

Generation Gap from Family Orientation Point of View: A Case on PT. Panggung Jaya Indah Textile

Karina Enny Agustina^{#1}, Fatmah Cholid Bawazir^{*2}, Linawati^{#3}

Magister Management, Universitas Ciputra Surabaya

kagustina@magister.ciputra.ac.id

fbawazir@magister.ciputra.ac.id

linawati01@magister.ciputra.ac.id

<https://doi.org/10.37715/rmbe.v3i2.2915>

Abstract— Family businesses account for 95 percent of all existing businesses in Indonesia, but only 12 percent survived to the third generation. The occurrence of various conflicts, differences, and problems in the family business gave rise to a well-known social stigma: the first generation builds, the second generation enjoys, and the third generation destroys. In this literature, the authors wish to examine the generation gap that exists at PT. Panggung Jaya Indah Textile/ PT Pajitex, a sarong manufacturer company with the brand "Sarung Mangga," from a family-oriented standpoint. In this study, the type of research used is descriptive qualitative research. Internal informants chosen are the owner of the company as the first generation and the owner's daughter as the second generation. Meanwhile, Ciputra University's main professor teaching a family business class on the Magister Management program has been chosen as an external informant of this literature. The findings of this research explain the generation gap problems between the first and second generations of PT. Pajitex and ways to overcome those obstacles.

Keywords — *Generation Gap, Family Business, Family Orientation, Trust, Tradition*

1. Introduction

According to **Susanto (2005)**, a family business has unique characteristics that distinguish it from other businesses, which is the interaction of one or more family members in carrying out their business activities. Another distinguished feature of family businesses is their culture and dynamics, which differ from those of non-family businesses in terms of processes, decisions, and actions. As companies age, they become more family-oriented. Tradition, loyalty, trust, and interdependence are the five key dimensions of family orientation (**Lumpkin et al., 2008**).

According to **Christina et al. (2013)**, family businesses account for 95 percent of all existing businesses in Indonesia. Based on various studies, 50-80 percent of businesses in various countries are family businesses making significant contributions to the economy. Survey results conducted by **Family Business Consulting (2009)** say that 30 percent of family businesses survived to the second generation, only 12 percent survived to the third generation, and only 3 percent can be operated by the fourth generation. The occurrence of various conflicts, differences, and problems in the family business gave rise to a well-known social stigma: the first generation builds, the second generation enjoys, and the third generation destroys (**Wijanarko, 2022**).

PT. DSFI reflects the generation gap problem in Indonesia. Previous research by **Christina et al., (2016)** has shown that there is no trust in the system established and operated by the second generation at PT. DSFI. This worsens the generation gap problem and leads to the second generation leaving the company. The negative impact of the generation gap can also influence the company's performance, causing friction amongst employees and

jeopardising collaboration as a whole, resulting in low performance and a detrimental impact on the succession of family businesses (**Winasis, 2018**).

In this literature, the authors wish to examine the generation gap that exists at PT. Panggung Jaya Indah Textile/ PT. Pajitex, a sarong manufacturer company with the brand "Sarung Mangga," from a family oriented standpoint. The family business of PT. Pajitex is currently in its second generation. It is undeniable that problems may occur in the company's daily operational activities. The problem stems from the generation gap between the first generation and the second generation of the company. A generation gap is a phenomenon caused by variations in experience and attitudes between generations, resulting in gaps or "distance" between generations (**Seruni, 2018**).

2. Literature Review

2. 1. Family Business

Meier & Thelisson (2021) define family business as a family logic in which the stakeholders have family ties and an entrepreneurial logic in which the purpose is to make a profit. They involve generational transitional issues, such as the transfer of autonomy and control from the founder to the successor. According to **Poza (2007)**, there must be influence from family members in the company's management, which can be given actively where family members play an active role in shaping the company culture, becoming a leader, shareholder, and maintaining and maintaining relationships between other family members.

2.2. Generation Gap

A generation gap is a difference of opinion between generations over beliefs, politics, or morals. Nowadays this term frequently refers to the apparent disparity between younger people and their parents or grandparents (**Subramanian, 2017**). Differences in opinions stated by two people of different generations are the causes of the generation gap. More specifically, the generation gap can be used to describe how the actions, beliefs, and tastes of the younger generation are different than the older generation when it comes to politics, values, and other issues.

2.3. Family Orientation

The concept of family orientation represents how people see, relate to, and value their families. Tradition, stability, loyalty, trust, and interdependence are the five essential integrated elements of family orientation (**Lumpkin et al., 2008**). First and foremost, such structure may be less necessary in a family-owned and operated corporation. Second, because informal control is more efficient in family-owned and controlled enterprises, it is projected that firms with a greater family orientation without any formal control will outperform non-family firms (**Uhlener & Meijaard, 2004**). Meanwhile, according to **Hutomo, M. (2018)**, family ownership is associated with the desire to remain independent and have complete control over the organisation. Case studies show that employers often associate professional corporate practice with a loss of control over flexibility of employee relations.

2. 3. 1 Trust

According to Burch et al. (2015), trust traits include safety, security, protection, justice, and reciprocity. Because of the coherence and stability afforded within the family system, individuals who trust each other in the family tend to have a strong family orientation.

Quoting from **Hadjielias & Poutziouris (2015)**, trust is a common mechanism for informal collaboration that can replace the necessity for formal control over activities and interactions in transacting organisations. Trust is critical to the success of a family business. Research conducted by **Christina et al. (2016)** entitled “Cognitive Trust in Family Business” conveys that interpersonal trust and intergenerational competence trust have been established at PT DSFI. The first generation, on the other hand, has exhibited no faith in the system constructed and operated by the second generation.

2.3.2 Family Tradition

In management theory, tradition is frequently mentioned but rarely articulated as a construct. According to **Lumpkin et al. (2008)**, tradition is a fundamental feature of family orientation and one of the primary characteristics of the family system. Tradition is a set of ideas, rituals, and symbolic acts that are passed down through generations. Identification of roles, rituals, routines, shared history, applied values, and family legacy are all strong elements of tradition (**Burch et al., 2015**).

Traditions have also emerged as intriguing structures in family business research (**Lumpkin et al., 2008**), where they have been used to describe the distinctiveness of innovation in family businesses, how corporations manage corporate brand identity, and how family businesses build socioemotional wealth. According to **Groothuis & Groothuis (2007)**, children from business families who grow up in the business tradition can acquire skills through walking in sync with the family.

Organisational culture has three levels (**Schein, 1992**) such as:

1. *Artefacts*: visible objects such as products, technology, clothing trends, mythologies, and the environment. At this stage, they will present an overview of the ultimate outcome of the essential assumptions of an organisational culture. These factors affect the value of the company;
2. *Espoused Values*: can be detected in every determination of organisational goals, as well as methods of handling internal and external challenges within the corporation. The things seen in the *Artefact* are taken into account in any method of problem solving that the organisation considers right. This strategy also serves as a tool for socialisation for each new employee in the firm. When the remedy is applied frequently and results in a consistent pattern of behaviour, employees believe the pattern is correct due to an iterative implementation approach. The fundamental assumptions of organisational culture will emerge from this process.
3. *Basic Underlying Assumptions*: is the last component of the organisational culture level. This is the foundation of every employee's behaviour and thinking in the organisation.

3. Research Methods

In this study, the type of research used is descriptive qualitative research. Qualitative research seeks to comprehend phenomena about what research subjects experience, such as behaviour, perception and motivation holistically and through description in the form of words and language, in a plausible context, and by applying various natural approaches (**Kelvianto & Mustamu, 2018**). In determining informants, researchers used informants with competence and understanding of the company's condition, as well as external parties with expertise relevant to the generation gap idea or who own a family business. Internal informants chosen are the owner of the company as the first generation and owner's daughter as the second generation. Meanwhile, Ciputra University's main professor teaching family business class in MM program has been chosen as an external informant of this literature. These three informants are supposed to help researchers evaluate the gap generation variables in the textile industry PT Pajitex. Interviews and documentation are two strategies used to obtain data. The research aims to identify the gap generation factor as a foundation for knowledge to help family businesses handle gap generation related challenges. According to (**Sugiyono, 2017**), the data analysis procedures employed

in this study are data collecting, data sorting, categorization, evaluating data validity, generating conclusions, and verification.

Validity, according to **Sugiyono (2015)**, is the degree of correctness between the data collected from the study object and the researcher's own data. Valid data is identical to the data provided by the researcher and the data that actually take place in the field or research object. Researchers in this study employed source triangulation to test credibility. By comparing the information acquired from related sources or informants, source triangulation aims to test the credibility of the overall data obtained. After the data has been verified, it will be processed and evaluated in order to generate conclusions. These findings are then presented by researchers to data sources and informants in order to develop conclusions that are accepted by both parties and obtain legitimate conclusions. The source triangulation method in this study was obtained from informants who were considered credible, namely the first generation PT Pajitex, the second generation PT Pajitex, and family business practitioners. **Azwar (2012)** explains that reliability is one of the measurement techniques used to assess whether or not a study can be trusted. This study uses an audit technique by which the researcher explains the entire process to the results of the research to the lecturer in family business courses, namely Dr. Tina Melinda, Dra, MM, as the research auditor informant who will provide an evaluation assessment.

4. Result and Discussion

4.1 Family Orientation

4.1.1 Family Relationship

The relationship between family members in PT. Pajitex is going well. The first generation says that the relationship is good and close, supported by the answer from the second generation saying that the family is well.

4.1.2 Value yang ditanamkan

From the family of PT. Pajitex point of view, there are two important values kept in mind such as honesty and high work ethic. Both generations agreed on this. This is also in line with the opinion of the research auditor, who says that values are things that are expected by the first generation, and need to be passed as early as possible to the second generation.

4.1.3 Transfer Value

In transferring value, the company's owner, as the first generation, does not impose on his children, namely the second generation, to continue the family business; instead leave it handled by professionals. Meanwhile, the second generation believes that the value transfer process should begin as soon as possible so that the second generation can quickly join and learn about the family firm. The first generation still doubts the successors' expertise, therefore they engage professionals to operate the business, while the second generation believes the first generation does not trust the second generation's capacity to continue the company's business. According to the experts, involvement and accountability are the most important factors in ensuring a seamless succession, because when the delegation of leadership is not carried out properly by the successor, succession cannot occur.

4.2 . Tradition

4.2.1 The Urgency of Family Tradition

The first and second generations both agree that it is important to follow family traditions, but they are not aligned on which are good or bad. Bad customs must be abandoned, while good customs must be preserved. This statement is consistent with the philosophy presented in the book *Living Values for Young Adults*, which states that excellent collaboration can be developed by introducing good values and learning how to maintain this attitude (Tilman, 20004:262).

4.2.2 Application of Tradition in Family Business

The tradition upheld by PT. Pajitex is a tradition based on Islamic law. According to the first generation, the key principles acquired were honesty and the avoidance of usury. Riba is the practice of calculating interest or exaggerating the loan amount while repaying based on a proportion of the principal loan amount imposed on the borrower, which is antithetical to the Islamic tenet of muamalat (Wikipedia, 2022). The second generation also supports this implementation of the company's tradition. In the company, where the majority of employees are Muslims, Islamic law is applied fully in all aspects. The company applies the principle of honesty to all of its employees on a daily basis. Because the majority of the company's employees are Muslims, when it comes time for prayer, all company activities are paused so that all employees and leaders can pray in congregation (at the same time). During Ramadan season, the corporation requires shorter working hours, as well as THR allowances for all employees and zakat for impoverished employees. According to (Schein, 1992), PT. Panggung Jaya Indah Textile is at level 3 organisational culture, namely *Basic Underlying Assumptions*, because all activities in the company are founded on Islamic sharia norms.

4.2.3 Prohibitions in Family Business

The second generation feels that the discussion of succession in the family business is still considered taboo. This is because the first generation is still alive and well physically and spiritually; still capable to manage and develop the company. In addition, because the first generation was the one who built PT. Pajitex until this stage of success, without the contribution of the second generation at all. The parties who were made partners by the first generation from the beginning were professionals, when the second generation was still at a very young age. As the company grows, more and more professionals join the company. Therefore it can be concluded that this company can run and develop without the contribution of the second generation.

4.3 Trust

4.3.1 Reposal

The first generation felt it took a long time to trust the second generation with the family business. This trust will be granted once the second generation has demonstrated its proficiency in the family business. The second generation agrees, but recognizes that they must still struggle to acquire the trust of the first generation. This is also supported by an expert's view which says that the next generation needs to prove their performance in order to be trusted by the previous generation, starting by doing small things that show their sincerity in working.

4.3.1 Obstacles in Reposal

The first generation is wary about granting trust. The first generation, as the company's owner, analyzes the ability of existing applicants to fill the relevant positions. The first generation believed that the second generation did not fit the standards for serving as leaders or directors, but only at the managerial level. The second generation, on the other hand, believes that its position is being challenged by the large number of professionals entering the company, lessening the opportunity for the second generation to continue the business. According to

experts, the first generation should recall that humans have a finite life span. Then, does the first generation intend to pass down the company to the second generation? No, there is no guarantee that the company will operate smoothly if it is passed to the second generation, therefore most of the first generations rely on professionals. Another underlying factor is to avoid disagreements between siblings when the leader positions are passed down. According to the research auditor, the first generation has a tendency to entrust the firm to professionals because there is no guarantee that the second generation has the capability to operate the company properly.

4.4 Generation Gap

4.4.1 Problems of Generation Gap and the Impact to the Company

The generation gap problem that occurs, according to the second generation, is created by difficulties contributing to the family business. The second generation wishes to contribute more but is hampered since strategic and leadership positions are still held by experts, implying that the first generation trusts professionals more than the second generation in operating the organisation. Meanwhile, the generation gap problem, according to the first generation, has not been seen because the second generation has not been fully integrated in the family business and decision making is still solely held by the first generation. According to the research auditor, the first generation should recognize that succession must be carried out at some time because no one knows when someone will die, so the first generation should train their successors as soon as possible so that the second generation may continue to lead properly.

4.4.2 Solutions/ Efforts in Facing Generation Gap

The first and second generations both agree that a personal approach is the best method to bridge the generation gap. The second generation added that performance verification is another method to keep the generation gap from widening. It is intended that by taking a more personal approach, the relationship between the two generations will get closer, and that they will then work together to generate synergies so that the first generation will have trust in the second generation to continue the company. According to the research auditor, showing proof that “*I am capable*” is one of the methods to build trust and close the generation gap. If the first generation does not allow the second generation to contribute, the second generation must behave more proactively.

5. Conclusions and Practical Implications

5.1 Conclusions

Based on the results of interviews and discussions, four factors that influence generation gap problems from the point of view of family orientation are family orientation, tradition, belief and generation gap; briefed as follow:

1. The concept of family orientation represents how people view, relate to, and value their families. Tradition, stability, loyalty, trust, and interdependence are five important integrated elements of family orientation (**Lumpkin et al., 2008**). Relations between family members within PT. Pajitex is going very well. The important values that are upheld in the family are honesty and a high work ethic. The first generation of value transfer does not force the second generation to continue the family business, because the family business can also be carried forward by professionals, however the second generation hopes that the value transfer can be carried out as soon as possible for the second generation to join and contribute to the family business. However, the first generation still questions the professionalism of the second generation, therefore for now the first generation tends to still rely on professionals. According to the research auditor, the first generation should recall that succession must be carried out later at some time because no one knows when someone will die, so the first generation should train their successors as soon as possible so that the second generation may continue to lead properly.

2. Tradition in the family should be upheld when it is beneficial and avoided when it is bad. In the PT Pajitex. The application of tradition at PT Pajitex is to maintain honesty and avoid usury. Riba is the practice of calculating interest or exaggerating the loan amount while repaying based on a proportion of the principal loan amount imposed on the borrower, which is contrary to the Islamic tenet of muamalat (**Wikipedia, 2022**). Meanwhile, according to the second generation, succession discussions are still considered taboo because the first generation is still physically and mentally healthy to continue the family business, and the company has been running and growing well without the intervention of the second generation. Since the company was formed, it has always been staffed by professionals. Children from business families who grew up in a business tradition, according to **Groothuis and Groothuis (2007)**, can acquire skills by walking in sync with the family.
3. In terms of reposal, the first generation still requires time to trust the second generation, which the second generation can accept and then try to prove the professionalism of their work in the first generation. There are various barriers to trust, including the first generation's belief that the second generation has not met the standard criteria for becoming a leader in the organisation but is still at the managerial level. The second generation, on the other hand, believes that the quantity of professionals makes the chance for the second generation to occupy a leadership level quite limited. The research auditor also stated that there is no assurance that a family firm can be run by the second generation, thus the first generation may sometimes entrust it to professionals. Trust is a typical mechanism for informal collaboration that can replace the necessity for formal control over activities and interactions in transacting companies, according to **Hadjielias and Poutziouris (2015)**. Collaboration cannot be developed without trust, hence the second generation must demonstrate their professionalism in order to gain the trust of the first generation.
4. From the second generation's point of view, the generation gap occurs because the second generation has not been given the opportunity to contribute to the family business because critical positions are still held by professionals. Meanwhile, the first generation believes that there is no generation gap because the leadership position is still entirely held by the first generation. Both parties believed that a personal approach would be the best way to bridge the generation gap. Experts added that proving could be an ultimate way to bridge the generation gap and foster confidence in the first generation to be able to entrust succession to the second generation.

5.2 Practical Implication

Based on the results of interviews with the three informants and data analysis that has been compiled, the following are managerial implications in the form of factors that affect the generation gap from the point of view of family orientation:

1. To bridge the generation gap, the first and second generations' family orientations must be aligned into a single point of view. **Lumpkin et al. (2008)** define family orientation as how people perceive, relate to, and value their family. Family orientation incorporates five fundamental elements: tradition, stability, loyalty, trust, and dependency. Family relationships at PT. Pajitex is excellent. Honesty and a strong work ethic are fundamental qualities emphasised in the PT. Pajitex family.
2. Tradition in a family business is crucial to carry on if it is good, but it is not important to pass on if it is bad. Honesty and the avoidance of usury are fundamental family business traditions that are upheld at PT Pajitex. According to **Schein (1992)**, PT. Pajitex is at level 3 organisational culture, namely *Basic Underlying Assumptions*, since all activities in the company are done based on Islamic sharia norms.
3. In order to earn trust, the second generation must be able to demonstrate the professionalism of their work so that the first generation believes and is willing to delegate leadership to the second generation. Even if the first generation does not give the second generation adequate room to contribute, the second generation must be the one being more proactive by beginning to show up with small actions.
4. To bridge the gap between the first and second generations, it requires a personal approach. Therefore, each of them may comprehend each other's point of view, orientation, and synergy. Proofing can also be an

approach to overcome the generation gap since it allows the first generation to entrust leadership succession to the second generation.

6. References

- Burch, G. F., Batchelor, J. H., Burch, J. J., & Heller, N. A. (2015). Rethinking family business education. *Journal of Family Business Management* , 5 (2), 277 - 293.
- Christina, Saputra, T., & Paulina. (2016). *Cognitive Trust di Dalam Bisnis Keluarga (Studi Kasus pada PT Dharma Samudera Fishing Industries tbk.)*. JOURNAL OF UNIVERSITAS NAHDLATUL ULAMA SURABAYA. Retrieved 2022, from <https://journal2.unusa.ac.id/index.php/BFJ/article/download/436/388/705>
- Groothuis, P. A., & Groothuis, J. D. (2007). Nepotism or family tradition? A study of NASCAR drivers. *Journal of Sports Economics* , 9 (3), 250-265.
- Hadjilias, E., & Poutziouris, P. (2015). On the conditions for the cooperative relations between family businesses: the role of trust. *International Journal of Entrepreneurial Behavior & Research* , 21 (6), 867-897
- Harland, D. (2016, March 16). *Generational Gap threatens family business succession*. Family Business Advisors. Retrieved June 6, 2022, from <https://finh.com/news/generational-gap-threatens-family-business-succession/>
- Hutomo, M. (2018). *FAMILY BUSINESS ACROSS GENERATION: A CASE STUDY*. Retrieved June 9, 2022, from <https://journal.ubaya.ac.id/index.php/jimus/article/download/3422/2556>.
- Kelvianto, I., & Mustamu, R. (2018). *IMPLEMENTASI PRINSIP-PRINSIP GOOD CORPORATE GOVERNANCE UNTUK KEBERLANJUTAN USAHA PADA PERUSAHAAN YANG BERGERAK DIBIDANG MANUFAKTUR PENGOLAHAN KAYU*. Retrieved June 9, 2022, from <https://media.neliti.com/media/publications/287187-implementasi-prinsip-prinsip-good-corpor-e6724f2f.pdf>
- Lumpkin, G. T., Martin, W., & Vaughn, M. (2008). Family orientation: Individual-level influences on family firm outcomes. *Family Business Review* , 21 (2), 127-138.
- Meier, O., & Thelisson, A.-S. (2020). *The Succession Dilemma in Family Firms Case Study of a French Company*. Retrieved June 9, 2022, from <https://www.researchgate.net/publication/344429980> The succession dilemma in family firms case study of a French company.
- Poza, E. (2007). *Family Business, 2nd Edition*. Wiley Online Library. Thomson South-Western. Retrieved June 9, 2022, from <https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1741-6248.2007.00104.x>.
- Subramanian, K. (2017). *The Generation Gap and Employee Relationship*. Retrieved June 9, 2022, from <https://www.researchgate.net/publication/321670836> The Generation Gap and Employee Relationship.
- Sugiyono, P. D. (2021). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D – Mpkk* (Vol. 2). Alfabeta.
- Susanto, A. B. (2005). *World Class Family Business*. Google Books. PT Mizan Pustaka. Retrieved June 9, 2022, from <https://books.google.co.id/books?id=pJ58TZR40ckC&printsec=frontcover#v=onepage&q&f=false>.
- Seruni. (2018, March 21). *Apa Itu generation gap?* seruni.id. Retrieved June 9, 2022, from <https://seruni.id/apa-itu-generation-gap/>
- Uhlaner, L., & Meijaard, J. (2004). The Relationship between Family Orientation, Organization Context, Organization Structure and Firm Performance. *SCALES-Paper N200406*. Retrieved June 9, 2022, from <https://core.ac.uk/download/pdf/7074549.pdf>.
- Wijanarko, Y. (2022, February 15). *Kutukan Generasi Ketiga, Mitos Soal cucu Yang Meruntuhkan bisniskeluarga*. Pikiran. Retrieved June 9, 2022, from <https://www.pikiran-rakyat.com/kolom/pr-013745435/kutukan-generasi-ketiga-mitos-soal-cucu-yang-meruntuhkan-bisnis-keluarga?page=3>

- Winasis, S. (2018). *PENGARUH SEBARAN GENERASI TERHADAP MOTIVASI KERJA DI INDUSTRI PERBANKAN AREA TANAH ABANG*. Retrieved June 9, 2022, from <https://media.neliti.com/media/publications/279590-pengaruh-sebaran-generasi-terhadap-motiv-e3b1bd21.pdf>.
- Schein, E.H. (1992). *Organizational Culture*. (2nd Edition). USA : Jossey-Bass.
- Tilman. D. (2004). *Living Value for young adult*. Grasindo