

SUCCESSION PLANNING IN FAMILY BUSINESS AT PT. AMADEA DEVINA FARMA

Erwindo Maniek Prabhananda¹, J. E. Sutanto²

Universitas of Ciputra Surabaya
INDONESIA

Emails: ¹edo_maniek@yahoo.com, ²je.sutanto@ciputra.ac.id

ABSTRACT

Family business have an important role in supporting the national economic and even global. 95 percent majority businesses in Indonesia are mostly owned by the family. The continuity of a family business is a goal that must be achieved by a company. To maintain the continuity of the family business in the long-term is to do Succession. Succession has a meaning of “Transfer The Baton” from the first generation to the second generation and so on. The timing could not be determined. It could be predicted by the developmental stages of family business concerned.

The research analyzes about succession planning in family business which running in the medical equipment with a few of stages which are pre-succession and succession process. This research using qualitative descriptive method. Researchers collected data through the interviews and observations. The results showed about the phases of planning succession, pre-succession and succession process with indicators on each stage. The company has already entered the stage of the succession process in which the second generation or successors is already entered and working in the company. Indicators were being focused in this study, including: the structure of the company, genogram, succession issues, exploration and exploitation of the products and markets and types of conflict.

Keywords: Succession, Succession Planning, Family Business

INTRODUCTION

Based on the results of a recent survey conducted by PWC.com in November 2014, a majority of 95% of businesses in Indonesia owned by the family. Almost 95% of companies in Indonesia are a family Business. (Susanto, 2013). Other facts also prove not only in Indonesia the majority of the company is a family company. According to the book entitled Family Business said that 90% of companies in the United States is a family company including the sole ownership of as many as 17 million. (Ernesto J. Poza, 2010: 1). He also said that the family company in the United States created 64% of GDP.

A Firm can be called as a family business if a majority is in the hands of the founder or the person who acquired the company (parent, spouse, child or heirs) and at least one of family member involved in the company. Modern management view has a distinct line of business dealings with family matters so that a family business considered to have no significance for the global economic.

The continuity of a family business is a goal that must be achieved by an enterprise. Family business can not be called as a firm if it is not able to create a new leader as the next generation. Today, many family business at the time established generally intended that the company can survive in the long term. However, in fact, often these goals are not as expected. As a family-controlled business, management and performance of companies both big companies or small companies will be heavily influenced by the vision and mission of the family who sometimes appears to internal problems that will lead to the performance of the company.

Succession is an issue that is very important in maintaining the continuity of the family business. Succession is the transfer of a business from the first generation to the second generation and so on. The success of the transfer process is highly needed by a family firms. Succession planning will assist the business in maintaining the stability and performance and can maintain family harmony. (Susanto, 2013) Therefore, the potential successor needs to be prepared from the early age. So that someday they are ready to become a candidate for the next leader. The first thing to do at the time of succession planning is to determine the criteria. According to (Theresa and Mustamu, 2015), there are several criteria required by potential successor, namely: adaptable, have an interest, have the same vision with the company.

Jakarta Consulting Group suggests three factors why the family business succession does not go smoothly so many their business are closed after inherited. The first factor is giving positions to family members not based on its professionalism. The second factor they pass the business from the first generation to the second generation only physically but failed to pass the spirit, work ethic, as well as the hard work as the business was established. The third factor is the failure to deal with internal conflict families or "fight" in the business. Seeing the number of family firms that failed to survive due to lack of preparation for succession, succession planning then becomes interesting for research. (Susanto. AB, 2010)

PT. Amadea Devina Farma is a family business that was founded in 2001. The company is running in supplying medical equipment and agent for some medical equipment and medicine that comes from domestic or local and foreign products such as: Germany and China. Goods that are mediated by the company include: patient bed, operating table, gynecological chairs, gynecological tables, bedside cabinets, overbed table, instrument cabinets, dressing trolley, wheel chair, lamp examination, infusion stand, etc.

Since the company was established, PT. Amadea Devina Farma still using the management that can be called very traditional because it is managed by the family who have the vision and mission of the family. However, the past three years the company gradually declining turnover. This is due to aging owner are has entered 70 years. it is not possible to perform high mobility and age of retirement. Meanwhile, in managing PT. Amadea Devina Farma requires full focus and high mobility so that these companies can increased.

The study will analyze about the stages of succession planning at PT. Amadea Devina Farma which goal is being able to develop better than before. PT. Amadea Devina Farma selected as research sites because the company has a very good potential and a large turnover so, it is highly need a full consideration to the sustainability of the company in the future with proper succession planning. Based on the description above problems, the author is interested in studying more about succession planning in family business PT. Amadea Devina Farma with the hope to create the highly quality of next generation so as to ensure the continuity of the company and provide improved both efficiency and performance. Analysis model that being used by this research are:

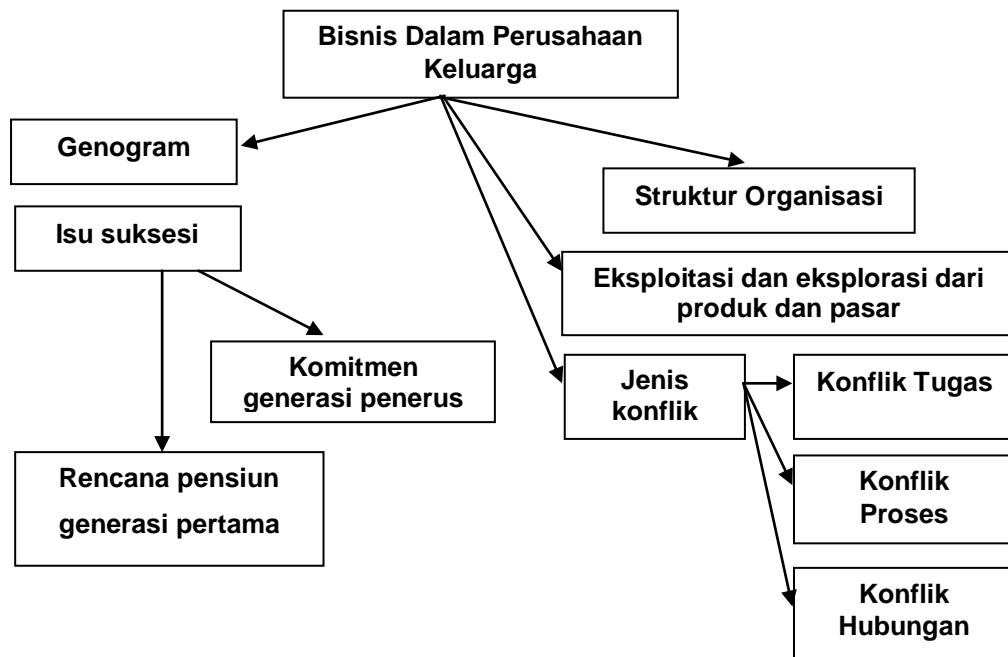


Figure 1. analysis business model in family enterprises

Source: edited by author

The goals of this study are:

1. To identify and explain about the stages of succession planning done by PT. Amadea Devina Farma before entering the stage of post-succession.
2. To identify and explain about the evaluation stages of succession planning at PT. Amadea Devina Farma.

RESEARCH METHODS

The types of research used in this research is qualitative descriptive. Qualitative descriptive research are used to analyze the data in ways that describe or depict the data that has been collected properly without intending to make a conclusion which are generally applicable (Sugiyono, 2012)

Data collection technique

This study uses two methods of collecting data through interviews conducted semi-structured and observation. The interview is a conversation with a purpose. In this study, researchers used a semi-structured interview to obtain the information needed in the research object. (Moleong, 2013). Observations is used if it is associated with human behavior, work processes, natural phenomena to support the gathered information are actual facts and events. (Sugiyono, 2013)

Sample of informant technique

A technique of determining a resource in this study is purposive sampling method. Purposive sampling method is a technique used in data sources making certain consideration because in this study requires in-depth information on the source of the most understood and in accordance with the criteria associated with this research. (Sugiyono, 2013). The criteria in determining the informant in this study are:

- Owner of the company who knows the history, the details and the company's situation

- Expert in the same field is used as a comparison to give their views and feedback on the company.
- Marketing employee to find a picture and information about the method works
- First successors is older sibling or the second brothers of researchers from the owner of the company PT. Amadea Devina Farma
- second successors who have been entered as an employee in the company and at the same time involved in this research as a researcher

Data Analysis Techniques

Analysis of the data is the process of taking, classifying, separating and combining a number of data collected somewhere empirically then converted into a set of scientific information structured and systematic subsequently packaged into a research report. (Mukhtar, 2013: 120). Data analysis techniques used in this study are: Analyzing data from various sources as a whole, data reduction, categorization, test the validity of the data used to ensure that data from research are true to the facts and nature. To establish the validity of the data required examination technique called triangulation techniques, interpretation of the data used to answer the problem formulation. (Lumintan and Mustamu, 2015)

Validity and Reability Research

The validity of the data aims to discover the truth or facts of information and data has been collected. In this study, the authors use triangulation serves to check the source of the data and information collected, such as: interviews with observation and interviews with the written data then the data is described, categorized from one source to another in order to be tested in order to ensure the correctness of the data. Valid data, can be obtained by conducting a test of credibility of the research data in accordance with the procedure credibility test data.

DATA ANALYSIS AND DISCUSSION

Stages of Business Analysis in friendly company at PT. Amadea Devina Farma

1. Genogram

Genogram is a visual representation of the membership conditions and family relations. In the family structure in Genograms, the first generation is the company's owner couple, Mr. and Mrs. Soezantijani Rovino have 3 boys. In the second generation of three sons from the couple Mr. Rovino and Mrs. Soezantidjani named Adhitya, Rangga and Erwindo. Adhitya has married and has one child. Adhitya own business which running in Retail Pharmacies and Medical Devices. The second child named Rangga also own business running in pharmacy may also be a potential successor in the PT. Amadea Devina this Farma. Then on the third child is Erwindo who become potential successor to continue the leadership and managerial company. siblings relationship are very close and never had a conflict because each of them are grown up already.

2. Analysis of Company Structure on PT. Amadea Devina Farma

PT. Amadea Devina FARMA, the key role of this company are managed by a married couple. On the taxation and administered by non-family, the marketing is managed by the researchers themselves one non-family, technicians managed by two non-family. However, there are no financial part where the researchers can conclude that most of the financial decisions still held by the owner of the company. A firms that can be called the family business when consist of two or more family members who became superintendent of finance companies (Gunawan & Mustamu, 2013).

The facts in the PT. Amadea Devina Farma is all decisions in this companies still held by the owner of the company. Existing organizational structures in this companies are still unclear in the division of Job description. With this research and the successor has entered and involved already in the company is expected to do the re-examination of Job description in the

organizational structure in order to get the task easily done and understand which lead to effective performance.

3. Succession Issues Analysis

1. Developed Successor criteria

The preparation of the successor criteria, there are several criteria. Some of these criteria, which are: has the ability to adapt, have interest and participation in the company, have vision in corporate sustainability.

Based on the statement of the owner of the company as the first generation, there are many choices where it has been mentioned that there are two potential successor. However, when seen from the results of the assessment by the terms and criteria which are supported on the results of interviews conducted by the owner, it can be concluded that the second successor potential sufficiently qualified and almost matched the specified criteria. Owners of companies provide an assessment of the ability to adapt to a successor through jobs requiring high mobility and always meet with new people is also supported by the division of time by the successor between school and work. The key to success in a company is a good relationship can be established between the successor to the employee shows that the successor has the ability to adapt and be able to become a good leader (Collins et al, 2012).

The next stage is have participation and interest. The Good potential successor is a successor who has the interest and participation to work at the company and on the basis of voluntary not compulsion to take over the leadership (Theresa and Mustamu, 2015). The ability of a successor to continue the family business because of the awareness and obligations of a successor to lead the company toward a higher level. The third stage is to have vision in corporate sustainability. Employers give an assessment of the potential successor through the performance it achieves. In addition, also successor can establish good relations with its employees. It is prove that the successor has the ability to adapt and expected to be able to become a better leader for the company's future.

2. The Development of Career and Interests successor

Based on the owner's statement of interests and career development of the successor in accordance with the results of interviews conducted by researchers to the owner of the company, the successor (Erwindo) has entered and involved in the company and successor was given the authority to take over some of the work in the company. In the process of development, the successor is also supported by the directives given by the owner for training and seminars are also useful for the progress of the company and also for the development of a successor. In terms of transfer of knowledge by the first generation to the successor in the company has done in various ways. The knowledge provided by the owner of the successor is by learning about how to run the company. Successors get the transfer of knowledge not only the first generation, but also, it can be obtained from employees in companies with more experience and a longer working experience than the successors itself. Formal education is also supported for the successor in terms of academic and successor are also continuing their education to a higher level which called magister or S-2. The level of education of the successors on average higher than the previous generation. Expected to higher education, the successor will be able to bring the company forward and grow in the future (Wijaya and Mustamu, 2014). It is important for leaders earlier to prepare and develop a potential successor candidate for the smoothness of the family business in the future (Lumintan and Mustamu, 2015).

3. The Determination of time to transfer the management and leadership

The timing for the transfer of the baton, the first generation did not give details of time or definite clarity. Due to the first-generation wants to see job performance from successor in the company first then it can decide when it is appropriate time to provide the leadership baton.

The system used by the first generation gives successor direct experience and learning to explore how to manage the company. This transition model using is a progressive type where the successor will gradually acquire the learning, mentoring, experience and the opportunity to demonstrate the ability of the company and the employees will also be berdapatasi with leadership styles performed by the successor. (Aronoff, 2011)

4. Preparation of the First Generation Retirement

Based on the results from the interview, the first generation will retired after successor is considered enough to control in terms of jobs and manage the company. Type of retirement planned by the first generation are the Ambassador who is the leader lead the company to achieve the medium level of success and knowing when to step back and ready to become a counselor if needed by the company. (Sharma et al, 2013). The first generation assumed that the successor does not have enough ability in managing the company and the first generation still wants to be part of the company because the relationship is still so wide that they want to help in a part of marketing.

5. Commitment Successor

The first generation gave a statement that the candidate must have a strong motivation and involving successor in almost every activity of the company. This has to be done by the first generation with the purpose of learning and give more experience for a successor.

In accordance with the theory of affective commitment, based on the strong belief in the company's goals, self-confidence and a desire to contribute to the company's objectives and the normative commitment Grounded theory of the feelings and the obligation to achieve a career in the family firm. Successor with this type has assume that pursuing a career in the family firm to raise and maintain good relations between individuals. With constituted a strong commitment by a successor, certainly, would benefits for the company so that the successor can continue to motivate yourself and keep learning to continue career in the family company. (Sharma et al, 2013)

4. Exploitation and Exploration Product and Market

A family business that can last up to more than three generations has actually been involved in various levels of innovation. The level of innovation is a strategy that must be done to develop the company's future (Bergfeld and Weber, 2011: 86). In accordance with the results of the interview to the owner of PT. Amadea Devina Farma explained in terms of the exploitation, the company had only cooperated with government instancies only. He expects to browse to a private hospital where the demand for medical supplies is also quite high at private institutions.

In terms of exploration, the company formerly been an expansion in the retail sector. However, due to lack of experience and supervision in the field of retail business owners ultimately choose to shut down its retail field for losses. In this case, the owner of the company hopes that the successor can re-open and develop more business in the retail sector. However, the marketing strategy and a clear list of products and sales evaluations are routinely when running the retail sector. It must be prepared so that a successor could lead the company further develop in the future.

Based on the statement of researchers to conclude that the company will perform and Progressive Incremental innovation. Incremental innovation company focused on improving the current market share and enhance efficiency in the current products or services. Progressive

innovation while focusing on modifying technology and open new markets with products that are related

5. Types of Conflict

There are three types of conflict, which are: conflict of duty, family relationships and processes on goal. Conflicts task and process conflict, a conflict that commonly happened is the issue of jobs and the conflict surrounding the task, focus on what unites of disagreements to achieve an agreed upon objectives. While conflict relationships based on negative emotions, rivalry and hatred between family members. It will lead one of family members working ineffectively and cause negative performance (Sharma et al, 2013).

In accordance with the results of interviews with the owner of the company has explained that the conflict relations in accordance with the owner's assertion that the relationship of the three brothers has never been a problem and always support each other.

In the conflict task, the owner of the company says that conflict never happened in the division of tasks, but the facts in the company according to the results of interviews on employees marketing describes the job description is unclear, the results of subsequent interviews also strengthened by Rangga brothers researchers who describes job description are not clearly the division of duties. Given this research, a successor may conclude to provide re-structure the existing job description clearly, obligations and responsibilities of each employee that lead to optimizing performance.

CONCLUSIONS AND SUGGESTIONS

Conclusion Research

Based on the analysis research and discussion on succession planning in family business in PT. Amadea Devina Farma, it can be concluded:

1. For the financial part, the owner of the company still can not give the authority and responsibility to others because of having "Trust Issues".
2. In this study, there are two potential successor, but in accordance with the results of interviews with potential successor first RA has no interest to get a career in PT. Amadea Devina Farma due to lack of interest in this field of job. Meanwhile, Erwindo which is second successor has a qualifies potential and criteria desired by the first generation.
3. The company at present has entered the stage of the process of succession in which the successor already entered and involved in the company although successor still get mentoring, learning and regular evaluation by the owner of the company.
4. In terms of developing its successor, the owner of the company has always sent a successor in every workshop and seminar on medical devices.
5. Successor can established a good relationship with the employees within the company and outside the company relationships. It is very helpful in smoothly succession process in the company.
6. Conflicts task has been carried out the task of re-examining the SOP in the organizational structure. However, the fact in field has yet to change maximum and still must be evaluated regularly.

Suggestions

The suggestions that can be given after research and discussion in this family business are:

1. Succession is a paramount in maintaining and improving the company's performance. Successor also became the most important part. The successor chosen as the successor of the company must be in accordance with the criteria set by the owner of the company and has entered the stages in succession include: succession planning, pre-succession and succession process by using the indicators of each of these stages.

2. Discussion of the five steps in the process of succession, namely: Develop criteria successor, Develop interests and career potential successor, the exact timing for the transfer of management and leadership responsibilities, Preparation of the first generation to retire and prepare the next generation and successor Commitment very helpful in the smooth and successful process of succession in the company.
3. It is necessary to conduct further research on the company if it has entered the stage of post-succession which has become the second generation of corporate leaders.

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