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The Transition of Family Business Leadership: Factors
Affecting on Successful Succession at Padang City

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Research Highlights

The issue of succession is very important because the successful succession leads to the sustainability of a family businesses (Sharma & Dave, 2013). Generally, the family businesses are difficult to flourish and even many have bankrupt. Some family businesses are bound on the first generation and some have collapsed in the second generation. Literature shows that just 30 percent of family businesses can be passed along to the second generation, and 70 percent fail after first generation step down because there are no preparation for succession and inability of the next generation to control and run the company (Aronoff, (2004). The study purposed to examine six hypotheses and the result showed the succession planning, non-family leadership, and decision making authority insignificantly affect on succession of the family business. Nevertheless, founder's influence, successor and strategic planning variable affect significantly to the success of family business succession at Padang city, West Sumatera.

Research Objectives

The purpose of this study is to examine the succession planning, non-family leadership, founder's influences, successor, founder's authority and strategic planning towards the succession of family businesses in the city of Padang West Sumatera, Indonesia. Family business constitute a business that owned and under the management of one or more generations of family members (Bakoğlu, Bige, & Yıldırım, 2016). Moreover, family business represents a vital for providing job in most countries. It becomes a driving force to national industries and their stability are counted in continuing countries economy.

The succession of the family business is the processed of handling the ownership and management intergenerational. Normally, a member of the family controls significantly in succession of management and the ownership. Furthermore, the transition of the leadership is a critical time in family business history. Previous research showed that a small percentage of the family businesses can exist and success right after second generation takes control of the company. Therefore, the family company needs to prepare the successor for the next generation. The gaps include the internal conflict within the heirs (Massis & Enterprise, 2012; Sharma & Dave, 2013)





Methodology

The population of this research is the family businesses that still active in the business more than 5 years. The amount of samples is hundred managers or CEO of the family businesses in Padang city. Furthermore, the data collection methods are interviews, observations and questionnaires. The questioners were spread by using convenience and purposive sampling technique. Descriptive and quantitative analysis method was used to analyse the data. Current study applied the multiple regression analysis with using data analysis technique is SPSS models to see the effect of independent variables on the succession of the family businesses.

Primary data were collected to active family companies. The questioner was constructed using Likert (1-5) scale. To measure the validity and reliability of the construct, this study used Cronbach Alpha and Pearson Correlation Test. Furthermore, the instrument measurement of the questioner consists of 5 statement items. Furthermore, descriptive and quantitative analysis technique was used. The descriptive analysis was used to calculate the average and achievement of respondents and the quantitative analysis was used the multiple regression analysis method to see the effect of independent and dependent variables.

Results

Cronbach Alpha indicated over 0.6 which mean variables considered reliable. Furthermore, the adjusted R-square is 0.332, which means the independent variables tested in this study are able to explain the dependent variable of 33.2%, while the remaining 66.8% is explained by other variables. Then, the F value is significant at 0,000 indicates that there is a significant effect simultaneously for all independent variables, namely succession planning, non-family leadership, decision-making authority, founder's influence, successor and strategic planning towards family company succession, since the F value was less than alpha at 0, 05.

Three hypotheses are accepted as significant which is variables of founder's influence, successor, and strategic planning, the t-value of each variable indicates smaller than the value of alpha which is 5% and significant at 0.000 and the 95 % level of significance. Meanwhile, succession planning, non-family leadership and decision making authority variables are rejected because t- value of each variable showed higher than the value of alpha with 5%. So, it be stated it that there have not significantly affected.





Findings

The finding of this study showed that the succession planning was not affected significantly to the succession of the company due to the knowledge and trust of the parents. Furthermore, outsider management of the family was also not affected significantly because of the family orientation was still strong. The authority of the decision making in the family company was also not affected significant because the reason that the influence of parents were still strong in the company. Founder's influence in the family business at Padang city was affected significantly because the founder still played an active role in corporate management activities. Moreover, the successor itself affected significantly to the succession of the family business. And last strategic planning also significantly affected on the succession of the family companies in Padang city.

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