

THE EFFECT OF PRELIMINARY GENERATIONAL LEADERSHIP ON THE INTEREST OF CONTINUING FAMILY BUSINESS WITH FAMILY HARMONY AS A MEDIATING VARIABLE

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Abstract: Succession is one difficult things to consider in the family business, where there are not many children who should be the next generation who are interested in continuing the family business. Researchers conducted a pre-survey of future generations who have an interest in continuing the family business and it turns out that leadership and family harmony are the two highest factors. The purpose of this research was to determine the relationship between leadership and interest in continuing the family business with family harmony as a mediation. Respondents of this study were 61 students of the family business curriculum who had reached their final semester. The results of the research indicate that leadership has an effect on family harmony, leadership does not affect the interest in continuing the family business, family harmony affects the interest in continuing the family business and is a variable that fully mediates the relationship between leadership and interest in continuing the family business.

Keywords: family business, leadership, family harmony, interest

INTRODUCTION

Currently, in Indonesia there are many large successful companies where the company turns out to be a family company. 95% from 195,000 large companies in Indonesia are family companies (Bella & Maichal, 2018). Based on these data, it can be seen that it turns out that family companies in Indonesia actually have a good economic impact for Indonesia (Bella & Maichal, 2018).

Although there are a large number of family companies in Indonesia, it turns out that on the other hand, the succession process from the previous generation to the next generation in family companies is very difficult to do (Chiang

& Yu, 2018). Only 30% of family companies in the world are able to survive until the second generation, 12% are able to survive until the third generation and 3% only are able to survive until the fourth generation or more (Chiang & Yu, 2018). On the other hand, an audit firm from the United States Price Waterhouse Cooper stated that among family companies in Indonesia, 44% percent believed it would grow rapidly and aggressively, another 44% believed it would grow normally, 8% said it would stagnate, and 4% feel pessimistic about its growth (Hidayah, 2019). Seeing this data, an opportunity arise at Ciputra University, which is an entrepreneurship-based campus to open a cur-

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riculum in the field of family business management.

On the curriculum of family business management at University Ciputra, Only students who are committed to continuing the family business after graduation may take the curriculum. Students who are committed to taking the family business curriculum are required to take the curriculum from 4th semester until 7th semester. Students are taught from the beginning about the basics of communication in family businesses, problems that occur in their respective family businesses, the process of making innovation designs in family businesses to the execution process of student involvement as the next generation to start working.

In the process of running a family business, researchers conducted a pre-survey to 50 students regarding what factors encourage students' interest in continuing the family business. 52% respondents (26 people) said that the leadership style of the previous generation was the highest factor, then the condition of family harmony in running a family business followed in second place with a percentage of 34% and others at 14%. Based on the pre-survey, it can be seen that leadership has the most answer on the interest of the next generation in running a family business (Bella & Maichal, 2018). Mokhber et al., (2015) also explained that the relationship between family members including harmony also has an important role in the next generation running a family business.

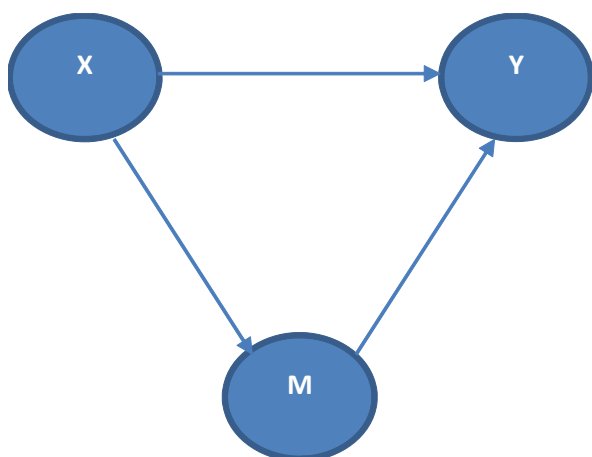
According to Bozer et al. (2017), leadership is a method used by a leader in influencing the behavior of subordinates, so that they are willing to work together and work productively to achieve organizational goals. According to Iwanto (2021), leadership in a family business must be a positive example for both the next

generation and also the subordinates in order to be in accordance with the vision and mission of the company. According to Kamener et al. (2021) in a company, the role of leadership can be a strategic driving tool for the employees to bring the company according to company's vision and mission. According to Oktavia et al. (2020), leadership style must be adapted to the people in the company. Leaders must be able to adapt to each individual in the company to be the key to the company's success. According to Iwanto (2021), leadership indicators can be shown by providing motivation, listening, empowerment, interpersonal, communication, building relationships and handling conflicts.

According to Scholes et al. (2016), family harmony is trust in each other in family members which results in an orderly, neat, stable and integrated structure in the family business. According to Eddleston et al. (2018), harmony among family members is the main key and motivation for the successors of the family business to continue their family business. According to Scholes et al. (2016) there are six main indicators in family harmony, namely caring for one another, intense communication, conflict management, discussion, harmony and a pleasant atmosphere.

According to Woodfield et al. (2017) interest is a determining factor or can be said to be the most important for someone to take an action. Woodfield et al. (2017) also mentions that interest is a combination of attitudes, subjective norms and behavioral control. In a family business, interest can be interpreted as the process of the next generation taking over the family business after the previous generation left the previous business (Porfirio et al., 2020). Porfirio et al. (2020) mention that there are three indicators in the variable of interest in

continuing the family business, namely the desire to be involved, the desire to be loyal and the desire to be pro-active. Here is the conceptual model for this research:



From the model above, it can be seen that variable X is leadership, variable M is family harmony and variable Y is intention to continue family business. The various facts that have been presented, the researcher feels that leadership and supported by family harmony have a role in the interest of the next generation to run a family business, especially to the succession process in a family company.

METHOD

Type of Research, Population, and Sample

The method used in this research is a quantitative method. Wahidmurni (2017) states that the population is the number of all people or non-people who have the same characteristics and meet certain conditions related to research problems and can be used as a source of sampling. The population in this study were Ciputra University students who took the family business curriculum and had occupied the last year which are 61 respondents. Wahidmurni

(2017) states that the sample is the number of part from the population whose position represents the population and is used as a main source of research data collection. The sampling technique in this research is purposive sampling. According to Hardianti (2018), purposive sampling is a sampling technique with certain criteria. In this study, the researcher will use a saturated sample, namely all 61 students who took the family business in the last year.

Method of Collecting Data

The primary data source of this research was obtained by distributing questionnaires. The questionnaire given to the respondents is in the form of a written list of questions and uses a Likert scale. Likert scale is used in measuring attitudes, opinions and perceptions of respondents related to social phenomena. The answers to the questions using a Likert scale from 1–5.

Data Analysis Method

This study will use structural equation modelling with mediating effect method using SMARTPLS-3 software. According to Latan & Ghazali (2012), the method is used in 2 stages. The first stage is carried out by testing the latent construct of the dimension to the indicator. The second stage is to test the latent construct to the dimensional construct.

Validity Test

According to Abdillah & Jogiyanto (2015), the validity test of mediating effect using SMARTPLS-3 software, there are several tests that must be carried out, namely the loading factor test and cross loading with the recom-

mended value above 0.70 and the Average Variance Extracted test with a recommended value above 0.50.

Reliability Test

According to Abdillah & Jogiyanto (2015), the reliability test of mediating effect using SMARTPLS-3 software, there are two tests that must be carried out, namely the Cronbach alpha test and the composite reliability test with the recommended value above 0.70.

Coefficient of Determination Test (R^2)

According to Abdillah & Jogiyanto (2015) the coefficient of determination test is used to measure how far the model's ability to explain variations in the dependent variable is. Figures for the coefficient of determination range from 0 to 1. The closer to 1, the stronger the effect.

Hypothesis testing

At this stage, the path coefficient hypothesis is tested by looking at the t-statistics path

coefficient value. According to Abdillah & Jogiyanto (2015) the suggested value of each variable in this study has a t-statistics value above 1.96. Or the p-value is below 0.05.

RESULT

Data Analysis and Discussion

Based on the data that has been processed, it can be seen that the variable X, namely "leadership", has the highest mean value on the X1.4 indicator of 4.033, namely "interpersonal communication". The standard deviation of the X variable which has the smallest value is X1.2 of 0.405, namely "listening" so that the indicator is the most homogeneous. For the M variable, namely "family harmony", it has the highest mean value on the M1.6 indicator of 4.393, which is a "pleasant family member". The standard deviation of the variable M which has the smallest value is M1.4 of 0.663, which is "accepting differences of opinion" so that the indicator is the most homogeneous. For the Y variable, namely the "interest in continuing the family business", the highest mean value is in

Table 1 Mean and Standard Deviation

INDIKATOR	MEAN	STANDARD DEVIATION
X1.1	4,016	0,424
X1.2	4,000	0,405
X1.3	4,016	0,424
X1.4	4,033	0,511
X1.5	3,984	0,496
X1.6	3,918	0,522
M1.1	4,197	0,806
M1.2	4,082	0,774
M1.3	4,016	0,757
M1.4	3,951	0,603
M1.5	4,361	0,702
M1.6	4,393	0,731
Y1.1	4,443	0,690
Y1.2	3,885	0,851
Y1.3	4,262	0,867

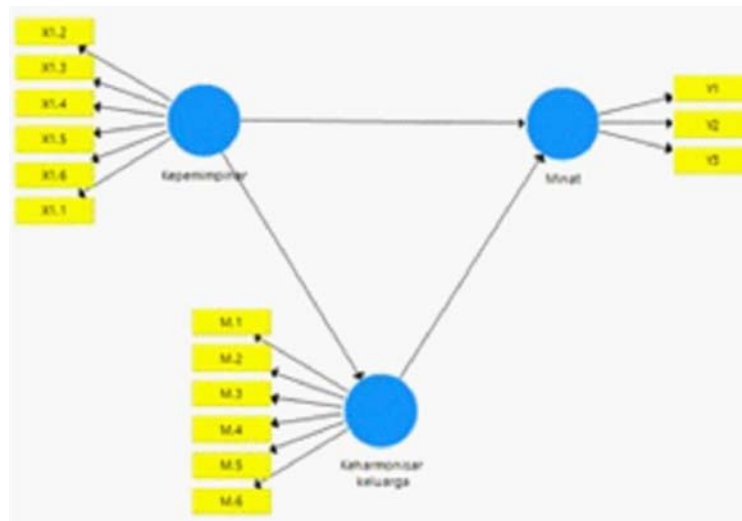


Figure 1 Preliminary Analysis Model
Source: Data Processed with SMARTPLS-3 (2021)

the Y1.1 indicator of 4.443, namely “involve-ment”. The standard deviation of the variable Y which has the smallest value is Y1.1 of 0,690 namely the indicator of “involvement” so that the indicator is the most homogeneous.

Model Repair Test

Based on the data that has been processed, the first step is to test the model improvement. Latan & Ghazali (2012) says that the model improvement test was used to produce the latest analytical model in accordance with the

research conditions by eliminating indicators and variables that were deemed inappropriate for the research model. To test the model improvement using the loading factor validity test where each indicator must have a minimum value of 0.70. Indicators that have a value below 0.70 must be eliminated.

Based on Figure 1, it can be seen that variable X, namely leadership, has 6 indicators, variable M, namely family harmony, has 6 indicators, and variable Y, namely interest in continuing a family company, has 3 indicators.

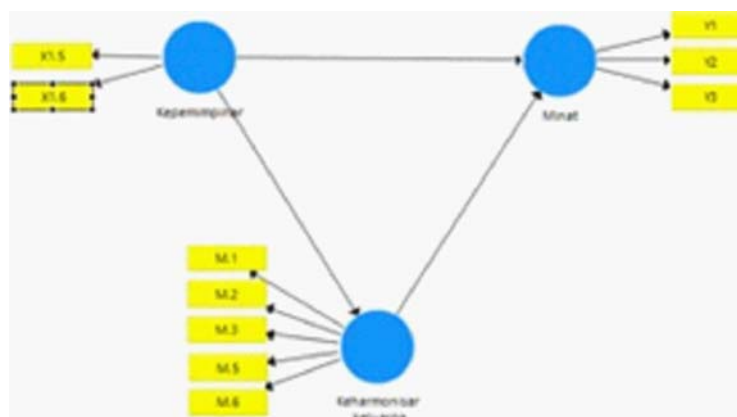


Figure 2 Final Analysis Model
Source: Data Processed with SMARTPLS-3 (2021)

Table 2 Validity and Reliability Test

	AVE	Cronbach Alpha	Composite Reliability	Coefficient Correlation
X (Leadership)	0,677	0,746	0,805	
M (Family Harmony)	0,636	0,860	0,897	0,502
Y (Interest in Continuing Family Business)	0,751	0,852	0,900	0,698

Source: Data Processed with SMARTPLS-3 (2021)

Based on Figure 1, the researcher conducted a loading factor validity test where the results of the requested indicators were above 0.70. After testing the validity of the loading factor, for the X variable, namely the leadership of 6 indicators, 4 indicators were eliminated, namely X1.1, X1.2, X1.3, X1.4 and only X1.5 and X1.6 remained. For the M variable, namely family harmony, from 6 indicators, 1 indicator was eliminated, namely M1.4 leaving M1.1, M1.2, M1.3, M1.4 and M1.6. For the Y variable, namely the interest in continuing the family business from the 3 indicators used, none of the indicators was eliminated.

Validity and Reliability Test

After testing the validity of the loading factor for model evaluation, the next step is to look at the AVE validity test, cross loading validity test, Cronbach alpha reliability test and composite reliability test.

Based on Latan & Ghazali (2012), the minimum value for the AVE test is 0.50. For Cronbach alpha reliability test and composite

reliability the recommended value is 0.70. Based on Table 2, it can be seen that all variables passed the minimum value requirement for each test.

Coefficient of Determination Test

Based on Table 3, it can be seen that the coefficient of determination of the M variable is 0.398. This means that family harmony is formed by 39.8% from the leadership variable, the remaining 60.2% is formed from other variables. While the value of the coefficient of determination for the Y variable is 0.502. This means that the interest in continuing the family business is formed by 50.2% from the variables of leadership and family harmony, the remaining 49.8% is formed from other variables.

Hypothesis Testing (t-Statistics)

Previous generation can build and foster the spirit of the children as the next generation. The second is the occurrence of intense interpersonal communication. Parents should always

Table 3 Coefficient of Determination Test

	R ² Test (Coefficient of Determination)
M (Family Harmony)	0,398
Y (Interest in continuing the family business)	0,502

Source: Data Processed with SMARTPLS-3 (2021)

Tabel 4 Hypothesis Testing (t-Statistics)

	T- Statistic Test	Result
H1: Leadership -> Family Harmony	1,989	Supported
H2: Leadership -> Interest in continuing the family business	1,437	Unsupport ed
H3: Family Harmony -> Interest in continuing the family business	2,903	Supported

Source: Data Processed with SMARTPLS-3 (2021)

carry out intense and open communication with their children, so that if there are problems or things that need to be discussed, they can be resolved properly. The third is the listening process. Parents as the previous generation must be willing to take the time to listen to complaints, conflict problems that occur by their children so that children can have trust with their parents and family harmony can be formed.

Based on Table 4, it can be seen that leadership has a significant effect on family harmony. Leadership has no significant effect on the interest in continuing the family business. Family harmony has a significant effect on the interest in continuing the family business as well as a variable that fully mediates the relationship between leadership and interest in continuing the family business.

DISCUSSION

Based on the data analysis that has been done, the leadership variable has a significant effect on family harmony with a t-statistic value of 1.989. This is in accordance with research conducted by (Akkiniyi et al., 2018) that leadership affects family harmony. In the research proposed by (Koohang et al., 2016), it is stated that there are several important factors in the leadership needed by parents as the head of the family in order to continue to create family harmony, namely the first to continue to moti-

vate family members if there is difficulty. This motivational process can certainly build a positive relationship if the parents as the Influence of Leadership on Interest in Continuing the Family Business.

Based on the data analysis that has been done, it turns out that in this study the leadership variable has no effect on the interest in continuing the family business with a t-statistics value of 1.437 where the minimum value should be 1.96. This is contradictive to the journals used by the researcher as a reference, so the researcher conducted additional short interviews with several respondents in order to find out the existing opinions. The researcher conducted interviews with 7 students of the Ciputra University family business guild and got three conclusions in common with the answers. First, the leadership carried out by the previous generation is often not in accordance with current developments, so that respondents feel that there are still many ways that must be improved so that the company is also more up to date. Second, there are some leaders who are less assertive in running a family business, so that sometimes strategic decisions are made must be taken up by managerial persons who are not family members of the owner of the family business. The third is the lack of a sense of kinship in a family business. This means that the leader only focuses on the goals, vision and mission of the family company so that the

leader is less able to unite and make employees familiar with the employees involved in the family business.

Based on the data analysis that has been carried out, it turns out that the family harmony variable affects the interest in continuing the family business with a t-statistics value of 2,903 and at the same time the family harmony variable is a variable that fully mediates the relationship between leadership and interest in continuing the family business. This is in accordance with research written by Posso & Urbano (2017) which says that harmony in family mem-

bers is an important factor for the next generation to continue the family business where the process of conflict management, caring for one another and supported by good communication will create family harmony. which encourages interest in continuing the family business as well. Research from Eddleston et al. (2018) also states that good leadership in the process of running an internal family and a family business that is run creates harmony within the internal family business and will certainly form an interest in continuing the family business as well.

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