**SMALL DOESN'T MEAN CAN'T SURVIVE : MICRO SMALL AND MEDIUM FAMILY BUSINESS SUCCESSION STRATEGY**

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**Abstract**

*Many family-owned companies at the micro, small and medium level have failed to plan for succession in business (Voithofer & Mandl, 2004). It is very different from family business continuity succession planning in large companies compared to micro, small and medium businesses even though the business is unique and creative. In large companies, the selection of successors is much wider than that of family owned micro, small and medium enterprises because candidates in family business are only for family members (Tatoglu et al., 2008). reveals a family business succession planning strategy with a phenomenological approach. The findings of this study provide a valuable understanding of family business in the selected factors: (1) The importance of the level of heir preparation and the relationship between family and business members on business performance, (2) Family business becomes a strategy for growth, increasing competitiveness in the business world , (3) Successor skills are the most important factor in successor selection and positive effect on family business performance, (4) Successors are asked to join the family business, (5) Founders and predecessors, build self-confidence, promote positive attitudes and facilitate the transition process, (6) Succession planning, consistency in high-quality communication is required for adequate business exploration and addressing all issues. Based on this research, family companies emphasize the awareness of the importance of succession planning in their business, especially in relation to performance, efficiency and sustainability. This phenomenon will help increase income, productivity and help MSMEs, in terms of finance, and facilitate the regeneration of family businesses.*

***Keywords:*** *family business, micro small and medium business succession, family business performance, succession planning strategy, succession factors*

# 1. Introduction

The term family business first appeared in 1964, when a business consists of two or more family members who have the task of supervising the business, the majority of which are related to financial matters (Donnelley Jr, 2004). (Aronoff & Ward, 2011) explained from who is the owner of the business to the dilemmas faced in managing a family business, which later became interesting to be discussed in various studies that focused on family businesses, one of which was the generation that became the next generation of family business founders. A family business is not only a business that is owned, and or managed by a group of people who have family relations, both husband and wife and their descendants, but it can also be a brotherly relationship (Simanjuntak, 2010). In the family business, apart from the issue of career choice, business development is also related to the control of the family. The control of the business carried out by the family is actually a family effort to maintain corporate governance (Brenes et al., 2011).

Capitalism would be different without the adoption of new ideas and their adaptation to the enterprise, a process that entrepreneurs do (Schumpeter, 1947), because these individuals use creativity and innovation to solve business problems. The field of entrepreneurship research shows theoretical developments and breakthroughs in the analysis of its features and functions, although it lacks a consensus construct on an accepted definition of entrepreneurship. With different types of entrepreneurs, environments and conditions, there are different ways to become entrepreneurs, so companies are varied and can use multivariate models that try to capture the complexity of their realities. According to Kantis et al., (2002), formal companies are created with low salaries and poor quality jobs; compared to micro, small and medium enterprises are much more complex in the informal economy.

The new entrepreneur is young, with an educational background from college, has previous experience, and is oriented towards the domestic market. Their family background, and the work they do have a strong influence on them, and they have participated in networks to formulate their family business projects and strategies. According to Ghee et al., (2015), Boyd et al., (2015); Motwani et al., (2006); (Chua et al., 2003), Succession planning in the sustainability of the family business is the key to the success of the family business in almost all areas of the company. But many family owned companies at the micro small medium level have failed to plan succession in their business (Voithofer & Mandl, 2004). It is very different from family business continuity succession planning in large companies compared to family owned micro small and medium businesses even though the business is unique and creative. In large companies, the selection of successors is much wider compared to family owned micro small and medium enterprises because candidates in family business are only for family members (Tatoglu et al., 2008). Gomez-Mejia et al., (2011); Wee & Ibrahim, (2012) Family owned micro small medium enterprises are organized because of emotionally charged interpersonal relationships that can have positive or negative consequences. Micro, small and medium family businesses need to develop business practices and philosophies while balancing the relationship between family and business in order to succeed in business, besides that it also requires hard work and is still on a small scale which causes succession to be reluctant to develop a business. Even the next generation wants to work for other companies. While there appears to be a lot of effort for family-owned micro, small and medium enterprises and their subsequent growth, the last stage involving the ownership life cycle has received less attention from business owners, particularly in developing countries (Magasi, 2016). Sustainability challenges after formation should be a major concern; many micro, small and medium family owned businesses fail along the way. Succession planning is about bringing together talented people who can contribute their specific skills and abilities to the company's success by striving to achieve the company's short and long term goals. (Carlock & Ward, 2005). An ineffective succession process not only seriously impacts family members and business partners but also the economic development of the country (Kalu et al., 2016) stated that family businesses in SMEs also face internal conflicts between family members, especially on the issue of succession which is one of the important factors affecting the effectiveness of the succession process. Every strategic decision, standard control and operations management is made by the owner of the micro, small and medium enterprises, so that their perspective on the level of professionalism, risk appetite and achievement of growth has a huge impact on the business (Jayaram et al., 2014). Sardeshmukh, (2008) owners of micro, small and medium enterprises put less emphasis on heir preparation as an important factor of effective succession planning. Kaunda & Nkhoma, (2013) mentions that despite having a succession plan, the successor or heir must produce an orderly career progression structure in a family business transition.(Kalu et al., 2016) also highlighted that the refusal of the owners of micro, small and medium enterprises to relinquish control in the family business was considered a failure in the level of heir preparation. Khalique et al., (2011); (Liow & Yeow, 2015), family businesses are still minimally the center of attention. But in a family business success is also being experienced by a community of young entrepreneurs in Indonesia, there are several businesses that have stated that their business has achieved business success, in Jombang Regency, East Java, Indonesia, especially the Wiramuda Dewantara community.

Table 1 : Wiramuda Dewantara Community Data

|  |  |  |
| --- | --- | --- |
| No | Type of business | Amount |
| 1 | Craft | 36 |
| 2 | Trading | 250 |
| 3 | Food and Drink | 150 |
| 4 | Fashion | 75 |
|  | Amount | **511** |

Sumber: Wiramuda Dewantara, 2021

Based on the results of preliminary research on Wiramuda Dewantara that there are 511 Wiramuda Dewantara who already have businesses both from small and large scale businesses, including 36 Wiramuda Dewantara who have handicraft businesses, for trade there are 250 entrepreneurs, while for food and beverage entrepreneurs there are 150 entrepreneurs, and lastly, there are 75 businessmen in this fashion. From the results of this initial observation, it can be seen that the business of the Wiramuda Dewantara community is dominated by trade-type businesses.

Table 2 : Wiramuda Dewantara Family business

|  |  |  |
| --- | --- | --- |
| **No** | **Wiramuda Dewantara** | **Types of Family Business** |
| 1 | Bayu Setyo | Aluminum Craft |
| 2 | Libasut Taqwa | Used Bikes |
| 3 | Nita Yustisia | Fishing |
| 4 | Avinda | Fruit Farmer |
| 5 | Devid Nuswantoro | Processed Duck Eggs |
| 6 | Andre | Fashion |
| 7 | Gilang Mukti | Baby Porridge Food |
| 8 | Steven | Store building |
| 9 | Ibnu Suhada | Fast Food |
| 10 | Jaya Dwipa | Gym |
| 11 | Adhim Anggara | Traditional drink |
| 12 | Fahrur Rozi | Chicken farm |
| 13 | Melinda | String of raffia |
| 14 | Elma Sukmawati | Typical Food Sate Kampret |
| 15 | Oktavia Damayanti | Refrigeration Service |
| 16 | Dilla | Agricultural Products Trading Services |

Source: Data Processed by Researchers, 2021

Phase 2 observations were then selected and identified again for young people who run a family business at the micro, small and medium level and there are 16 Wiramuda, these Wiramuda do their business with their family in the category of continuing the family business to continue to grow and who have been prepared to take part in the business that has been built and run by his family.

Table 3 : Wiramuda Dewantara Family business

|  |  |  |  |
| --- | --- | --- | --- |
| **No** | **Wiramuda Dewantara** | **Types of Family Business** | **Business Length** |
| 1 | Libasut Taqwa | Used Bikes | 29 years |
| 2 | Devid Nuswantoro | Processed Duck Eggs | 28 years |
| 3 | Steven | Store building | 34 Years |

Source: Data Processed by Researchers, 2021

Based on observations made by researchers that the family business business that has been run by the three Wiramuda Dewantara is a business owned by both parents and then continued by their successors, namely their generation, these Wiramuda continue the efforts of their parents because they want to succeed and develop the business. that has existed to be better known by the wider community, the success that exists in a Wiramuda Dewantara family business is part of the goals that must be achieved to become a benchmark for success. The business that has been carried out by Wiramuda and his family is a business in the field of food which has been established for 28 years, used bicycles which have been established for 29 years, and also a material shop which has been established for 34 years. From the description above, it shows that what is the benchmark for success in the family business carried out by Wiramuda Dewantara and his family members. Various factors have pushed as obstacles that made the family business not even last long. Therefore, to ensure the success of a family-owned business, it is necessary to determine the success factors of succession, such as the level of readiness of the heirs and the relationship between the family and business members. This research provides insight by examining the status of family-owned companies, the succession problems they face and also how it affects the company's performance. The main focus of this research is to examine family businesses in Micro, Small and Medium Enterprises (MSMEs).

# 2. Literature review

2.1 Locus of Control

Rotter, (1966) defines locus of control as control that strengthens a person's expectations of how far a person perceives the factors that control his actions, namely between external and internal factors. In a number of studies, the locus of control will affect a person's view of his attitude towards something, Phares & Lamiell, (1974) states that the internal locus of control is the belief that a person has regarding the cause of something happening to someone because of that person, and when viewed in the context of a family business. According to Karabulut, (2016) related to the personality that surrounds the entrepreneurial intentions of family business members, or in other words there is a person's innate factor.

2.2 Family Business and SMEs

Business is a set of activities carried out to create by developing and transforming various resources into goods or services that consumers want, (Gloss et al., 2017). Meanwhile, according to Musselman & Jackson, (1992) Business is the sum of all activities organized by people engaged in commerce and industry that provide goods and services for the needs of maintaining and improving their standards and quality of life. Kaunda & Nkhoma, (2013); Magasi, (2016); Tatoglu et al., (2008); Vassiliadis & Vassiliadis, (2014) have identified factors influencing succession planning; reviewed the underlying practices but did not examine the influence of succession factors on the business performance of family firms. Abdullah et al., (2011) states that the impact of succession planning can be measured by future researchers. Therefore, this study aims to bridge the existing gap through measuring the impact of two effective succession planning factors including the level of heir preparation and the relationship between family and business members on family business performance. The findings of this study will enlighten local family businesses especially the micro, small and medium level about the importance of key factors influencing an effective transition and their impact on business performance. A small business is a business where important decisions related to the management of the company which include finance, operations, accounts, and marketing, they practically have to be made by one or two people. (Berryman, 1983). MSMEs are very important for economic development, especially the manufacturing sector, in 2006, MSMEs constituted 99.2% of business enterprises and contributed about 47.3% of the country's GDP (Radam et al., 2008). MSMEs also ensure the job market keep stable because it has recruited 65.3% of the total workforce in the country (Rouibah et al., 2009; (Brockhaus, 2004)). In a family business, the family of the entrepreneur involved is also the CEO of the company and members of the founding family are recruited for the business or management of the company (Holland & Boulton, 1984). In other words family and business are closely related to each other and the business is controlled by family members with the aim of achieving success and ensuring business continuity (Chua et al., 1999).

2.3 Succession Planning

Succession planning in family businesses has been comprehensively defined in several research studies (Manikutty, 2000). The difference in entrepreneurial knowledge between family and non-family is the result of crossing between family, family and business members (Harbeson, 2003). The difference in terms of family involvement in the business and the resulting essence (Chrisman et al., 2007). According to (Ibrahim & Samad, 2010) family control dominates; the concentration of ownership and control of corporations obtains a very large percentage. Family involvement has been conceptualized into ownership, management and policy while essence has been linked to resources (Habbershon & Williams, 1999), through intention and behavior (Churchill & Hatten, 1987).

2.4 Factors Influencing Effective Succession Planning

According to Frank & Pramodita, (2010) Essence-based families can incorporate features such as a shared history and a commitment to a shared future. Besides, according to (Ibrahim & Samad, 2010) identify the weaknesses of family companies, including inappropriate plans and unclear division of tasks causing difficulty in accessing the capital market, overlapping job responsibilities, handling unskilled management, abuse of power and so on. The concept of family business has been widely adopted in many countries and the number of family businesses continues to increase (Ward, 2000). However there is no conclusive consensus on what is meant by a family business and most studies have only touched on the relationship between family members (Rogoff & Heck, 2003). As more traditional kin groups slowly evolve from extended family dominance to greater variation in family composition, this opens up more opportunities for family business researchers to study how the dynamics of these changes affect the behavior and performance of family firms (Globerman, 2011). The management of the family business is usually handled by the family members of the business owner and non-family members are rarely given the opportunity to participate (Sharma et al., 1997). This results in family members' resistance to change and they barely absorb new ideas to take their business to the next stage of success.

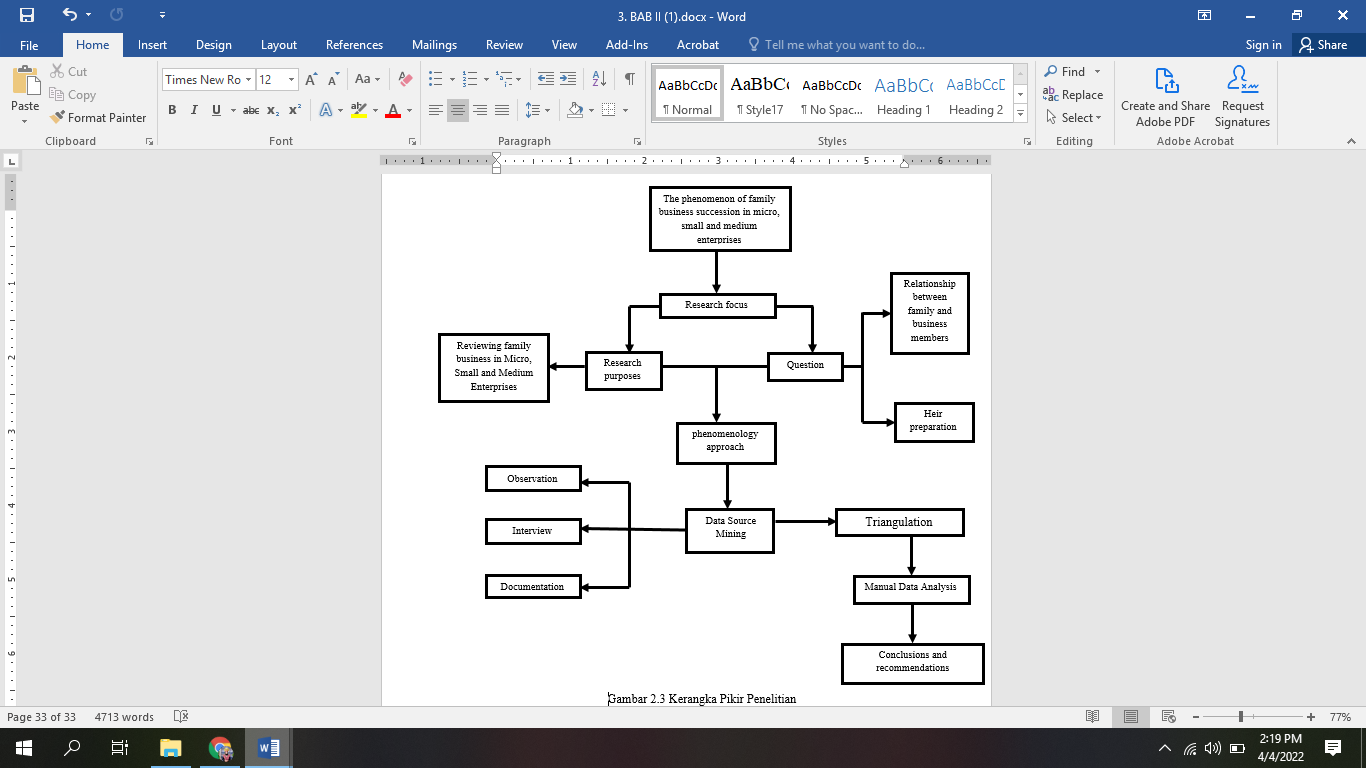


Figure 1. Research Framework

(Source: Researcher,2021)

# 3. Research Method

In an effort to measure the success of a family business in the context of Jombang Regency, a city located in East Java, Indonesia, which has been driven by medium-sized entrepreneurs, this study was conducted to reveal a family business succession planning strategy with a phenomenological approach. There are no official statistics showing the number of family businesses in Jombang, East Java, Indonesia. Determination of informants there are 3 stages carried out; Phase 1 observation of the community of young entrepreneurs in Jombang Regency, after being determined with the largest number of members, collecting data on various types of businesses with higher education backgrounds, phase 2 is carried out, namely identifying entrepreneurs who run or get involved directly in the development of the family business; and the third stage is selecting prospective informants with a business category that has been run for at least 25 years running, and continues to grow until this research takes place. And after the informants were obtained, a question guide was compiled for confirmation to the informants which consisted of two parts with the aim of: understanding each strategy in identifying the level of heir preparation and its relation to the relationship between family and business members of the family business in succession planning on business performance. After that, manual data analysis was selected to interpret what was implied behind the successful strategy they had obtained to reach the research findings and conclusions. The respondents of this study were 3 family businesses in MSMEs that had met the predetermined criteria. Therefore, the researcher chose convenience and snowball sampling techniques. Data was then collected based on observations made by researchers in a community of entrepreneurs wiramuda Dewantara which has 511 members with various types of businesses. The researcher also collected data from referrals recommended by the previous respondents 16 business successors considering the difficulty in securing respondents. But those who meet the requirements are 3 successors of family businesses in MSMEs by using convenience sampling to represent the successors of family businesses in MSMEs. An in-depth interview consisting of 20 questions guide items consisting of 12 questions about the relationship between family and business members; (adopted to measure the relationship between family and business members), 9 questions related to heir preparation; (adopted to measure the preparation of heirs) confirmed to the successor of the selected family company.

Informant Profile:

1. M. Libasut Taqwa owns a used bicycle business that has been doing business with family members.

2. Steven fabilio santosa owns a material / building shop business which has continued the business of his parents.

3. Devid pranowo is a salted egg entrepreneur who is doing business with family members.

# 4. Result and Discussion

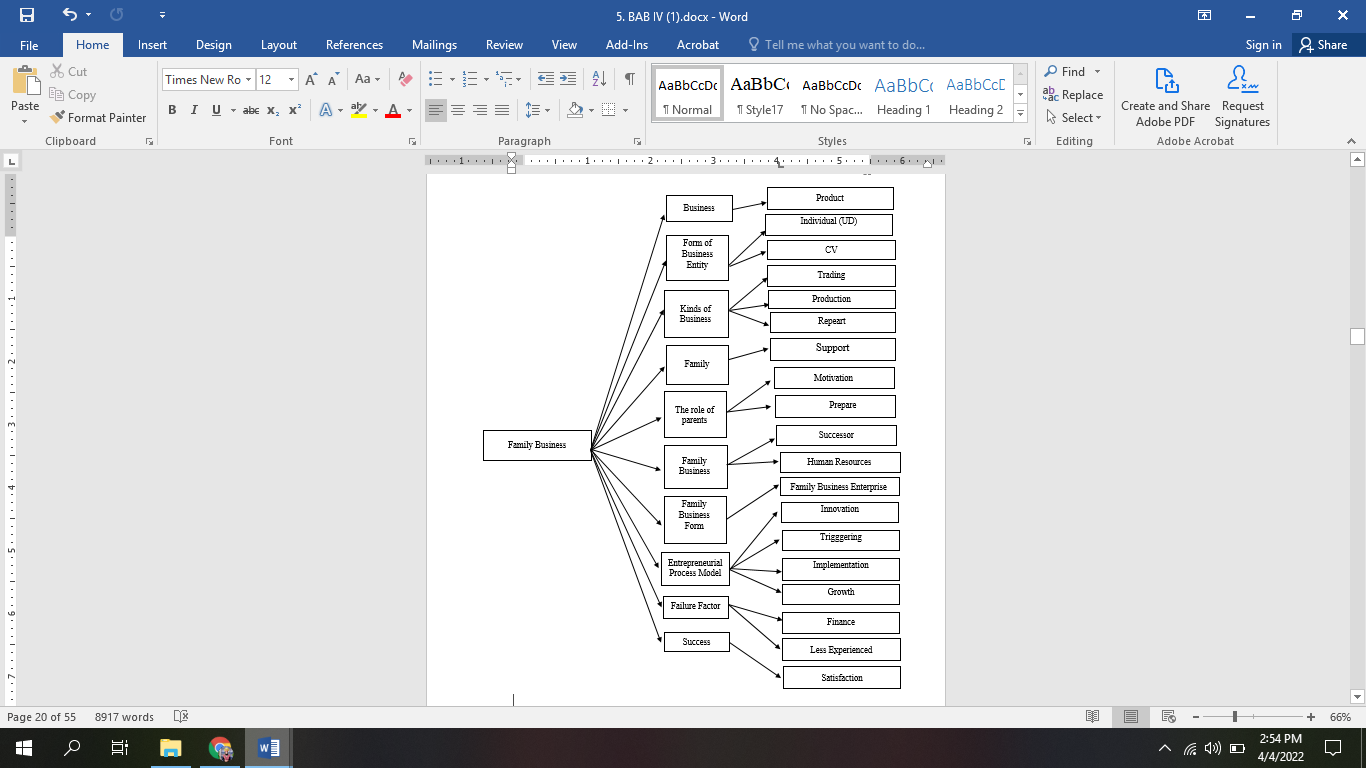


Figure 2. Concept Prepositions and Categorization of Success in Business

(Source: Researcher,2021)

In developing a family business, entrepreneurs always want success, as said by Zimmerer et al., (2008), success is a result that has been achieved from the ability to develop new ideas, success is obtained in a business or the hard work that has been done to develop a new invention, because you do not want there to be a waste in doing business development. In this case the success of the business can be influenced by several things, so that the business can be said to be successful.

According to Musselman & Jackson, (1992) Business is the sum of all activities organized by people engaged in commerce and industry that provide goods and services for the needs of maintaining and improving their standards and quality of life. From this, business is an activity carried out by individuals or groups of people (organizations) that create value through the creation of goods and services to fulfill people's daily lives and earn profits through transactions. In running a business, entrepreneurs must have goods or services that are used as offers or marketed to meet the needs of the community, just as entrepreneurs have goods or services to be marketed to the public, in this case the business that has been run by this young Dewantara entrepreneur is a goods business by producing products. to be marketed to the public.

**Product**

Product is an important element in marketing. Product is anything that can be offered to a market to satisfy needs and wants (Kotler, 2002 : 448), It can be said that the product is something that can be bargained and marketed in order to meet the needs and desires of the community. Here the products marketed by the Informants to meet the needs and desires of the community are goods, including: used bicycles marketed by Libasut (Informant I), building materials marketed by Steven (Informant II), and also salted eggs marketed by Devid as (Informant III). The product that is being processed by Libasut is a used bicycle product, the used bicycle produced by Libasut is a used bicycle that is not used and then processed again by Libasut.

“*Used bicycle products sist.” Libasut (22)*

The business run by Informant I is a business in the field of buying and selling used bicycles, used bicycles sold by Libasut are used bicycles that are not used or are not suitable for use, then reprocessed so that they become bicycles suitable for use. Informant I himself gets the used bicycle. from shops that sell or provide used bicycles, then by Informant I the bicycles are sorted which are worthy of being managed back into bicycles that are suitable for use and become useful bicycles again, after getting bicycles suitable for use, the bicycles are washed or processed for use. Informant I is assisted by 2 (two) employees who are given the duties and responsibilities by Informant I to wash and also service used bicycles into bicycles suitable for use, after the washing or servicing process , the used bicycle was sold by Informant I by using n existing social media, Informant I promotes used bicycles on social media such as: Whatsapp (WA), Facebook (FB), Instagram (IG). In addition to selling Via Online, Informant I also sells his used bicycles offline by providing the used bicycles at his home and also selling the bicycles in the bicycle market.

While the business being run by Informant II is a business in the field of selling building materials or building materials,

*“Yes, I am selling all building material products, Ms.” Steven (22)*

The business being developed by Informant II is a business owned by Informant II's parents and then developed again by Informant II with a system and management made by Informant II, the business developed by Informant II is a building materials business that provides various kinds of building materials, the products in Informant II's shop are obtained from distributors who have been sending building materials to Informant II's shop for a long time, distributors send their products to the place of business that Informant II is developing with the aim that the public can find out about the products that have been owned by the company, in doing marketing in this family business, Informant II sells his wares with an offline system, namely by directly meeting face to face where Steven and consumers carry out buying and selling transactions, but in conducting transactions, Informant II is assisted by 32 workers who work onsite. In effort formant II, the employee has their respective duties and responsibilities that have been determined by Informant II, Informant II assigns tasks in the job with the hope that the sales process can run optimally.

Likewise, Informant III has his own product in his business, the product owned by Informant III is salted eggs, these salted eggs are produced by Informant III and his family members.

*“My family is processing duck eggs specializing in salted egg products ” Devid (26)*

In the business that has been developed by Informant III, namely a business that produces salted egg food, in managing Informant III and also family members produce salted eggs, the eggs that will be used as salted eggs are eggs produced from duck poultry, duck eggs which will later be made to be salted eggs, he got these eggs from collectors or from duck breeders who also produce eggs to be salted eggs later, Informant III buys duck eggs which will be processed to become salted eggs, duck eggs are then processed by salting or salting , salting is done by soaking, namely by soaking the duck eggs into water that has been given salt, then the duck eggs are soaked in the soaking water for 7-12 days, during this salted egg soaking process try to keep the eggs away from the sun, after the soaking is complete boil the salted eggs by using low heat, try not to boil the water ih so as not to damage the eggs, after the gasification process is complete, the next step is labeling the salty eggs, In this salting process Informant III was assisted by his family members. After everything is done salted eggs are ready to be marketed, in this marketing informant III doing it online and offline, online is done by promoting the salted egg into social media, namely through the Whatsapp (WA), Instagram (IG) application, and also Facebook (FB), while for marketing with an offline system, namely by stocking salted eggs at home also by sending salted eggs in shops and markets that have become Informant III's subscriptions.

**Form of Business Entity**

According to (KBBI) is a group of people and capital who have activities engaged in trade or the business world. In this case the form of business entity is a group of people who have capital with activities engaged in trading.

The business being developed by the informant is already in the form of an individual business (UD) and there is also a (CV) business, the business has been managed by the informant himself with the provisions and also the informant's own responsibility, in this case the business being developed by Steven is a limited partnership (CV).

CV stands for “Commaditaire Vennotschap” in Dutch. CV is a business partnership founded by 2 or more people who submit and entrust their money to be used as CV capital. This company can be considered as an extension of the form of a sole proprietorship.

In this form of business, CV is a partnership founded by two or more people who entrust their finances to be managed by one member as a leader.

*“The management of this business is all in my hands, from ordering to finance.” Steven (22)*

In this case, the business that is being developed by Steven is a business in the sale of building materials which was the beginning of its founder, namely the father of Informant II, the business that Informant II is developing is a commanditaire business where the founders of the business are Steven's parents and also Steven himself, where the parents of Informant II as capital owners of the business do not participate in business management while the business is managed by Steven himself. In addition, the business already has a business license so that the business has made tax payments every year. A sole proprietorship is a business owned by one person only. So that the owner of this company has unlimited responsibility and power over the company and its assets. Because he owns, manages, and leads the company. All risks that occur to the company, he bears it.

In this case, the business that has been run by the informant has been managed by the informant himself.

*“If my business is still in the form of a UD, sis, and I manage my own business.” Libasut (22)*

The business that has been run by Informant I is a derivative business which was originally a business owned by the parents of Informant I, then this business was developed again by Informant I with the management and responsibility of Libasut itself. This business that has been run by Informant III is an individual business managed by Informant III and his family members.

*“If my business, everything is managed alone with the family.” Devid (26)*

The business that has been run by Informant III and his family members is a family business, the management and responsibilities of this company are all borne by the family themselves.

**Miscellaneous Business.**

The business that has been developed by this informant is a trading business, production, and also repeat, repeat is a business that recycles materials to produce added value.

**Trading**

Trade is a process of exchanging goods and services from one region to another (Utoyo, 2007), Trade is an exchange activity in the form of goods or services that have been needed by consumers. In this case, Informant II already has a goods trading business, in the form of building materials.

*“Yes, I sell all material and building products, Ms.” Steven (22)*

This business is a business in the trade of building materials, is a business that provides various kinds of building materials needed by consumers, this trade is carried out by exchanging merchandise, while in this case there are actors who have carried out these transactions with the same goal, namely by getting what they want. In carrying out his business, Steven is assisted by several employees who have their respective duties and responsibilities that have been determined by Informant II.

**Production**

According to (Magfuri, 1987) Production is a process of changing goods to have a use value for human needs. Production is an activity that can turn these goods into goods that have more value to meet the needs of the community. The business that has been run by Informant III is a food production business, namely salted egg food.

*“My family produces salted eggs” Devid* *(26)*

The business that has been run by Informant III is a salted egg food production business, in producing this salted egg Informant III has been assisted by family members, these salted eggs have been produced by Informant III with the aim that the eggs have a high value when marketed.

**Repeat (Recondition)**

According to the KBBI, repeating is several times or always repeating, repeating the previous thing. In this case, repeating is a repetition thing that eventually returns to what it used to be again. But in that case it involves a process that makes things like new again

“*My business is like repairing it, sis, from my used bicycle, I process it again into a new bicycle.” Libasut (22).*

In this case, the business being developed by the Informant is a used bicycle business which was founded by Informant I's parents. In this business, Informant I makes a used bicycle into a new bicycle, but in creating a used bicycle into a new bicycle, there is a process. thus producing a new bicycle again, in this case which is called repeating.

**Family**

According to (Friedman, 1998) The family is a collection of two or more people who live together with attachments or emotions and individuals have their respective roles who are part of the family. The role of the family is as a supporter in the family business which is being developed by Informants I, II and III, namely the family as a supporter in the business that is being developed by the Informants who are running a family business.

**Support**

Support is everything that is given to someone so that he can persist in what he is facing or going through. According to Nadeak, (2010) family members view that people who are supportive are always ready to provide help and assistance if needed. The support that has been given by the family to Informants I, II and III aims to make the Informants continue to run the business they have developed and try to make the business they develop better in running their business. The support that has been given by the family from Libasut is by providing guidance in running a business.

*“Yes, my family always guides me in running this business, Ms.” Libasut (22)*

The family supports Informant I in running the family business of the successor of parents, the support given by the family to Informant I is in the form of guidance in running this family business, the guidance given to Informant I's family is in the form of how the family guides Informant I in managing their business and also how to buy materials used to manage used bicycles. Meanwhile, the support given to the family of Informant II for the business he is currently developing is by praying for the best for the business that Informant II is running and also for support.

*“For the family, they always support and wish the best in running this business, Ms.” Steven (22)*

Informant II's family has also given encouragement to Informant II in running a family business, the support is given to Informant II in running his business with the aim that the business that Informant II is running can be more developed and can also be known by the wider community. In running a family business, Informant III has also received support in running this business, the support provided by the family is such as the directions given with the aim that Informant III is not wrong in acting in developing the business.

*“Always give me direction and support.” Devid (26)*

In this case, the family of Informant III has also provided support for the business that has been developed by Informant II, the support provided by the family of Informant III is such as providing direction in doing business, while running this family business, Informant III has been given directions in regulating and manage the business.

**The role of parents**

According to Sawitri, (2010) The family, especially parents, is the smallest social environment where parents play a key role as facilitators and motivators who should be able to create an egalitarian educational atmosphere and shape and strengthen character. The role of parents in a family business that is being carried out by children is that parents are a motivator and also a facilitator who encourages children to run a family business business. Similar to the role of the family, the role of parents in the business being run by the informant, the informant's parents provide motivation in the business that is being carried out by the informant as the successor of the parents' business.

**Motivation**

According to Ratnawati & Kuswardani, (2010), Entrepreneurial motivation is a condition that encourages, moves and directs individual desires to carry out entrepreneurial desires, in an independent way, believe in oneself, oriented to the future, dare to take risks, be creative and highly value the desire for innovation. Entrepreneurial motivation is an encouragement for someone to carry out the desire for entrepreneurship in an independent way, looking to a better future, and also being creative. Here the role of parents in the business that has been run by the child is that the parent motivates the child so that the child will be encouraged to do this family business. Just as the parents of the informants have done, the parents of these informants give encouragement to their children to do this family business. As has been done by Informant I's parents, Informant I's parents gave encouragement to Informant I in running the family business.

*“Yes they always motivate me, and provide the best directions for myself.” Libasut (22)*

As stated by Informant I's parents, Informant I's parents always give encouragement in running the family business that he has been running. The motivation was given to Informant I with the aim that Informant I was encouraged to run the business he had run, but not only gave encouragement to run a business, Informant I's parents also gave the best directions in running their business. Like the parents of Informant I, parents of Informant III also motivated him to run this family business.

*“He always motivates me in his own ways so that I don't get swayed by the problems.” Devid (22)*

The role of parents in the business that has been developed by Informant III is that parents encourage Informant III to run a family business that is being developed, with the aim that the business that has been built by Informant III's parents does not stop at the parents, but can reach next generation. Therefore, the parents of Informant III gave encouragement so that Informant III would be willing to run a family business, and the parents also gave a direction to Informant III so that he would not be easily fooled in things that affect his enthusiasm for running a business.

And here the role of parents in the business that has been built by them, then continued by their generations, the role of parents is not only motivating, but here parents have also prepared the next generation, but also prepare generations for the successor to the business they have built.

**Preparing Generation.**

In research that has been conducted by Van der Merwe, (2010), in conducting further research and stating that senior family members, such as parents also have a major role in preparing the next generation to be able to continue the family business. In the efforts that have been developed by the informants, parents have also prepared generations to continue the businesses that have been built by the informants' parents. Generation preparation is done by providing a lesson in managing the business.

“*Yes, my parents gave lessons in management and also in the process of repairing your bicycle.”*

*Libasut (22)*

To prepare for the generation of business that has been built by Informant I's parents, who have taught Informant I to manage a business, and also teach how to service used bicycles and also manage used bicycles to become bicycles that are suitable for use. Likewise, Informant III's parents also provided knowledge in running a family business.

*“He always provides knowledge in running this salted egg business.” Devid* *(26)*

Informant III's parents have prepared their generation to continue the business, by providing knowledge to Informant III in running a family business business, Informant III's parents also teach in managing salted eggs, so that their business has indirectly been developed by Informant III, from managing salted eggs to marketing.

**Family Business**

According to (Handoyo, 2013), A family company or family business is a business that is owned and managed by a number of people who have kinship relations, both husband and wife and their descendants, including brotherly relationships. A family business is a business that is managed and owned by family members who have kinship relations, both husband and wife and their descendants. The business being developed by the informants is a family business, which initially was founded by the parents of the informants, then further developed by the informants, with policies and provisions made by their successors themselves.

**Successor**

Since childhood, children have been accustomed to being apprenticed by their parents to be involved in the company, because children who have been involved in encouraging commitment to the business are also high and commitment to the next generation is higher because of the willingness of their father or parents to continue the company's business, so that it continues to grow. (Leonardo, 2016). In this effort, parents have formed the character of the child in his willingness to continue the family business, by introducing the business he has built to the child from an early age, so that the child also has a high intention to develop this family business.

*“My parents have introduced their business to me since I was in high school, Ms.” Libasut (22)*

Informant I's parents have introduced his business to Informant I since he was in high school, his parents introduced him to how to turn a used bicycle into a new bicycle. Initially, Libasut was guided in the process of washing bicycles, but after graduating from high school, Libasut's parents introduced him to a collector who became a Libasut's parents subscribe to buy used bicycles. Likewise, Informant III has been introduced to business by his parents since he was in high school, but all of them, Informant III did not immediately want to run a family business.

*“Yes, at first the parents introduced me to their business, but I felt that I didn't want to be involved in my parents' business, but after I graduated from Vocational High School, how did my intentions change.” Devid (26)*

Informant III's parents have introduced their business to Informant III, it is intended that Informant III is encouraged to continue the family business business, so that the business that has been built by Informant III's parents continues, and can develop more, but on the contrary, Informant III does not want to continue the business of his parents, he wants to work in another place, but after graduating from high school, Informant III actually wanted to continue the business that his parents had built.

**Human Resources**

According to Rivai dan Sagala, (2011; p.2) management in human resources is needed. In running a business, human resources are needed in achieving the goals that exist in a business. Human resources are the most important factor in an organization, both institutions and companies. In essence, human resources are humans who are employed in an organization as movers, thinkers, and plans to achieve the goals of the organization, in this case the business that has been developed by the informant has sufficient human resources to assist in the development of the business that has been developed by the informant. The business developed by Informant I has human resources to assist him in developing the business.

*“This business has 2 employees, Ms., they work in managing and servicing the bikes, while I do the marketing myself.” Libasut (22)*

In the business developed by Informant I, we already have 2 workers who have been given the responsibility to process used bicycles into new bicycles. The workforce in Informant I's business helps Informant I in developing his business. Informant II's business also has several employees who serve as drivers in Informant II's business development.

*“My shop already has 32 employees, Ms. and they are no longer for their respective tasks.” Steven (22)*

The business that Informant II is developing He has 32 workers, of which each of the workers in Informant II's business has their own duties and responsibilities. While the business developed by Informant III still does not have a workforce (employees), in this business the workforce is still in the family environment.

*“For family businesses, there are still no naf employees, so the management is still within the family environment.” Devid (26)*

The existing management in the business being developed by Informant III is still managed by family members alone. In carrying out its production, Informant III does not yet have employees to assist him in developing this family business business.

**Forms of Family Business.**

According to Susanto, (2005) stated that family companies are divided into two types, namely: Family Owner Enterprise (FOE) and FBE (Family Business Enterprise), FOE is a family-owned business, but managed by a professional person, while FBE is a family company managed by the founder himself. In this case, the business being run by the informant is a family business and is run by the founding family themselves.

**FBE (Family Business Enterprise)**

FBE (Family Business Enterprise) is a company owned and managed by the family of its founder. The characteristic of this type of company is that key positions in the company are held by family members. In this business, unlike FOE, the management is more dominated by the owner and the family of the business founder. Meanwhile, the business run by the informants is a family business, whose founder and management are managed by family members themselves. The used bicycle business, which is being developed by Libasut, is the business of the founder's family, namely Informant I's parents, then developed again by Informant I.

*“Since my father was sick, I have handled this business myself, Ms.”Libasut (22)*

The business being developed by Informant I was originally a parent's business, but after Informant I's father fell ill, the handling of the used bicycle business was shifted to be managed and developed by Informant I himself. The business that Informant II is developing is a business owned by Informant II's parents.

*“Yes, I am alone, ma'am, and assisted by my employees.” Steven (22)*

In this case, the business that is being developed by Informant II is the business of his parents, the founder of this building materials business who founded the parents of Informant II, but now the business of building materials is being developed by Informant II, after the business was run by other people. Informant II's parents failed, then the business was run and developed by Informant II. While the business being developed by Informant III is a family business, in this case all members are involved in handling it.

*“Yes, because this is a family business, so it runs all family members.*” Devid (26)

The business that is being developed by Informant III is a family business, handling in this business involves family members, family members are involved in the salted egg management process, Informant III runs this business together with his family members.

**Entrepreneurial Process Model**

According to Hisrich, et all., (2005) The entrepreneurial process is an effort to create something different that has added value through the sacrifice of time and energy with various financial, psychological, and social risks and is awarded in the form of profit and personal satisfaction for the results obtained. The entrepreneurial process is an activity that creates something different and has added value by taking risks so that later it will get an advantage and also personal satisfaction. In carrying out the entrepreneurial process, you must go through the stages that have been defined determined, in carrying out the business the informant has process entrepreneurship, namely by making the latest innovations to his business, after the innovation is carried out, Inofrman looks for what triggers his business to be able to develop, then the implementation of product marketing that is owned by the Informant, the last is the growth that occurs in the business that is owned by the Informant.

**Innovation**

Innovation is a creative activity to create a new concept for new needs to be realized and implemented into a successful business (Suharti & Untoro, 2016). Innovation is done to create something new that can keep the business going, in running the business the informant also provides innovation to the business he has developed. The innovation given by Informant I in running their business is by providing new and different things from businesses that have been owned by others.

*“My innovation, I want my business to be different from other people's efforts.” Libasut (22)*

The innovation made by Informant I to develop his business is the way he sells his wares by utilizing existing social media, Informant I has developed his business differently from other used bicycle entrepreneurs, he has sold his wares by promoting it through social media, as a place for buying and selling bicycles. used online. It is not only Informant I who has innovated the business he has developed, but Informant II has also made his latest innovation to his current business.

*“Yes, by providing new things that can attract consumers to come to my shop.” Steven (22)*

Informant II has innovated his business with the aim that his business can be better known by the public, namely by holding an evan in his effort to attract consumers, and this is also done to get closer to his consumers, while here Informant III has innovated his business. namely by promoting through social media.

*“Yes, marketing does not innovate through social media.” Devid (26)*

In the entrepreneurial process, Informant III has provided innovation to his business, namely by producing eggs that are ready for consumption by adding a salty taste in the eggs so as to create value in the eggs he has produced, but here Devid has also innovated in marketing. how to sell it by utilizing social media that is already available, he has promoted his production using digital marketing. Of all the Informants who have provided innovations to the business they are developing, but in implementing all of these innovations there are also those that trigger the Informants in running their business.

**Triggering**

Some of the sociological factors that trigger the implementation of business are: the existence of relationships between relationships with other people, the existence of a team that can be invited to work together, the encouragement of parents to open a business, previous experiences in the business world. Several sociological factors that trigger informants in running a family business. As did informant I, there is encouragement from parents in running this family business.

*“Because there was a strong push from the parents, Ms.” Libasut (22)*

In running this family business, Libasut got encouragement from his parents in running this family business. In developing this family business, Libasut's parents were the trigger so that Libasut wanted to develop this family business, and here the trigger for informant II to develop his business was himself. .

*“Yes, it's all from ourselves, sis, when we feel lazy when running this business, this business will fail because we ourselves have that feeling of laziness.” Steven (22)*

As stated by informant II, in this case, according to him, the thing that can trigger him in developing this business is himself, if we are lazy to try, we will get failure. Meanwhile, what was said by informant III that became the trigger in running his business was competitors.

*“Yes, because most of them are promoted through social media, the competition is also getting tougher.” Devid (26)*

In this case, according to Devid, what can trigger the development of the business that has been done is competitors, in carrying out market development through social media, because according to him now many people have used social media to promote their wares.

**Implementation**

At this stage the entrepreneur transforms the ideas that have been selected into the form of reality and conditions that are consumed by consumers as end users and entrepreneurs must carry out precise marketing strategies to break through the market to be entered for the products or services that have been created. After the informant has a new innovation to develop his business, the informant must immediately carry out the movement, so that the innovation he has made is not in vain. In this case, informant I has carried out his innovation after graduating from high school.

*“Since I graduated from high school, I have started to develop my business “This is Ms., since I started playing on social media.” Libasut(22)*

In the entrepreneurial process, informant I has carried out the planned developments, in this case informant I has had the innovation to run an ongoing business, he wants the business he has developed to be different from the efforts of others, namely by means of selling used bicycles using existing social media, informant I has been carrying out this innovation since he graduated from high school. Since then he has started to develop his business from managing his business to marketing it through social media. Meanwhile, informant II himself has been carrying out his innovations since he himself has been in charge of the business.

*“Yes, since I run it, Ms.” Steven (22)*

Since running his business, informant I has provided innovation for his business to be better known by many people, this innovation he has carried out since the beginning he developed the business of his parents, the same as informant I, informant III has also provided his latest innovation to develop the eggplant business, this innovation developed when informant III was taking college.

*“Starting from 2018, it is no longer marketable through the media.” Devid (26)*

In this case, informant III has developed his business by providing innovation to the business he is developing, this innovation he has carried out since he participated in the process of managing a family business, namely when he graduated from high school, at that time he provided innovation by doing marketing via online .

**Growth**

This growth process is driven by the existence of a solid strategy as a product of a compact, the existence of an organizational structure and culture that has been entrenched, the existence of products that we are proud of or specialize in such as product quality, business location, guarantees, personnel, etc. The growth that occurred in the business being developed by the informant was since the family business was developed and run by the informant.

*“This growth occurs when I try to promote my business through social media, Ms*.” *Libasut (22)*

The growth that occurs in the business being developed by this informant has increased when the informant carries out his innovation, namely by promoting through social media, the products produced by the sale of used bicycles owned by Libsaut are growing from employees to sales. Meanwhile, the business being developed by informant II has also grown.

*“Yes, it grows when I hold the business, Ms., with my own management.” Steven (22)*

The developments that occurred in the business being run by informant II began to develop when he carried out a sales strategy by giving a given strategy to consumers by giving a gift or making informant II to attract consumers to come shop for building materials belonging to informant II. Meanwhile, the business developed by informant III also experienced growth when he began to carry out his strategy in selling salted eggs.

*“Since no promotion through social media, sales have started to increase.” Devid (26)*

Since informant III has promoted using social media, the salted egg product owned by informant III has experienced growth, because many people are familiar with the products owned by informant III. So that salted egg enthusiasts in the business being developed by informant III have increased.

**Failure Factor**

In running a new business, a person often experiences failure, according to Zimmerer et al., (2008) there are several factors that cause entrepreneurship to fail in running a business, from various failure factors in running a business, in this case as for the failures that have occurred in the business being developed by the informant, these failures include the following: due to lack of accuracy in controlling finances, and also lack of understanding in running a business.

**Less Accurate in Controlling Finance**

In order for the company to succeed well, the most important factor, namely finance, is to maintain cash flow. Manage expenses and receipts carefully. Mistakes in maintaining cash flow cause the company's operations and cause the company to not run smoothly. In managing the company's financial system, an entrepreneur should be more careful and thorough in carrying out cash flow, carelessness in handling company finances can result in company financial operations not being able to run smoothly, companies must also be able to distinguish between personal money and company money. The failure that has occurred in the business that has been developed by the informant is in terms of financial management.

“*Yes, because they can't be careful in financial management.” Steven (22)*

In this case, the business being developed by informant II has experienced a failure, the failure occurred in the finance department, at that time the business was still managed by the parents of informant II, the failure occurred due to lack of thoroughness in financial management so that the business built by the parents this second informant went bankrupt. After experiencing bankruptcy, the business was developed again by informant II with the management and strategy that he made himself. The failure that occurred in the business developed by informant II was also part of the lack of experience that Steven's parents had in running a business.

**Lack of experience**

Both in the ability to coordinate, skills in managing human resources, as well as the ability to integrate company operations. If an entrepreneur does not have an experience related to business management, there are many possibilities that the business will not run smoothly and may also fail in carrying out its business. The failure that occurred was also due to lack of knowledge in business management, resulting in the business that has been developed by this informant having to go bankrupt.

*“Yes, I lack experience in managing this business, Ms.” Steven (22)*

As explained above that the business being developed by informant II has failed, the failure occurred when the business was still being run by the parents of informant II, and the failure that occurred in the business was in terms of finances and also lack of experience in managing the business. , so that this resulted in the bankruptcy of the business currently being developed by informant II.

**Success**

According to Poerwadarminta, (2007) In the Big Indonesian Dictionary, the meaning of the word success is success and luck. Meanwhile, according to Helmet (2012) success is an achievement of the desire that we have intended to achieve and or the ability to go through and overcome from one failure to another without losing enthusiasm. In this case, success is meant by the informants in running this family business.

**Satisfaction**

According to Fathurahman, (2014) Entrepreneurial satisfaction is an attitude that is owned and felt by an entrepreneur in order to enjoy the results or achievements of entrepreneurship. Here what is meant by entrepreneurial satisfaction is an attitude possessed by a person in order to enjoy the results and achievements that have been obtained in entrepreneurship. In this case, the success of the informants, namely, according to informant I, satisfaction will be obtained when we appreciate the hard work of parents, it is a separate decision for the informants.

*“By appreciating the efforts of my parents and getting my own satisfaction in every effort that I have made.”*

*Libasut (22)*

Informant I stated that success is a condition where he has appreciated the efforts of his parents and also appreciates the business he is currently undergoing. So success is a satisfaction where he himself has appreciated the efforts of his parents by the way he has continued the efforts that have been built by his parents, and also he has appreciated the business that he is developing by the way he continues to develop the business that he is currently living. Meanwhile, informant III himself said that satisfaction is when expectations can be achieved.

*“I think success is if what we hope for can be achieved.” Devid (26)*

Informant III's desire to develop his business continues to grow using social media has been running according to what he wants, so that informant III is satisfied with what he has done to the family business business.

# 5. Conclusion and Implications

The findings of this study present a valuable understanding of the family business in the selected factors:

1. **The importance of the level of heir preparation and the relationship between family and business members on business performance.**

It can help family businesses to better understand how they can improve the company's business performance by placing more emphasis on the key factors influencing succession planning and emphasis is placed on the level of heir preparation such as: involvement in the process, education, outside training, motivation and strong self-perception about preparation as well as good relations between family members in terms of communication and trust in achieving better business performance for family companies. Some of the characteristics that family businesses carry are donated directly to the next generation, and through education and experience the best business decisions are made (Ghee et al., 2015). Regarding the level of readiness of the heirs, the level of education of the successors seems to have a large impact on business performance. There it is a must for the family business predecessors to make sure the successors are well educated and equipped with relevant knowledge to run a family business.

1. **Family business has become a strategy for growth, increasing competitiveness in the business world.**

Higher education alone is not enough, successors are encouraged to gain work experience outside the company to gain more exposure in other current areas of business and expand their network before joining the family business. Through outside experience, families are in a better position for candidate evaluation especially when there are multiple heirs, and family firms benefit by acquiring a wider and more varied professional qualifications. (Corbetta, G., & Salvato, 2012). This action not only helps them in the application of their knowledge but also involves past experience in solving problems that are important for family companies.

1. **Successor skills are also considered the most important factor in successor selection and positive effect on family business performance.**

Therefore, the family business should pay more attention and consideration to the skills of the successor. If the successors lack certain skills required in the business, the necessary training and guidance should be provided to them. Successors must ensure that they master the skills in the short term so that they can be applied in their daily business practices. Successors who start out in entry-level roles when joining a family company do so that doesn't mean they settle for positions below their potential. This is because they require an understanding of business operations and corporate structure before moving on to management. If the successors are incompetent, they will definitely not be able to convince the employees of their own ability to drive the company and may eventually end up with an inevitable conflict between management and staff.

1. **Successors are asked by founders and predecessors to join the family business**

Since this research reveals that it has a positive effect on business there are also cases where a successor is reluctant to accept a position in the company either due to obligations or disapproval from family members, and he is almost never done. This is where prejudice is formed and family members may be seen on him which then leads to a lack of motivation and enthusiasm towards that particular individual.

1. **Founders and predecessors, build self-confidence, promote a positive attitude and facilitate the transition process.**

Regarding the relationship between family and business members, more communication should be cultivated as it is the main tool to resolve any differences, quarrels, rivalries and misunderstandings between them. Trust in family relationships can only be strengthened as long as family members are truly committed to open communication.

1. **Succession planning, consistency in high-quality communication is required for adequate business exploration and addressing all issues.**

according to Magasi, (2016) a system of interconnected and interdependent interactions between members in the family becomes a top priority for family harmony and business prosperity. A healthy family Dynamics must be created so that the relationship between family and business members remains strong. To have a more viable family business, the balance between the relationship as a family member and the contractual relationship as the business owner needs to be maintained; in addition, it is also important to constructively disengage or separate ownership issues from management issues.

Based on this research, family companies emphasize awareness of the importance of succession planning in their business, especially in relation to performance, efficiency and sustainability. To achieve this, the government and related agencies can organize various programs such as seminars or workshops for the successors of the family business. This phenomenon will help increase income, productivity and help MSMEs, especially in terms of finance, and will also make it easier to regenerate family businesses. It is important for family businesses to adopt proper and effective succession planning to ensure that they can continue to survive and survive in the global era. A loving and caring family will not only place individual family members in an advantageous position but also for the business they own and manage, especially towards the business of strategic development and renewal. So that future generations will be able to follow in the footsteps of their ancestors to develop their business and take the family company to the next successful step.

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