

FAMILY BUSINESS ACROSS GENERATION: A CASE STUDY

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Abstract – This study aims to understand the family orientation concept for assessing the interaction between individual perceptions of family members and the company. This research discusses individual family members' family orientation in relation to the family business. The findings provide evidence how individual family members relate to the family business. This incorporates five elements: family tradition, stability, loyalty, trust, and interdependency. This study contributes to extending the concept of family orientation by addressing the question of how individual family members relate to the family business.

Keywords: family business, family tradition, stability, loyalty, trust, interdependency

INTRODUCTION

Families in business do not only play essential to the socioeconomic landscape of local economies but also global economies (Basco, 2015). A family business is when one or two family members putting resources (financial, human or social capital) into one or more businesses and engaging in those businesses as well (Seaman, 2015; Hamilton, Cruz, & Jack, 2017). However, family and business tend to be viewed as separate entities, thus researchers frequently investigating them in the different faculties (Aldrich & Cliff, 2003).

Family and business are highly related to each other. As it is already stated in the name, “family business”, thus family members hold an important role to maintain the existence of their “family business”. The nature of family business still remains unanswered (Lumpkin, Martin, & Vaughn, 2008). The family members themselves often go unnoticed in the family business context. A family business is built by family member(s). Before the business itself is established, the family existed first (Lumpkin, Martin, & Vaughn, 2008). Thereby, it is important to know how individual family members value the family and relate it to the business.

This study aims to understand the family orientation concept for assessing the interaction between individual perceptions of family members and the company. This research discusses

individual family members' family orientation in relation to the family business. Specifically, it examines the family orientation for one of the family businesses in Surabaya in order to enhance the understanding of how their family members value the family business. It will be focused on the third and fourth generation of the family.

LITERATURE REVIEW

A business and a family unit are running side by side together as a parallel organization called family business (Burch, Batchelor, Burch, & Heller, 2015). The distinctiveness of family firm reflected in their culture and dynamics, which make them different from a non-family firm in terms of the process, decision and actions (Laforet, 2013). Shared symbols and meanings become the cornerstone of cohesion and consensus in an organization which is created by the collective reproduction of societal culture into cultural control. Cultural consensus among company's key actors also become the legitimate source of authority within a family business aside from the owner's values (Efferin and Hartono, 2015). The key to defining the differentiation of family business and non-family business is the involvement of the family itself (Kjellman, 2014).

Firms become more family-oriented as they get older (Reid, Dunn, Cromie, & Adams, 1999). Family orientation concept reflecting the ways individuals perceive, relate to and value family. In family orientation, there are five key dimensions, which are tradition, stability, loyalty, trust, and interdependency (Lumpkin, Martin, & Vaughn, 2008). Each of those concepts mentioned above is essential to family business, but the true value that makes a family business different than from those non-family businesses is how the family members integrate those five concepts (Burch, Batchelor, Burch, & Heller, 2015).

The first dimension is tradition. Lumpkin, Martin, and Vaughn (2008) suggest that tradition is an underlying aspect of family orientation and the main characteristic of the family system. Traditions are passed on within families through sharing family histories repetitively and ancestors' contributions are recognized. Rituals and routines also part of family tradition. Instrumental goals are attained using family routines. Rituals are essential to maintaining a family relationship. Thus, the emotional support provided by rituals and other tradition is more likely to be valued by individuals who have strong family orientation, rather than those with low family orientation. Role identification, rituals, routines, shared history, shared meaning,

and family legacy are the character of tradition (Burch, Batchelor, Burch, & Heller, 2015). Family tradition does not only play a pivotal role in the intention to start a new business but also to risk-taking propensity (Altinay, Madanoglu, Daniele, & Lashley, 2012). Children of a business family may grow up in the tradition of business and acquire skill by being on the track with their families (Groothuis & Groothuis, 2007).

Secondly, trust is reflected by an eagerness to meet expectations, confidences sharing, backing each other, and act with a system that recognized fairness. Fulfilled obligations will create a sense of safety within a family. Individuals that trust each other within the family tend to have strong family orientation since cohesion and security are provided in the family system. A loss of trust causing cohesion and support needed to keep interdependency of emotional system break (Lumpkin, Martin, & Vaughn, 2008). Safety, security, protection, fairness, reciprocity, and trustworthiness are the characteristics of trust (Burch, Batchelor, Burch, & Heller, 2015). It becomes a general mechanism for informal cooperation that able to substitute the need to use formal control of the actions and interaction in a transacting organization (Hadjielias & Poutziouris, 2015). Furthermore, the trust made individuals become selfless, which lead to strengthening their desire to cooperate together. Trust can become an advantage that owned by a family business over a non-family business, which comes from the family members themselves. Personal time, energy and emotional support become the human capital (Zachary, 2011). Trust and selflessness in family allow them to give support in form of willingly to supply money for the family business, although it may decrease the amount of family's income that derived from the family business (Olson, et al., 2003).

Thirdly, a sense of duty, obligation, indebtedness, and commitment along with the priority of togetherness are the characteristics of loyalty (Burch, Batchelor, Burch, & Heller, 2015). Loyalty is likely to be experienced by individuals that have strong family orientation, which have a sense of commitment and duty. Filial loyalty is expected from the children. Maintaining the family as well as being loyal are expected from family members as a social group. Loyalty displayed in the family is the strongest level, however, in a lesser condition, loyalty showed in common tasks, value and interests (Lumpkin, Martin, & Vaughn, 2008). It is one of the substantial fundamentals that unite relationship (Aksoy, et al., 2015).

Hence, Lumpkin, Martin, and Vaughn (2008) suggest that permanency in a family is related to stability. Any condition and aspect within a family that capable of ensuring the family's

legacy permanency in the future is a form of stability. Pressure will be wielded and sanctions will be imposed if there is a family member who tries to separate his or herself from the family in order that the family will become normal again. Strong family orientation individuals are attracted by sanction for insignificant behavior and boundaries. Family stability and family cohesion are essential to the family welfare system, which becomes long-standing challenges to deal with substance abuse (Ryan, Victor, Moore, Mowbray, & Perron, 2016).

Last, interdependency may result in family closeness and until to what extent family members are willing to support and count on each other. Family members are relying on each other that one may fulfill basic needs and accomplish goals. Family members level of interdependency commonly different compared to other social structures. Furthermore, there is an interdependency called physical interdependency. Housing, money or other physical resources are shared with family members. Not only resources but also effort is shared. A family has an unrestricted version of physical interdependency. Babies or those who have the least capability to give contribution will not be expected to return the resources that already received. Caregiving is resource intensive and adult members have multiple interdependencies, compromised independence can make members experienced sadness, and mortality made salient (Huff & Cotte, 2016).

RESEARCH METHOD

The orientation of this research is basic research, which also called academic or pure research. It enhances basic knowledge regarding the social world. Basic research provides the newest scientific ideas and ways to understand social events. It is used to support or oppose theories regarding the changes in the social world, the cause of things that happened and why social relations are in a specific way (Neuman, 2011).

The data collection involved observation and interview. In order to collect the data needed for this qualitative research, the researcher immerses in daily activities, as part of the family members, of the observed organization. This approach allowed the researcher to gain trust from the research participants, which in turn provides the information. The initial data analysis involved field notes, recording, and transcribing.

Field notes are the notes taken by the researcher during the interview. The researcher wrote important words from the interviewees' answer during the interview. To support and ensure the data comprehensiveness, since field notes may not provide complete information from the interview due to time limitation to write all answers given by interviewees, the researcher recorded the interview. The recorded voices and field notes used by the researcher to analyze the information obtained from the field. To confirm the findings, the researcher carried out triangulation that involves respondents from various generations.

FINDINGS

This study argues the family orientation demonstrates how individual family members relate to the family business. This incorporates five elements: family tradition, stability, loyalty, trust, and interdependency.

First, the study indicates that the family tradition at the observed family business is well preserved. The company is passed down from the first generation to the fourth one. The fourth generation also has a strong intention to share the history to the next generation. All of the family members are encouraged actively participate in family events, such as birthday party, engagement party, wedding ceremonial, Christmas, Chinese New Year, family gathering, family holiday, etc.

Second, the observed family business also concerns to maintain stability through frequent communication and gathering. Eliminating ego and selfishness, mutual understanding and giving in to each other are also their way to successfully maintaining stability in this family business for generations. Other than family gathering, the fourth generation tries to keep in touch with each other through social media by creating LINE group.

Third, all family members show their loyalty by only using the product of the observed company. They do not use other sweet soy sauce brand. Some family members show their loyalty by giving ideas as well as helping to sell company's products. Thus, loyalty can also be shown in a form of support. The fourth generation also willing to work in the company if the company really needs their help, because they have a sense of belonging towards the company and consider the company as a legacy to preserve. They do not want their predecessors' hard work to vanish in vain. Employees are also loyal to this company because they already feel

comfortable working at the company and do not want to leave the company, even though they get another job offer.

Fourth, the observed company is running openly to maintain trust. Family members who do not work directly in the family business are not being entirely cut off from the business. Their ideas and voices are still be heard and considered. Trust also built on fulfilling role and obligations. The employees also trust the company. They feel that their health is guaranteed because the company is taking responsibility by signing all of the employees to BPJS and their salary is enough and always paid by the company.

Lastly, there is also interdependency among the family. Family members show support to the company by helping to sell the products and praying. The family members who are in the management position also still need support from the other family members. They still discussed some issues together with the family and this activity shows interdependency in the third generation. The fourth generation shows their support by helping to sell company's product. Meanwhile, both fourth generation and employees share the same type of interdependency, which is physical interdependency. The fourth generation aware that they depend on the family business as a source of income, thus they are able to get a good education, food to eat every day, things they want to buy, etc. The employees' physical interdependency is in form of salary because the salary is used to fulfill their family needs.

THEORETICAL IMPLICATION

This study contributes to extending the concept of family orientation by addressing the question of how individual family members relate to the family business. This study extends the previous works on entrepreneurial family orientation. Family orientation has five dimensions, such as tradition, trust, loyalty, stability, and interdependency.

Previously, Lumpkin, Martin, and Vaughn (2008) stated that tradition is the main aspect of family orientation and passed down through generation with sharing family history repetitively and recognizing ancestors' contributions. The data found from the field are supported by the theory above. The shared history remind the later generation about their predecessors' hardship and struggle behind the company they already knew right now, since the history was found inspirational and motivational, thus encouraging the individual family member to retell family business history to future children. Lumpkin, Martin, and Vaughn (2008) stated that individuals

with high family orientation will value more emotional support provided by rituals and routines. The highlight of the rituals are not the events, but more to the people within those events and togetherness.

In the Lumpkin, Martin, and Vaughn's journal (2008), it stated there that tradition leads to stability. Furthermore, they suggest that aspects of family life that ensuring the family's permanency are a form of stability. Stability is not only be maintained with giving sanction, as it was stated in the previous study but also through constant communication. In addition, gathering and respecting each other are also essential in keeping the family business stable. By joining family gathering and communicate constantly, it can bring the family members closer. Lack of communication may give negative impact, like miscommunication that could lead to instability within a family and it could be destructive (Pratono, 2016).

Loyalty can be formed by the feeling of indebtedness, sense of duty, commitment to maintaining togetherness, and obligation (Burch, Batchelor, Burch, & Heller, 2015). Feeling of indebtedness and sense of duty can be found in the children, while the feeling of comfort is found within the employees. They fully aware that they grow up, able to consume good food every day, get a good education, fulfill family needs etc., are because the family business becomes the family's source of income. A sense of belonging also contributes to a person's motivation to become loyal. Loyalty can be shown in how much a family member willing to help the family business. Previously shared history triggered a person's will to help even though he does not work directly in the family business. Ancestors' hard work in establishing the company made a family member feels unwilling to see all those hard work and struggle become nothing in the end, thus decide to help. For a family business that producing a product, family members show loyalty by not using other brands.

Trust recognized fairness, sharing confidential information, provide a sense of safety, substituting formal control, and an advantage gained from family business (Lumpkin, Martin, & Vaughn, 2008; Zachary, 2011; Burch, Batchelor, Burch, & Heller, 2015; Hadjielias & Poutziouris, 2015). Running the family business openly by exposing confidential information to the family members creates transparency and transparency create trust in family business. Trust towards employee can be shown by substituting formal control, do not need to hand in formal written notice when they do not attend work and just need to call or tell a friend. Trust in family business is maintained through constant communication because by communicating frequently, family members can get to know each other, thus the feeling of trust will grow.

Trust can also be a form of support. By trusting those who are working for the company, the family members that work directly in the family business can give their fully best.

Interdependency, based on emotional ties, may result in family closeness and until to what extent family members are willing to support and count on each other. (Lumpkin, Martin, & Vaughn, 2008). The family business is able to survive until now due to support given by family members. The supports are given by helping with the marketing and selling the product. Physical interdependency is shown among children and employees. They aware that they grow up with the company's money as a source of income and employees physical interdependency is their salary.

Cuan, as a form of interdependency, creates trust and loyalty. Money from the *cuan* is also used to pay employees' salary, which will maintain employees' trust because they trust a company that would pay their salary and has awareness to give raise. Loyalty also created because the profit gained become family's source of income and that physical interdependency feeling towards the company motivates the family members to become loyal.

Imlek, as a form of tradition, creates stability and loyalty. The family gather together every *Imlek* once a year, thus it provides opportunity for them to communicate and bonding with other family members. Good communication leads to stability, thus the family can maintain their *rukun* environment. Loyalty is shown in the *Imlek* event because if the company is producing ingredients for cooking, they can incorporate that ingredient into the dishes to show the loyalty because loyalty is shown by using their own produce.

RESEARCH LIMITATION AND FUTURE RESEARCH DIRECTION

Since this research is analyzing about family, there might be some things that too sensitive to be published, thus those things cannot be dug any further. In addition, the family business that discussed in this research has a complex family tree, which means the family has so many siblings, cousins, nephews, nieces, etc. Therefore, the research focused more on one side of the family and those who are in the important position within the company. This conducted research is a qualitative based. Future quantitative research about measuring each individual's family orientation level and put it into numbers is recommended. Furthermore, future research can focus on exploring the family orientation of the other side of the family tree as well as of the future fifth generation.

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