

# THE PROFESSIONAL PHENOMENA OF FAMILY BUSINESS

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## EXECUTIVE SUMMARY

### Abstract

Consist of initial summary of this paper, like how the research arranged, what are the results and the consequences of the findings.

### Introduction

Begins from introduction about why family business is very important to discuss and what are the impacts to the nation's economic development. This section also consists of explanation why family firms need to hire outsider professional. The limited number and competencies of family member drive family business to hire non family member to be employee or professional in company and also to increase professionalism atmosphere in company. Outsider professionals can contribute their previous experiences, their values, and objective point of views to family business. Furthermore, the existing of outsider professional in family firms will make company's partners have a positive image about family business.

### Theoretical background

In this section, writer explains about family business; its characteristics and some opportunities and threats that it faces. For that purpose, the theoretical background consists of two parts which are family business and family business' characteristics.

In family business part discuss about what family business is. Many different definitions about family business were provided but main idea is remain similar. There are two types of family business; Family Owned Enterprise and Family Business Enterprise. Family Owned Enterprise is the enterprise belongs to one family but managed by external professional. In this type, the role of family member is as an owner and controller and usually this type is extended from the enterprise which is in the beginning managed by the member of family. Family Business Enterprise is the enterprise which managed by the owner or the member of family. In Indonesia most of family business is categorized in this type, therefore in this paper the discussion is focused to family business enterprise.

In family business' characteristics the discussion is about main characteristics of family business. Generally, the characteristics of family business ere: high involvement of family member in business means the policy and decision making, strategic planning and daily activities in company will be operated by family member. The focus is in control and participation of family member in business. This characteristic is strengthened by Harris, Martinez and Ward (1994) that in family firms, the owner is likely to be influence every step of the process. Other characteristics of family business are learning and sharing environment within the organization is high, it means sharing about business happens many times even in family gathering. High reliability and trust each other; family-hood management style; high sense of belonging from family member to the business and the last is less formal management and dual leadership.

Family businesses face some advantages and disadvantages. The advantages are in financial and organization culture field. For financial, the advantages are high rate independence of action; financial decision process is faster; possibility of such profit to use in the business expansion or business reinvestment. In organization culture the advantages are: the culture values will absorb faster; organizational culture is more solid; early understanding about business from the family member, and the last is organization culture is more flexible. Disadvantages of family business are: family business sometimes becomes a confusing organization; have unfair reward system; and the difficulties to attract outsider professional. The other disadvantage of family business is the possibility of the rising of spoiled child syndrome or high tolerance for incompetent family member and the possibility to milk the

business by the powerful family member for personal purpose. The other disadvantage is financial issue, such like: limitation to access the stock market.

Different to the company in general, beside of seven general management issues which are leadership; short and long term strategic planning; market or consumers; performance appraisal; human resources; procedures and policy; business gain, family business also faces seven family business management issues. They are: value conflict; succession; organization structure; compensation; competency; revenue distribution; adjustment and business requirement.

## **Result and discussion**

In this section, the result of findings is described and discussion is provided. The data is collected directly from respondents. Questioners were disseminated to five mailing-lists. A sample size can not be determined because the size of population does not able to count. The sampling method use non probability sampling named purposive sampling. Criteria used for the sample are: employee graduated from university or student who will be passing in the next six months from university and will search any jobs; having outstanding performance determined by GPA for student (at least 3.00 at the 4.00 Scales) and the result of performance appraisal for employee (must be above of the average in company). From those criteria, there were 62 respondents who sent back the questioners and answered the question. The question was closed question, asked their willingness and readiness to join as employee or professional in family business. They answer the “Yes” or “No” questions and give the reasons for their answers (Respondents’ Characteristics are in Table 1.) Next step is arrange in depth interview by personal email to 10 respondents who do not want to join to the family business and 4 respondents who want to join to family business. The goal of this interview is to find the reason of their answers about their willingness and readiness to join family business. Eighty percent of respondents which is 50 respondents answered, they want to join the family business, with most five common reasons. Here they are: The “Like and Dislike” factor will affect in managing human resources (unprofessional & nepotism); the salary is low; the important position or the position related to financing field (ex: financing, purchasing, etc) will be posted by family member. There are no career opportunities; once you start as a staff you will remain stagnant; and the last is rules of the company apply only to the employees who are not the family member.

Meanwhile the other 20% respondents which are 12 respondents answered that they were willing to join the family business with some requirements. Here are the requirements: the family business is managed professionally or it belongs to them. The following is the main five reasons why professionals want to join to the family business: family business usually is small in size so it will be managed within family hood; there will be some benefits to the employees who are close to the family business members; it is so frustrated dealing with the procedures in complicated company’s policies and being employed in a family business is still better than being jobless; and the last is family businesses contribute to the economy countries. To prepare the company become attracting to outsider professionals, company should prepare itself by realizing and supporting the company’s decision to accept outsider professional who has the required competencies and skills; preparing some conflict’s resolutions if the conflict really happens in the future.

The discussions about seven family business management’s issues are also provided in this section. Value conflict possibly happens between company and family; among the family member who influence the company; between family member and other stakeholder. The value difference between family and business perhaps will raise conflict within family business. The generations difference also potential to produce conflicts. To avoid the values conflict, family members need to describe the role and scope of responsibility among them.

Open communication is the key word for this purpose. The family member needs to communicate what they need, what they hope and what their goal so it can be fulfilled in a properly way without disturb business professionalism. The second issue is succession, which is so important especially when the business runs to second generation and on. Must be decided clearly who will be the next leader, when will the time of succession process; what is the criteria, and how the way to keep sustainable of the business running while there is the leader changing. The third issue is organizational structure that related to the placing of people in company. Company supposed to be clear in describing the competencies and skills needed in one position. This organizational structure also must give clear description about leadership. The fourth issue to manage properly is compensation. For the purposing of fairness to all employees, compensation system must be designed in fairness and based on performance or job specification. The fifth issue is competencies. Successful company is supported by competent human resources. Family business must be able to manage diversity of competencies among the people involving in the business like the owner, the outsider professional or family member's professional. The sixth issue is revenue distribution. Revenue distribution relate to the company's profit. How does the company distribute its profit, whether reinvest to the business or withdraw by the owner for personal goal. There will be a conflict of interest between owner and professional in company about the usage of revenue. And the last issue is about adjustment between family's interest and business requirement. This adjustment is important to give understanding to all employees (family member and non family member). The interest of family and business adjusted properly but still give the top priority to the business matter.

## **Conclusion**

Eighty percent of respondents in this research do not want to join family business with several reasons. The other 20% want to join the family business also with several reasons. Although the 20% want join to family business, they require two requirements that must be fulfilled. The requirements are: the family business belongs to their family and it has already managed in professional way. To enhance the family business' professionalism, it should prepare itself to accept the outsider professional and vice versa. The outsider professional also should accept the family's point of view, then merging these two different values and point of view harmonically.

Therefore, the family business has to prepare itself to be professional in management and also focus to the seven family business management issues when it decided to accept outsider professional. The seven family business management issues are: value conflict; succession; organizational structure; compensation; competencies; revenue distribution and adjustment.

## ABSTRACT

The aim of this research is to find the phenomena behind the family business which arose from the finding in preliminary survey. The preliminary survey described that the family business is not attractive for potential professional outsiders. After organizing the preliminary survey in June 2007 and disseminating question “do you want to join as a professional in family business? If yes or no give some reasons” to 5 groups of professional and student mailing-list, 80% of 62 respondents which is 50 respondents answered that they did not want to join the family business. These are the five most common reasons: the “Like and Dislike” factor will affect in managing human resources (unprofessional & nepotism); the salary is low; the important position or the position which related to finance (ex: financing, purchasing, etc) will be posted by the member of the owner; there are no career opportunities; once you start as a staff you will remain stagnant; and the last is the rules of the company merely apply to the employees who are not the family member.

Meanwhile the other 20% respondents which are 12 respondents answered that they were willing to join the family business with some requirements. Here are the requirements: the family business is managed professionally or it is belonged to them. The main five reasons why professionals want to join to the family business are as below: family business usually is small in size so it will be managed within family-hood; there will some benefits to the employees who are close to the family business members; it is so frustrated dealing with the procedures in complicated company’s policies; being employed in a family business is still better than being jobless and the last is family businesses contribute to the economy of country.

After analyzing these two kinds of answer, hence we are able to give detailed reasons and explaining the mindset of potential professional outsiders. Therefore we will be able to get the benefit of how to manage the small medium family business from considering its phenomena.

## Introduction

The research in many countries showed that the family business has a significant role in economic development of a nation. In Indonesia, family business contributes 82% of Gross Domestic Product (GDP). Similarly, family business in developed countries such as United States of America and Australia contribute GDP in amount of 60% (A.B. Susanto, 2000). The research gives us the understanding and description about the importance of family business so if we could manage family business in professional way; it will grow up continuously in the future. It also will open many opportunities to the economic development like providing job opportunities to the society; increasing government’s tax revenue and multiple effects to the country’s economic as a whole.

But we have to realize, that family business will continuously grow up if it has competent human resources who has an entrepreneurial spirit then can create some innovative and creative business ideas. A person who has an innovative and creative business idea can start to apply his/her ideas independently or in a team with friends or member of family. Sometimes it is easier to starting up business with a family member (sisters or brothers; wife and husband; or parents with children) because they have similar background, more time to meet and more trusting each other. When the family business grows bigger, it will face more opportunity and also more threat, and as a consequence, the family business needs more resources include human resources. The limited number and limited competencies of family member drive family business to hire non family member to be employee or professional in the company. Consequently, the company must be managed professionally in terms of giving

security to the employee who decided to join the family company. However, if they feel that the company manages professionally, they will perform in their best and they will not feel as an outsider in the company. The need to manage family business professionally also drives from realizing that the competent human resources will see the image of the company before they decide to join. If the company has already managed professionally, then the professional will be attracted to join, although it is not the only factor which affecting the professional's decision. If the competent professional join to the family business, then the business will get some benefit from them, then the company will grow up in the future.

Therefore the purpose of this paper is to give us the description how to manage family business in professional's way, so it will attract the potential outsider professional or non family member's professional.

## **Theoretical background**

### **Family business**

In business terminology, there are two types of family business (Susanto, A.B. 2000). Firstly is Family Owned Enterprise (FOE). The FOE is the enterprise belongs to one family but managed by external professional. In this type, the role of family member is as an owner and controller and usually this type is extended from the enterprise which is in the beginning managed by the member of family. The second one is the enterprise which managed by the owner or the member of family called Family Business Enterprise (FBE). This type has characteristics; the important role (key position) in the company is posted by family member. In Indonesia most of family business is categorized in this type.

According to John L. Ward (1987) the company is named as family business if two or more family member control the company's financial condition and the organization will be recognized as family business if there are at least two generations involved in the business and they influenced the organization's policy. From this point of view, family business means the business owned, controlled and operated by one or more family member. The business' relationship is very dynamic where business and family matter sometimes are mixture and blend in a chaos condition. For example, if one of the family members needs money then he will withdraw money from company without any clear reason or against the company rules. Other definition about family business is a business governed and/or managed on a sustainable, potentially cross-generation, basis shape and perhaps pursue the formal or implicit vision of the business held by members of the same family or a small number of families (Chua, Sharma and Chrisman; 1996).

### **Family business' characteristics**

Generally, following are the characteristics of family business: high involvement of family member in business, means the policy and decision making, strategic planning and daily activity in company will be operated by family member. The focus is in control and participation of family member in business. In family firms, the owner-family is likely to be influence every step of the process (Harris, Martinez and Ward, 1994). This kind of characteristic is very unique; therefore if the outsider professional wants to join to the family business, first he/she should give full consideration about this matter. Usually the owner of the family business will involve his/her children to the business as soon as possible the children could involve because he/she wants his/her children understand about family business. It gives positive impact to the company as it gets full commitment from children of the owner to the business, because he/she has high involvement from the beginning.

Other characteristic of family business is learning and sharing environment within the organization. It means sharing about business happens many times even in family gathering. Therefore all family members usually understand about the business' progress because they seldom hear the conversation about business. The high reliability and trust each other is the

other characteristic of family business. For example, if the owner or the person who in charge about the business gets ill or periodically can not involve to the business then it is easier to trust to one of the family members to handle the business. The emotional binding within business is very high, therefore the business will manage in the sense of family hood, is other characteristic of family business. The family member has high sense of belonging to the business because the business belongs to them or to their parent or grand parent. Thus absorbing the values in the family business is easier than in other private companies. Most of family members respect the founder as the founder is their parent or grand parent. Another characteristic of family business is the business manage tends to be less formal and usually dual leadership. The less formal management is caused by the relationship among employee. It is kind of family relationship-example relation between parent and son; siblings' relation-made difficult for them to be formal. The dual leadership happens when the owner delegate the business to the outsider professional or to the other family member, the owner will still intervene the decision making process and controlling the business tightly. It is normal because the owner has high emotional involvement toward business and high expectation to the successful of business.

As business in general, family business also has some advantages and disadvantage to face off. The advantages are in financial and organization culture field. The financial advantages are: the high rate independence of action, means, there is no stock market pressure; no take over risk and the profits belong to the family (no other party to share with). Therefore financial decision will be faster. Other benefit is the possibility of such profit to use in the business expansion or business reinvestment. The organization culture's advantages are: the culture will absorb faster. It is caused there is an intensive way in communicating the value and culture among the member of family, as at home and in office as well. In general, the family members involving in family business have the pride to their ancestor so that the organizational culture will be more solid. The other advantage of family business is an early understanding about business from the family member and the last is small and flexible bureaucracy. Ward (2004) states that the other advantage of business is the opportunity to cooperate with family member, high trust attitude among the family member, confirm the business and family position in the society, opportunity to make money, way to generate family values to children and to get some honor from society because providing a business and the last is to increase personal capability.

The disadvantages of family business are: family business sometimes become a confusing organization in terms of family member who is absent in business activities can influence the business for the sake of family reason over business logic; unfair reward system and the difficulties to attract outsider professional. The other disadvantage of family business is the possibility of the rising of spoiled child syndrome or high tolerance for incompetent family member; the possibility to milk the business by the powerful member for personal purpose. Some financial issues also raised as disadvantage of family business, for example the limitation to access the stock market. Ward (2004) states some disadvantages of family business are: potential of rising conflict; dissapointment of family member while their goal is unreachable; too many financial problems; losing privacy and the last but not least, are getting some critiques from other family members.

In family business, management system is the most important thing to think about, because the family members' emotion can influence the management of business. If so, therefore the family business has limited access to acquire resources and as a consequence is limitation to win the market. Managing family business faces various unique problems between family and business interests.

The other problem of family business is human resources. In general, although family business hire non family member as employee, but the key position is still posted by family

member. On the one's side, the involvement of family member in business gives the benefit to the family business, because they have a loyal employee and dedicate to business. On the other side, there will be some problem in deciding which one should be hired between the incompetent family member and competent non family member. It will be better if firm realizes that all relatives be given opportunities to learn, but only the most competent should be taken into the firm. The other problem is the high rate of non family member employees' turn over.

All kind of company face seven management issues, they are: Leadership; Short and Long Term Strategic Planning; Market or Consumers; Performance Appraisal; Human Resources; Procedures and Policy; and Business Gain. Uniquely, family business faces the other seven family business management issues, such as: Value Conflict; Succession; Organization Structure; Compensation; Competency; Revenue Distribution; Adjustment and Business Requirement. Therefore, family business has to give attention to those seven issues so that the business will be sustainable in the future.

### **Result and Discussion**

The data in this research is primary data, collected directly from respondents. Questioners were disseminated to five mailing-lists (the members are the professional and student in university, who are going to search a job after graduated) by internet. A sample size can not determine because the size of population is uncountable. The sampling method use non probability sampling named purposive sampling. Criteria used for the sample are: employee graduated from university or student who will be passing in the next six months from university and will search any jobs; having outstanding performance determinate by GPA for student (at least 3.00 at the 4.00 Scales) and the result of performance appraisal for employee (must be above of the average in company). From those criteria, there were 62 respondents who sent back the questioners and answer the question. The question was closed question, asked their willingness and readiness to join as employee or professional in family business. They answer the "Yes" or "No" questions and give the reasons for their answers (Respondents' Characteristics are in Table 1.)

The next step is to arrange in depth interview by personal email to 10 respondents who do not want to join to the family business and 4 respondents who want to join to family business. The goal of this interview is to find the reason of their answers about their willingness and readiness to join the family business.

Eighty percent of respondents out of 50 respondents answered, they want to join the family business, with most five common reasons. Here they are: the "Like and Dislike" factor will affect in managing human resources (unprofessional & nepotism); the salary is low; the important position or the position related to financial fields (ex: financing, purchasing, etc) will be posted by family member. There are no career opportunities; once you start as a staff you will remain stagnant; the rules of the company apply only to the employees who are not the family member.

Meanwhile out of 20% respondents, 12 respondents answered that they were willing to join the family business with some requirements. Here are the requirements: The family business is managed professionally or it belongs to them. The following is the main five reasons why professionals want to join to the family business: family business usually is small in size so it will be managed within family hood; there will be some benefits to the employees who are close to the family business members; it is so frustrated dealing with the procedures in complicated company's policies; being employed in a family business is still better than being jobless; family businesses contribute to the economy countries.

After analyzing those answers, we have a description that outsider professionals have a negative perception about family business' image. In deep interview with four respondents

who decided to join family business have two requirements that suppose to be fulfilled before they join the family business. The requirements are: the business belongs to their family or the business has already managed in professional way. It means if those requirements are not fulfilled, the possibility for family business will decrease. The reasons of the outsider professional to join family business are also motivated by personal benefit purpose. For example when I asked them about their preference to family business management's style which is family hood their answer is toward the benefit of this style for themselves, such like the possibility to be easier in absent for family reasons. Example the sickness of family member; flexible working hours; uncompetitive working atmosphere; not too much obligations in working and the last is simple bureaucracy. The second reason, the possibility to get some personal benefit for having close relationship to family member. The benefit is financial benefit such like: get soft loan; higher salary than other colleagues, traveling on duties and special gifts from owner if we could make them satisfy with our performance. The third reason, the high level of procedures in big companies or private companies sometimes frustrates many people. For example recruitment system need times; sometimes more than months from beginning to the end; the decision making process also need time; approval of some requirements (ex: annual leave; absent; etc) will be longer in big companies than in small family business. The fourth reason shows us that if respondents face two kinds or choices which are working in family business or being jobless then they choose to work in family business. But if the choice is working in family business or working in private company then they prefer to working in a private company which is not belong to family business. Among five reasons of respondents who want to join family business, the fifth is the only reason that gives positive point of view toward family business. Respondents said that family business need professional's contribution to family business so the business can survive and grow up in the future. By joining of professional to family business, the business will get some new ideas and new way of thinking that supposed to help the improvement of the business and it will give an impact to the country economics' development. The other reason why respondents want join to family business is to challenge themselves in entrepreneurship skills. It means if professional want to know how capable they are in entrepreneurship, they can challenge themselves by joining family business and setting the goal to achieve in the family business. If they are successful to achieve the goal and bring progress to the firm, its means they are expert and vice versa.

By this interview, writer finds some skeptical background from respondents who decided not to join the family business. They think that it is impossible for family business to be managed in professional way because it is so difficult for people to separate the emotional binding and professional requirement. The family business-perhaps-will be professional if it is managed by outsider professional. The business scope of family business is also small in term of size and the effect is the accesses to the resources and market will be limited. Its consequence is the salary of the employee will be low. This is emphasized by Kirchoff and Kirchoff that family members are given higher salaries and perquisites (1987). By contrast, in examining compensation practices, Rosenblatt et al. conclude that family members believe they are overworked and underpaid (1985). The key positions and positions which related to financial filed such like financial staffs, purchasing, director and manager is posted by family member and it will be difficult for non family member to post that positions. Therefore, the professional has no space to improve themselves and no space to enrich their career. Of course it will not attract outsider competent professional for they have no achievement to reach. Respondents think the rules and regulations will not fit to the family member's employee. For example if they have a family gathering, family member have a flexibility not to work for that reasons or more flexibility to do many things for family reasons. The employee from non family member then will feel unfair for that reasons. In depth interview

conclude that if professional finally decide to join the family business they have to prepare themselves for no chance to improve their career and treated unfair.

Understanding the phenomena, then family business should manage the business in professional way so that outsider professional has willingness to join. Why is so important for family business to hire competent professional? Because competent professionals are human resources for company, they could be resources for gathering significant information; they have experiences to share for the family business. Professional also can increase the accountability of family business; help family business to evaluate the ideas and strategies. Indeed, the existing of professional in family business will increase self confidence of the owner. Professionals also contribute to an objective point of view about business if they are treated as professional. Family business' image will increase when it has several professional inside, because most of companies will see how professional its partner in business. The most important indicator is how many professionals join to companies.

If only a family member has meaningful competencies and skills, actually a family business does not need outsider professional. But there is a tendency that external party will look down of family business' performance. Both of owner and outsider professional actually have resistance to accept other party. The owner of family business has resistance to accept outsider professional to join their business, because the owner worries about losing control if he delegates all the responsibility to outsider professional. Other reason is the rising of potential conflict between owner and professional in many things. The conflict rise when two parties try to merge their values.

Family business has to prepare itself to accept outsider professionals to join their company. The first thing to do is the family member must realize and support company's decision to accept outsider professional who has required competencies and skills to manage the company and post some key positions in the company. The second is to prepare some conflict's resolutions if conflicts really happen. Therefore if the company decided to hire outsider professional, first they have to predict what kind of conflicts will happen and what kind of solutions, they must have to solve such conflicts.

Family business must be transparent. Transparency become important because if outsider professional post the key position then he/she must know and understand conditions of the company so he/she can plan some strategy and make decision which fit to company's conditions. For that purpose, the professional must be rewarded properly by salary, benefit, incentive, prospective career development, clear objective measurement and conductive climate. If one of family members does not support the existing of outsider professional in company, then it will be a trouble in the transformation process. In reverse, outsider professional also need to understand the family's condition and their point of view, he/she should be as flexible as possible to blend his value and family's value therefore the transformational process will run smooth in the company. Its mean, the behavior changing should happen together among the people in the company: the family member and also outsider professional. The two parties suppose to be synergic, harmonic and cooperative in the way they run business to achieve their goals, dreams and vision.

As mentioned above in theoretical background, despite of seven common management issues that face by family business, it also faces seven specific family business' management issues, such as: Value Conflict; Succession; Organizational Structure; Compensate; Competency; Revenue Distribution and the last is Adjustment. Therefore, this paper will focus in family business management issues. Value Conflict possibly happens between company and family; among the family member who influence the company; between family member and other stakeholder. The value difference between family and business perhaps will raise conflict within family business. In family business, owner remains in control, but the growth and development of the family's children are of primary

importance to the family. As a consequence, the goals of the family firm are likely to change, reflecting the greater importance of finding a place and securing a future for sons and daughters. This condition will sometimes collide with business interest. The generations difference also potential to produce conflicts. Researches report that founders are generally authoritarian, unwilling to share power (Donckles and Frochlick, 1991). On the other hand, sons are generally impatient for strategic change, personal independence and an opportunity to prove their worth (Seymour, 1993). To avoid the values conflict, family members need to describe the role and the scope of responsibility among them. Running the business, family members also need to share their dreams, hopes and their vision toward the business in the future. Open communication is the key word for this purpose. The family member needs to communicate what they need, what they hope and what their goal so it can be fulfilled in a properly way without disturb the business professionalism. The second issue is succession, which is so important especially when the business runs to second generation and on. Company must be decided clearly succession planning, succession timing, interest of the next generation, and who should choose the successor. Managing the transition from one generation to another is a difficult process. The reasons for this could include the reluctance of founders to let go, hesitancy to make possibly divisive decisions, or a perceived or real absence of a relationship between succession planning and goal achievement. Issues in succession planning that need to be addressed by all owners include ownership continuity or change, management continuity or change power and asset distribution, and the firm's role in society. Another vital issue in the succession process is the timing of the succession. Davis and Tagiuri (1989) find that the life-stage combination of the father and son can either facilitate succession or aggravate the tensions that accompany it. This suggests that succession planning can help make succession smoother. It is conceivable, however, that a smooth succession, especially if it yields a compromise candidate, can have both positive and negative effects on the economic performance of a family business. Another issue related to succession is concerned with making sure that the next generation is both interested in joining the family business and capable of managing it then who should choose the successor. The recommendations vary from the founder, who knows the business best, to the family, the board of directors, outsiders on the board, and outside consultants. Certain characteristics of a successor are believed to affect the smoothness and efficacy of a succession. The best characteristic of successor will depend on the goals of the family firm. If the family firm is most concerned with family-harmony, then the successor who will contribute the most toward that goal is the best. On the other hand, if the family firm's goal is growth and profitability, another candidate might be preferable. But for the success of succession, it is better if company paid more attention to the succession process than the successor, means that the process is more important than the outcome, or good process always leads to a good outcome. The third issue is Organizational Structure that related to the placing of people in the company. Company supposed to be clear in describing the competencies and skills needed in one position. This organizational structure also must give clear description about leadership, means if the company is built by more than one person, the organizational structure can assist employee to understand who the person in charge in the business process is. Organizational structure also assists company to avoid the rising of dual leadership. The fourth issue to manage properly is compensation. Means there is a though that the family business usually give a different salary to the employee who are not family member and family member. Compensation system must be designed in fairness and based on performance or job specification. It is not fair if the salary is designed based on the family status. The fifth issue is competencies. The successful company is supported by competent human resources. The family business must be able to manage the diversity of competencies among the people involving in the business like the owner, the outsider professional or family

member's professional. Sometimes it will be problem when company has to decide which one must be hired; the candidate from outsider or family member when one of the family members need job at the time. In this case, family business should be professional, hires the one mostly fits to their needs. The sixth issue is Revenue Distribution. Revenue distribution relate to the company's profit. How does the company distribute its profit, whether reinvest to the business or withdraw by the owner for personal goal. There will be a conflict of interest between owner and professional in the company about the usage of revenue. Professional sometimes insist that the profit must reinvest to the business but in other hand the owner need to use that revenue for personal needs or open new opportunity in other business. And the last issue is about adjustment between family's interest and business requirement. This adjustment is important to give understanding to all employees (family member and non family member). The interest of family and business adjusted properly but still give the top priority to the business matter. It will affect the employee's performance that they will work in their best performance for they have nothing to worry about. Adjustment also need for employee do not feel that the rules in the company only apply to the non family member but to all employees. Then the family members also understand, if they joined as professional or employee in their family business, they should act as the professional.

### **Conclusion**

Eighty percent of respondents in this research do not want to join family business with several reasons. The other 20% want to join the family business also with several reasons. Although the 20% want join to family business, they make two requirements that must be fulfilled. The requirements are: the family business belongs to their family and it has already managed in professional way. To enhance the family business' professionalism, it should prepare itself to accept the outsider professional and vice versa. The outsider professional also should accept the family's point of view, then merging these two different values and point of view harmoniously.

Therefore, the family business has to prepare itself to be professional in management and also focus to the seven family business management issues when it decided to accept outsider professional. The seven family business management issues are: value conflict; succession; organizational structure; compensation; competencies; revenue distribution and adjustment.

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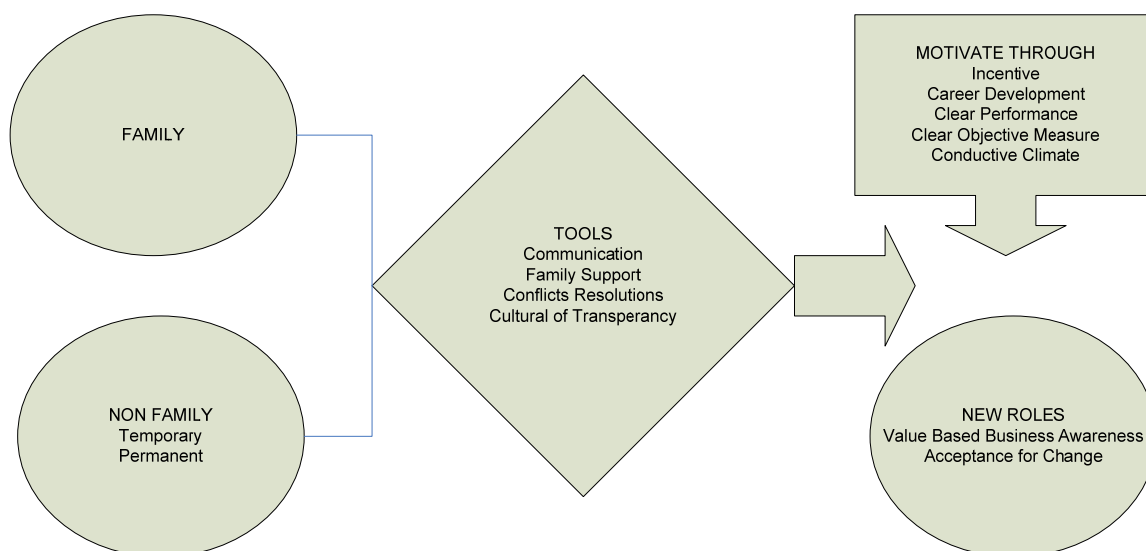
## Appendix (Table and Figure)

**Table 1. Respondents' Characteristic**

	<b>Criteria</b>	<b>Frequency</b>	<b>Percentage</b>
Sex	Male	38	61 %
	Female	24	39%
Age	21 – 25 years old	11	18 %
	26 – 30 years old	30	49 %
	31 – 35 years old	18	29 %
	36 – 40 years old	3	4 %
Occupancy	Employee	42	69 %
	Job Seeker	3	4 %
	Student	17	27 %

Source: Processed Primary Data

**Figure 1: Prepare Family Business for Professional**



Source: World Class Family Business, A.B. Susanto: page 113