2013). Previous research showed that only a small percentage of family businesses can continue to exist in the transitioning to the subsequent generation and many inter-generational transitions are not successful right after the second generation takes control (Massis and Enterprise, 2012). Beelen (2016) argued that the family company needs to prepare the next generation or successor as early as possible. For example, they can prepare an early successor by readying him for his career from below. They also need to create a standard business concept. Even though, some past research had been done on succession (Schepker et al., 2017), there is still limited emphasise on the success of the succession (Buang and Sidek, 2017), especially in Padang city. Early studies on family business, mostly under took western country as whole which explained about performance (Ghee et al., 2015), but in Padang city, little research is found on family business succession. In general, the people of Padang city are famous for trading. Nevertheless, there are still many family entrepreneurs who do not develop even though it has been running for years. Previous research only discussed mainly on the culture and characteristics of family business in the West Sumatra, but none were specific to Padang city. In this study, the researchers conducted the study to look more at the succession planning, and non-family management in which not many have been found in past

research yet. Therefore, this study contributes by addressing key success factors that affect the family business succession in Padang city. Moreover, this study also examined strategic planning as mediator which was scarce in past research. The gaps include problems in the internal conflicts, problems in the selection of a right successor, problems in the successor himself in continuing the family inheritance (Sharma and Dave, 2013). The problems in the internal conflicts may occur differently across family companies, such as conflicts among siblings.

The family business literature shows that there are still many recurring conflicts related to factors such as the succession process concerns among the family (Sonfield and Lussier, 2009). These facts tend to cause companies to experience failure in maintaining their business in the future. Therefore, these phenomena raise some questions in the study: Do succession planning and non-family management affect the success of succession? Can strategic planning be a mediate between succession planning and non-family management for a successful succession in a family business? These constructs are found to be critical and need more attention compared to other sub-topics.

More specifically the objectives of this study are as follows:

- 1 To analyse the direct effects of succession planning on the successful succession of the family business
- 2 To analyse the direct effects of non-family management on the successful succession of the family business
- 3 To examine the effects of strategic planning on a successful succession of the family business
- 4 To examine the effects of succession planning on strategic planning
- 5 To examine the effects of non-family management on strategic planning
- 6 To analyse the mediate effects of strategic planning between succession planning and the successful succession of a family business
- 7 To analyse the mediate effect of strategic planning between non-family management and the successful succession of a family business

2 Literature review and hypotheses

A comprehensive review of past literature published on family business shows that the most researched topics include the factors such as related business performance, interpersonal family dynamics, genders and ethnic issue, and culture issue (Dyer and Sánchez, 1997). In this study, the authors examine 4 variables that are related to family business succession.

2.1 Family business

A family company is one that supports the economy of a country. Family firms are established by business owners with various goals in which one of them is to guarantee the quality of life of the family member. A family company is a type of unit operated by

a family or family group with the same vision and intent. According to Kodrat (2007), family companies in Indonesia are still dominated by relatively new family companies whose age is not more than 30 years. The family company is a representation of a business model that has the longest lasting ability. Then, the sustainability of this family enterprise depends on the next generation that will continue the family company (Gejali et al., 2015).

A family business is a company that belongs to a family company when the owner or stakeholders think and feel that the company is a family company (Brockhaus, 2004). Many researchers support the idea that family involvement in the company is what differentiates family companies to non-family companies. A similar opinion was mentioned that family companies are managed and strictly controlled by single-family members, particularly in the process of making important business decision (Bernard, 1980).

In general, there are some characteristics of family companies, which are (1) possessed by one central group of family dominating a more than 50% of shareholders, (2) perceived as an enterprise, and (3) controlled and led by individuals coming from the family members of owners with dominant shareholders (Westhead and Cowling, 1998). Family companies contribute widely to the country's economy. In Indonesia, the family company's contribution according to The Jakarta Consulting Group shows 88% of private firms are owned by the family. This proves that family companies have dominated the economy (Susanto, 2007). Moreover, data about family companies in the city of Padang have not been fully identified. However, it can be identified through direct observation and from available information. The identification of family firms that survived until the second generation was not recorded specifically. Meanwhile, the contribution of the existing family companies to the GDP is only 25% from seven business sectors: agriculture, mining, processing industry, electricity and gas, building, hotel and restaurant trade, transportation and communication, rental finance and financial services and other services (Susanto, 2007; PwC, 2014).

2.2 The success succession of family business

Family business succession is the process of handling the ownership and management of the enterprise over the following generation of previous owners (Modise, 2011). What is handed down may include all assets of the family as part of the transitional procedure. Member of family normally takes a significant controlling part in the succession of both management and the ownership of the company (Walsh, 2011). Therefore, the compelling integration and management of the family component are going to have an important effect on the success of the succession process. Moores and Barrett (2002) defined succession as the activity of handing the ownership of a family business over the following generation of the family members. According to Soedibyo (2012), there are five steps in the succession process of family company succession, starting with (1) preparing the succession carefully. It is very important to prepare for the succession together with the elder and younger generation. The existence of the family company in the future will much likely rely on the lights of its preparation. (2) A skilful and knowledgable successor is very instrumental to make sure that the family company is still well performed and productive. Next, (3) the success of succession is influenced by some variables like the provision of the following generation who can keep the concept

and philosophy communicated to the proceeding generation. (4) It is crucial to cultivate the family values together. To avoid potential dispute in the future, it is important to clarify the rights and responsibilities of each family member as early as possible. In addition, every family members should also clearly understand the concept of entity units (distinction between private and company property). Lastly, (5) everyone should also be aware of other factors that can affect the success of transitional leadership such as spirit, intention, integrity, and sincerity in running a business. A dispute between the predecessors and successors comes from the different understanding on how to continue the family company (Soedibyo, 2007).

2.3 Succession planning and the success succession of family business

Succession planning is described as an effort to ensure leadership sustainability in retaining and developing intellectual and knowledge capital as well as motivate the individual potential successor (Hewitt, 2009). Succession planning should be considered in preparing the successors (Kaunda and Nkhoma, 2013). Furthermore, succession planning includes factors that the founder of the family company lacks. As a result, this has caused the family company to fail after the leadership is taken by the next generation. Handler (1994) stated that without leadership preparation for the next generation, cultural influences, as well as corporate sustainability, are the causes which make the succession of family firms unsuccessful. In a family company, succession planning done by family members is more oriented towards the personal relationships of those who are not members of the family who use a more formal orientation. Succession planning is also an important factor that leads to the longevity of the family business (Glassop and Graves, 2010). Accordingly, there are three steps in processing the succession planning namely: 1) recognising and examining roles and responsibilities, 2) preparing and examining potential candidates and 3) selecting the right person who is considered qualified to be in the key position. To make these steps work properly, succession planning should be done in order to find a proper successor. These people working in family business should have business capabilities, managerial skills, knowledge of company, and a good person to run the business well (Kaunda and Nkhoma, 2013). Hania and Ashour (2012) founded on that succession planning has a significant relationship with the success of succession of family businesses in Gaza. Never the less, the research found that succession planning does not significantly affect a smooth transition (Buang and Sidek, 2017). Thus, on the basis of the literature, the following hypothesis is proposed.

H1: Succession planning significantly affected the success succession of a the family business.

2.4 Non-family management and the successful succession of family business

A family business that is managed by people coming from outside the family is hard to find because such traditional belief that the family business is still a business that should managed by the members of the family. The commitment of each family member to work for a family company will vary. Sharma and Irving (2005) stated that each family member will have a different commitment to work for a family company. However, in the event of a change of leadership, most family business leaders feel both the influence

and commitment normatively in family firms, even though they first enter family companies with different commitments (Boje and Saylor, 2012). McConaughy and Phillips (1999) founded that family-owned enterprises go public and resulted in (a) non-family management firms to run more professionally from companies directly controlled by their founders or families. (b) Managers of the first-generation families are entrepreneurs who manage with engineering specialist or need the necessary business background to be creative in business, but the descendants of the family company owners face different challenges to continue their business. For family firms to be better managed professionally by people who are not from the family (Sonfield and Lussier, 2009). Another one of the characteristics and challenges of family business governance is successful family businesses often employ non-executive directors (Devins and Jones, 2015). Past research showed that non-family management or employees have strong psychological ownership towards the family business succession and it could be increased in succession (Savolainen and Kansikas, 2013; Sonfield and Lussier, 2009). Based on the last survey, the following hypothesis is proposed:

H2: Non-family management significantly affects the success succession of family business.

2.5 Strategic planning and success succession of family business

Doing the process of strategic planning will provide guidance and coordination for the leadership of the family company, which is an important factor because it can encourage the family company to conduct regular assessments (Carlock and Ward, 2009). Nevertheless, strategic planning can also be established as the mediating conflict between family and the success of family business. Besides, family business managers should review and revise their business strategies to become a dynamic market place (Carlock and Ward, 2009). Moreover, development of effective planning can help the family concentrate on the business and make new strategies to redevelop the firms.

Strategic planning refers to the expansion of business strategy for profitable business growth (Ward, 1988; Fahed-Sreih and El-Kassar, 2017). However, strategic planning is contributed as significant in the advancement of successors in family companies (Mazzola et al., 2008). Planning the family companies is strategically and is assigned as a mediating factor which can help the family business survive and strengthen it as well as extend its lifespan (Ward, 1988). Furthermore, strategic planning is the outcome of organisation process which is typically considered as a plan with five components which include (1) how to realise the strategy and knowing the company's past performance, (2) how to understand the outside environment and some market related assumptions, (3) how the company sets and describes the organisation, (4) the planning's result through human resources that are allocated into attitude, in which, if it implemented will rise the likelihood of achieving the organisational goals, and (5) by creating two simulations of the possibility of the plans effects to financial prediction (Mazzola et al., 2008).

Realising the strategic planning in a family business, the firm gets high performance, survives longer, and enhances the growth and capability to discover opportunities in market place. It constitutes as scenery guidelines, a tool for business plan and evaluating the performance of the business (Fahed-Sreih and El-Kassar, 2017). By doing strategic planning in managing family business, it helps the coming generations to advance its

social relations both within outside the business and stimulating the survival of the firm across its generations (Eser et al., 2012; Fahed-Sreih and El-Kassar, 2017). Although previous studies have identified that strategic planning may have an impact on long-term existence and success of a family company, issues of planning the strategic process in family firm in developing the upcoming successor during the succession process have not yet been studied (Mazzola et al., 2008). Based on the last survey, the following hypothesis is proposed:

H3: Strategic planning significantly affects the success of succession of the family business.

2.6 Succession planning and strategic planning

Succession planning arises because in general, many family companies fail (Handler and Kram, 1988). Succession planning in family companies is an explicit process in which the control of family company management occurs from one family member to another family member (Sharma, 2004). Furthermore, literature suggested that professionalised factors of the family company will make the company survive, including paying attention to succession planning. As an example, making long-term planning, clear regulations, providing professional training, allocating tasks, and perfecting communication (Gilding et al., 2015). This professionalisation system is recommended by researcher to be implemented routinely, which also focuses on spreading tools from organisational management, one of which is strategic planning (Mazzola et al., 2008). Based on the theory of change management states that professionalisation is a good step in understanding the succession process in a family company (Gilding et al., 2015). Succession planning is considered a dynamic process that requires current ownership to plan the future of the company and implement the plan (Michigan Succession Plan, 2007).

Furthermore, strategic planning and succession planning processes were two domains that can be represented in present research, even substantive or conceptual, that help family businesses prepare for the next generation (Mazzola et al., 2008). Other researchers showed that strategic planning (Chrisman et al., 2003; Hitt and Sirmon, 2003) and succession planning (Ward, 1988) can be encouraged and to become a successful succession of the family firm (Fahed-Sreih and El-Kassar, 2017).

Nevertheless, the used of strategic planning for the development tool for the next generation has not been investigated much. Therefore, it might leave some gaps for strategic planning as specific training tool (Dyck et al., 2002; Mazzola et al., 2008; Miller and Breton-Miller, 2006). However, when strategic planning is considered with specific regard to the succession process, this study examined it as the direct effect of succession planning on strategic planning of family business companies at Padang city.

Succession planning is related to the process of developing individuals systematically to fill an organisation's key role (Hart, 2011). Sharma et al. (2003b) mentioned that succession planning in a family-owned business is a kind of explicit process by which the management control is transferred from one family member to another. Furthermore, succession planning constitutes to be where most family business failures occur (Handler and Kram, 1988). Meanwhile, strategic planning constitutes as a tool in developing the process for the succession process in which has not yet been studied as much (Mazzola et al., 2008). Nevertheless, some previous researchers recognised that strategic planning

may contribute to long-term survival and success of a family firm (Mazzola et al., 2008). Although, previous studies found that making strategic planning can contribute to the sustainability of the family company going forward, the use of strategic planning as a process of development tool for the next generation for the succession process is still limited (Astrachan, 2010; Mazzola et al., 2008). Moreover, strategic planning can make family companies more prosperous and can thrive in the field of innovation (Buang and Sidek, 2017). When planning is considered important to the succession process, succession planning can be more deliberate to facilitate an effective transfer of management control from one family member to another (Moss, 1987; Sharma et al., 1997; Tatoglu et al., 2008). Based on the last survey, the following hypotheses are proposed:

H3: Succession planning affects significantly on strategic planning

H4: Strategic planning mediate significantly between succession planning and the success of succession of family business

2.7 Non-family management and strategic planning

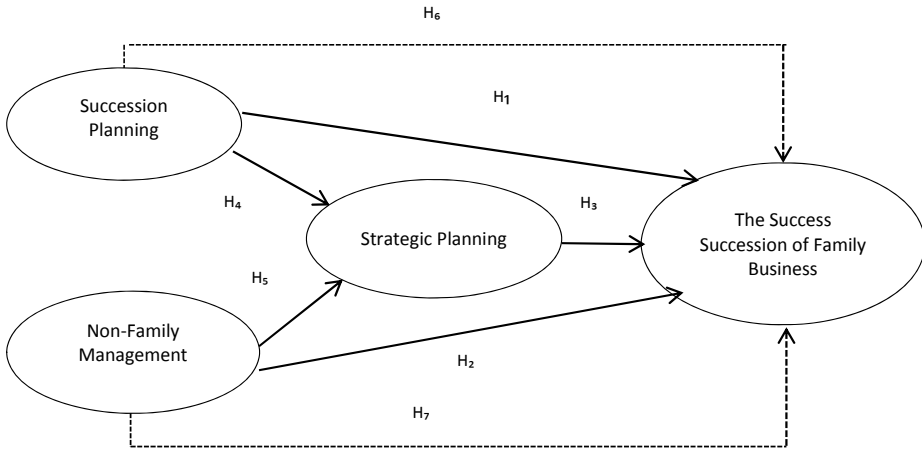
Non-family management or managers in family businesses have increased. Such increase is in the use of outside assistance; as a result, a variety of management attributes changes as the proportion of non-family-member managers increases in family firms (Sonfield and Lussier, 2009). Past research found that issues related to non-family management in family businesses have little attention by researchers (Savolainen and Kansikas, 2013). Therefore, there is a gap in the understanding of non-family managers' role in the family business (Savolainen and Kansikas, 2013) and needs further study to advance the literature concerning the non-family management in term of succession in family business (Sonfield and Lussier, 2009). Past research showed that non-family managers or employees influence succession performance (Chua et al., 2003; Sonfield and Lussier, 2009). Employees influence productivity and profitability (Sonfield and Lussier, 2009). Therefore, non-family management success of succession in family businesses needs further study. This study applied to family businesses in Padang city, West Sumatera, Indonesia where most of the family businesses scarcely involve outsider management in family firms.

Strategic planning's roles in family business play in developing the skills and business knowledge for the next generation joining the family business (Mazzola et al., 2008). Meanwhile, strategic planning is a process of developing individuals to manage the organisation to reach an organisation goal. Past research also found that strategic planning positively affects business performance. Meanwhile, non-family management can develop innovative capabilities in managing family businesses, which is mediated by strategic planning on the successful succession of family business (Fahed-Sreih and El-Kassar, 2017). Based on the last research, the hypotheses are proposed as follows:

H5: Non-Family Management affect significantly on strategic planning

H6: Strategic planning mediate significantly between non-family management and successful succession of family business

Figure 1 Research model



The conceptual model found seven hypotheses which show the direct effect of succession planning on a successful succession (H1); direct effect of non-family management on the success of succession (H2); direct effect of strategic planning on the success of succession (H3); direct effect of succession planning on strategic planning (H4); direct effect of non-family management on the success of succession (H5); mediating effect of strategic planning between succession planning and the success of succession of family business (H6); mediating effect of strategic planning between non-family management and the success succession of family business.

3 Research methodology

This is a causal or explanatory study with the organisation as the unit of analysis. The population in this study is the family companies located in Padang city, West Sumatera, Indonesia. The companies have been running for more than 5 years and prepared for the succession into the next generation of entrepreneurship and legal entities. The amount of population of family companies in Padang city is not provided as published. They were not statistically registered. So, researchers identified family companies that fit the criteria in advance which was obtained by the numbers of family companies. The samples were then obtained from 100 family companies located in Padang city which was calculated based on variables in the research study (Sekaran, 2003) that amounts to 4 variables and timed by 20 to get minimal samples. The sample is rounded to 100 to avoid the questioners that did not return. The sampling technique was selected using convenience and purposive sampling. Furthermore, a Likert scale was used to measure each construct ranging from strongly disagree (1) to strongly agree (5).

In this study, close-ended questionnaires were applied to get the primary data and small, medium business enterprises were selected which categorise as a family-owned business. The questionnaire was distributed to 110 active family companies. The questionnaires returned were 102. Two questionnaires were counted out because they were incomplete. Finally, 100 completed questionnaires were processed and analysed.

Succession planning was defined by how explicit the planning was structured to get an ideal run of the role of a family company leader. This variable was measured using the questionnaire items adopted by Dyck et al. (2002) consisting of 5 statement items. The involvement of non-family members in business is defined as the attitude of the family perceived by the successor. This study used items derived from Sharma and Irving (2005) with 6 items pertaining. Then, the measurement of the strategic planning variable was based on the dimension found by Sharma et al. (1997) using 5 questionnaire items.

4 Result and discussion

4.1 Respondents characteristic

Based on the characteristic of the family business in Padang city, the results found that 34% of family companies are aged between 5 and 10 years old, followed for the companies under 5 years age at 23%, and those over 20 years look quite high at 20%. Furthermore, for family companies in Padang city, as much as 45% were founded by the father and mother. In general, 76% of the family companies' management is mostly managed by their own family whereby the age of the manager is between 30 and 40 years old and the length of position is around 10 years. Moreover, about 73% of the family company is still in the first generation, then it was found that only 18% reach into the second generation, and 5% into the third generation. Family enterprises in the city of Padang are dominated by individual entities (47%), limited liability companies (26%), commanders (22%) and the remaining 5% are others. Moreover, the manager of the family business is dominated by 79% male and only 21% female. The highest education portion goes to seniors in high school at 46%, and 36% with bachelor degrees, while only 9% with a master's degree, and the rest of the managers were high schoolers. The types of family business in Padang city are mostly industry & trading at 53%, and the rest are transportation, travel tour, hotel and agriculture.

4.2 Construct validity

This study used the SEM Smart-PLS 3.2.8 v to evaluate the information result after the questionnaire which is based on Hair et al. (2017) method to find the validity result of each construct and the result of the hypotheses. Explanatory research was applied in nature and intent to discover and test the effect of succession planning and non-family management on strategic planning and the success of succession of family businesses. To measure the validity, Hair et al. (2017) mentioned that it constitutes the examination of the variables to signify the purposed construct to be measured. Furthermore, the value of convergent validity, composite reliability and discriminant validity can be said as the indicators of construct validity. Table 1 showed that the results of Convergent Validity, Average Variance Extract (AVE) and Composite Reliability. Some dimensions were deleted from this analysis, such as the SP4, SP5, NFM1, NFM4, SCP5 too low outer loading. As a result, outer loading indicates to be greater than 0.7 while the value of Cronbach's Alpha (CA), is greater than 0.5, Average Variance Extract (AVE) is greater than 0.5 and Composite Reliability (CR) value is more than 0.6. Therefore, the result showed that the convergent validity and CR were considered sufficient.

Table 1 Convergent validity, composite reliability, AVE, and Cronbach

<i>Item</i>	<i>Succession planning (SP)</i>	<i>Non-family management (NFM)</i>	<i>Strategic planning (SCP)</i>	<i>Success succession (SFB)</i>
1	0.714	Deleted	0.805	0.618
2	0.779	0.945	0.851	Deleted
3	0.717	0.877	0.794	0.777
4	Deleted	Deleted	0.821	0.728
5	Deleted	0.647	Deleted	0.773
AVE	0.693	0.670	0.528	0.543
CR	0.869	0.890	0.816	0.781
CA	0.820	0.836	0.702	0.585

Sources: Authors' own findings

Furthermore, to evaluate whether the construct truly existed from the other constructs, the test of discriminant validity was done according to Hair et al. (2017). Then, the square root of AVE value was counted based on the criterion of Fornell and Larcker (1981) in which the value should be higher than its highest correlation of other constructs. The other way to prove that the data said is valid was by assessing the Fornell and Larcker criterion, and it was counted as an adequate discriminant validity. Henseler et al. (2014) suggested that looking at the criterion of the heterotrait-monotrait (HTMT) ratio, the validity of the data should be more realistic. The HTMT correlation is relative to the average monotrait-heteromethod correlation (i.e., mean of all correlations of indicators determining the same constructs) (Hair et al., 2017). Table 2 shows the HTMT statistic where the highest HTMT statistic is 0.832, and it is lower than the threshold value of 0.850. Based on the reliable PLS bootstrapping, the HTMT confidence interval does not equate to zero. Therefore, the discriminant validity could be suitable. It can be said that the items are valid.

Table 2 Discriminant validity: heterotrait-monotrait ratio

<i>Latent variables</i>	<i>Non-family management (NFM)</i>	<i>Strategic planning (SCP)</i>	<i>Successful succession (SFB)</i>	<i>Succession planning (SP)</i>
Non-Family Management (NFM)	0.832			
Strategic Planning (SCP)	0.243	0.818		
Success Succession (SFB)	0.202	0.519	0.727	
Succession Planning (SP)	0.221	0.676	0.423	0.737

Sources: Authors' own findings

4.3 Hypotheses testing

After the measurement model was evaluated and the construct was validated, the next step was the evaluation of the structural model (inner model) and their causal relationship (Rezaei et al., 2016). The structural model examined the model's predictive capabilities and the relationships between the construct or showed the relationships (paths) between constructs (Hair et al., 2017). To test the paths for each construct, the bootstrapping

technique was used (Hair et al., 2017). This technique allows for testing of the statistical significance of various PLS-SEM result, such as the path coefficients, Cronbach's Alpha, HTMT and R^2 (Hair et al., 2017; Ringle, 2014). Nevertheless, PLS-SEM is not considered a global goodness-of-fit measure (Hair et al., 2017). Instead, the structural model assessment in PLS-SEM mostly concerns its capability to predict the endogenous construct (Hair et al., 2017). Therefore, a number of measures were used to evaluate the predictive power, such as the path coefficient (Beta), coefficient of determination (R^2), effect size (f^2) and predictive relevance (Q^2).

Generally, after running the PLS-SEM algorithm, estimates were obtained for the structural model relationship (i.e., the path coefficient) which represented the hypothesised relationship among the constructs (Hair et al., 2017). Hair et al., (2017) also stated that estimated path coefficients close to +1 represents strong positive relationship or vice-versa for negative value. Furthermore, the bootstrap standard error enables computing the empirical t -value and p -values for all structural path coefficient. If the t value is larger than the critical value, it can be concluded that the coefficient is statistically significant at a certain error of probability (i.e., significant level). Commonly used critical values for two-tailed test is 1.65 (10%), 1.96 (5%), 2.57 (1%). This study used two-tailed test with critical value of 1.96 or a significant level equal to 5%. Table 3 shows the results of path coefficient. The findings reveal that the Succession Planning (SP) had no significant effect on the success of succession of the family business (SFB), with $\beta = 0.123$; $p > 0.05$ (not supported) Non-Family Management (NFM) has no significant effect on the success of succession of the family business, with $\beta = 0.081$; $p > 0.05$ (not supported). Whereas, strategic planning has a significant effect on the success of succession of the family business, with $\beta = 0.416$; $p < 0.05$ (Supported). Furthermore, strategic planning mediates significantly between succession planning and the success of succession of the family business with $\beta = 0.654$; $p < 0.05$. And it has the total effect 0.40 which means that strategic planning has the strongest effect on the success of succession of the family business for supporting succession planning. It can be concluded that there is an "indirect-only (full mediation)" effect, as indirect effect is shown significant, but direct effect is not significant. Meanwhile, strategic planning has no mediate effect between non-family management and the success of succession of family business with $\beta = 0.098$; $p > 0.05$; total effect only 0.12 is considered weak, and therefore, the direct effect is not significant and the indirect effect is not significant, and so it is concluded that there is no mediation (Hair et al., 2017).

Furthermore, based on Table 3, the coefficient regression (β) of 5 constructs is positive, but the value is weak with only 12.3% of succession planning that can be used correlate with the success of succession of family business. Then, 8.1% for the non-family management effect on the success of succession. Direct testing of succession planning and non-family management constructs on the success of succession of family business were not significant at $p > 0.05$ ($t < 1.96$). The direct effect of non-family management on strategic planning also shows a positive but not significant at $p > 0.05$ ($t < 1.96$). Hair et al. (2017) stated that the collinearity (VIF) value of constructs are below 5 shows there is no critical issue in the structural model. The collinearity (VIF) in this study shows below 5 as according to rule of thumb, then, it can continue examining the result report. Furthermore, the R^2 value of the endogenous latent variable SCP (0.462) and SFB (0.291) can be considered rather weak.

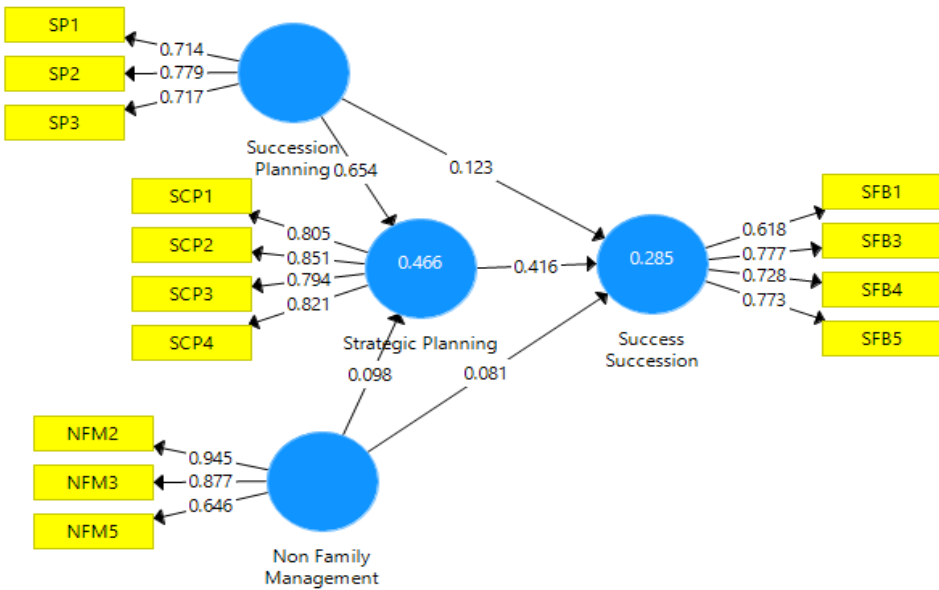
Table 3 Result of structural model and hypotheses testing

Hypotheses	Relationship	Std. beta (β)	Standard deviation	t-value	P-value	Decision
H1	SP \rightarrow SFB	0.123	0.130	0.945	0.347	Not supported
H2	NFM \rightarrow SFB	0.081	0.110	1.367	0.463	Not supported
H3	SCP \rightarrow SFB	0.416	0.144	2.892	0.005*	Supported
H4	SP \rightarrow SCP	0.654	0.062	10.599	0.000*	Supported
H5	NFM \rightarrow SCP	0.098	0.072	1.367	0.175	Not supported

Note: *Significance level at 5% or $*p < 0.05$.

Figure 2 shows the result of Booth strapping from Smart_PLS 3.2.8, which reflects the latent variables and manifest variable of each construct. The outer loading of each construct is over 0.7 which can be considered valid with the R-square 0.466 and 0.285 for strategic planning and success of succession of family business at Padang city. The analysis of the result is described in Tables 1, 2 and 3.

Figure 2 Hypothesised PLS path model



5 Discussion

The objective of this study is to examine the effect of succession planning, and non-family management on the success of succession of family business, directly and indirectly. In this study, strategic planning has a role in mediating both predictor

variables on successful succession. Initially, five hypotheses were tested directly using consistent PLS bootstrapping (multi regression analysis). However, out of the five hypotheses tested, only two were supported, which were the succession planning to strategic planning (SP) and strategic planning (SCP) to successful succession (SFB). Three hypotheses did not significantly affect the succession of family business, which were Non-Family Management (NFM) to strategic planning (SP), NFM to SFB, and SP to SFB. In-depth study was done concerning an implication that the irrelevant results were due to the presence of multi collinearity in the multiple regression analysis. It created a communal variance between the independent variables. Consequently, the capability of prognosis on the dependent variable was reduced. Moreover, the model in this study reflects the order construct. The results of measurements obtained from the analysis of the value were above point 7, which shows that all constructs are valid and reliable (Hair et al., 2017). Another finding is that the *R*-square value for all endogenous variables reached the minimum recommended result, even though a little weak, except for the construct strategic planning that has a higher value of 0.462. Lastly, to see the model's predictive relevance of each endogenous construct (strategic planning and successful succession), we found that the Q^2 value of two endogenous constructs to be zero. More precisely, strategic planning (SP) is 0.278, and successful succession of the family business is at 0.112.

Generally, this result indicates that family companies in the city of Padang, West Sumatra have not considered management of the company from outside the family. Kinship is still visibly seen in managing family companies so that in this case non-family management does not have a significant influence on the success of succession of the family company (Hania and Ashour, 2012). The same thing can be seen in succession planning, which did not directly affect the success of the family company succession in Padang city. Of course this indicates that succession planning is not the main thing thought by most family companies. In general, family companies have not prepared their successors when the founder is still alive because the successors are not interested in the existing business. In this case also can be seen that the son of the founder is not confided in managing the company. Furthermore, succession planning has a significant effect on strategic planning, and strategic planning has a significant effect on the successful succession of the family business. This is reflected as strategic planning has a significant role in mediating the success succession of the family business in the city of Padang (hypotheses six was accepted). In this case, the family company pays more attention to management planning in the continuity of succession in the family company, such as preparing successors and other resources. Furthermore, non-family management has no significant effect on strategic planning, while, strategic planning has a significant effect on the success of succession of the family business in Padang city. In this case, strategic planning was not significantly mediated between non-family management and the success of succession of the family business (hypotheses seven was not accepted); nevertheless, it was positively correlated. The reason for that is the fact that in the city of Padang, there are not many family businesses managed by people outside of the family. But in general the owners of family companies in the city of Padang have a positive view of non-family management in the future.

6 Conclusions and implication

This study concludes that the succession to succeed in a family company needs to implement strategic planning. Strategic planning must be implemented continuously because planning strategy is a part of strategic management in achieving a successful succession in organisations including quality commitment and time spent together with the owner of the company to the successor (Vallejo-Martos, 2011). This study showed that strategic planning could mediate fully between succession planning and the success of the family company succession in the city of Padang. Succession management is already a subject for academic researchers, although research related to the succession of family companies already dominates one third of the total number of studies, but theories regarding family company succession planning are still limited (Parakhina et al., 2017; Sharma et al., 2003a). Furthermore, the finding in the present study shows that succession planning significantly affects the strategic planning. It means that the hypotheses support the study. For this reason the family companies should prepare strategic planning to achieve successful succession. Somehow, lack of some tools for the relationship of strategic and operational aspects of the family business management has remained an important topic for the effective functioning of the organisation (Parakhina et al., 2017).

Moreover, the present study found that non-family management does not significantly affect the successful succession of family business; at the same time non-family management also does not significantly affect strategic planning. It means that the hypothesis of this study is rejected. As a result, strategic planning is not considered as a mediator between non-family management and the successful succession of family business in Padang city. This result shows that family businesses in the city of Padang are still rarely managed by non-family managers. In general, family businesses are managed by family members. Nevertheless, most family businesses have a positive view of family company leadership that comes from outside of the family. Past research showed that non-family employees participate in family businesses in the succession process, and they have strong psychological ownership of the family business, their work, and the founding generation (Savolainen and Kansikas, 2013). Non-family employees recognise the changes in management and leadership in succession. The psychological ownership of non-family employees increases sequentially. This influences commitment and well-being in a way that is unique to the personal characteristics of employees who are not family (Savolainen and Kansikas, 2013). Non-family employees involved in managing family business should be managed professionally and have very satisfying returns. Unfortunately, the literature concerning non-family employees did not advance in past years, and it has limited resource and references (Savolainen and Kansikas, 2013). Therefore, this study implies that non-family management should be developed in the future to be managed more professionally to increase the quality of family business in Padang city.

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