

# FAMILY BUSINESS SUCCESSION PLANNING ANALYSIS AT BENG GOAN GROUP NTT

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**Abstract** — The aim of this research is to review family business succession planning in the Beng Goan Group NTT that is currently in its 3rd generation to analyze and understand the steps that have been taken to build a sustained family business. The results obtained from this study the owner of the company has made a plan of succession, these stages consist of starting planning early, encouraging intergenerational teamwork, developing a written succession plan, involve the family and colleagues, taking advantage of outside help, establishing a training process, planning for retirement, and make retirement timely and unequivocal. In this research we use descriptive qualitative methods with semi structured interviews, the data validation process uses a triangulation test. The results show that succession planning has not been fully implemented in Beng Goan Group, future planning is to involve everyone and obtain outside help, develop a written succession plan, and make retirement timely and unequivocal so that the next generation can run the business with this step well.

**Keywords** — Family business, succession planning, fourth generation, eight stages succession, triangulation technique , retirement timely and unequivocal

## 1. Introduction

Sustainability family businesses have become the foundation for Indonesia's economic growth, based on the results of a survey by the Indonesian Institute for Corporate and Directorship (IICD) in 2010 and PricewaterhouseCooper (PwC) in 2014, 60% of the total open companies in Southeast Asia were family companies and family companies in Southeast Asia placing leadership heirs as a top priority in family companies, while in Indonesia more than 95% of companies are included in the family firm category (PricewaterhouseCooper, 2014). The percentage of the number of family companies in Indonesia shows that family companies have become one of the most significant contributors to sustaining the national economy (PricewaterhouseCooper, 2014). This is evidenced by the family firm being able to show its existence as support and strength in the improvement of the national economy during the economic crisis of 1997–1998 as well as the financial crisis in 2008. Family companies in Indonesia are private companies capable of contributing 82.44% of GDP national (Pricewaterhouse Cooper, 2014). Several characteristics are owned by family companies. First, a family business is owned by a family that the share of ownership in the family is more than 50%. Second, the one who decides what is good for the company lies with the founder such as the husband or wife, parents, or heirs. Third, in the management or administration section of a family business, there is at least one family member there. Fourth, when a family business is in the form of an open business, the family that makes the acquisition must have at least 25% of the rights to the business.

Succession planning in family companies is important to ensure the sustainability of the company in Indonesia, succession is a significant moment in a family business's life (Brockhaus, 2004). The family business is a business that can be passed down to the next generation (Brockhaus, 2004). Almost in every sector of business, there's always a business that is privately owned, especially in Indonesia, employing millions of people and boosting the economy. However, their sustainability is a big problem as only 13 percent survive until the third generation, "Generally speaking, only 30 percent of family businesses last until the second generation, 13 percent until the third generation and 3 percent beyond three generations (The Jakarta Post, 2019),"

On retirement and succession planning, 97% of Indonesian family business owners surveyed have considered their exit plans and 88% have started their succession planning(Sun Life, 2020). When considering exit strategies, many mature business owners 58% are looking to pass their business on to their children or other

family members (Sun Life, 2020). Yet while Indonesian mature business owners are aware of the need for succession planning and to do it early they may be stuck in their plans as more than half of those surveyed do not know which governance structure they will use and a staggering 71% will not seek external advice. Owners of startups and growth businesses are much more open to seeking advice (Sun Life, 2020).

This family business is located in Indonesia, precisely in East Nusa Tenggara, namely the Beng Goan Group. This company was founded in the 1940s and is currently engaged in tourism and hospitality. The founder of the company is Yo Kie Beng (first generation) who has 3 daughters and 5 sons.

This research aims to analyze the succession process at Beng Goan Group which is currently from 2nd generation to 3rd generation, that was originally managed by the 2nd generation and experiencing a decrease in occupancy which is currently managed by the 3rd generation for increasing the occupancy and opening a new business. This research is expected to provide a roadmap for the succession plan for Beng Goan Group for the succession for the next generation for the 4th generation.

## **2. Literature Review**

### **2.1. Family company**

According to Poza (2010, p. 5), a family business is a company that merges with its founder or Chief Executive Officer (CEO) in future generations and one or more family members significantly influence or has influence over the company. According to Ward and Aronoff (2002) in Susanto (2005), a family company consists of two or more family members who oversee the company's finances. PWC (2014) defined a family business as a company whose majority of the voting rights are in the hands of the founder of the person who acquired the company, such as spouse, parent, child, or heir.

### **2.2. Data triangulation**

Researchers have used data triangulation involves the use of different sources of data/information. A key strategy is to categorize each group or type of stakeholder for the case study. Then, be certain to include a comparable number of people from each stakeholder group in the evaluation study, and conduct in-depth interviews to gain insight into what the stakeholders perceive as outcomes for the succession planning process. The weight of evidence suggests that if every stakeholder, who is looking at the issue from different points of view, sees an outcome then it is more than likely to be a true outcome.

### **2.3. Succession Planning**

According to Leach (2011, p. 153-161) family business goals in the long term need to manage succession planning with several stages:

#### **2.3.1 Start planning early**

Planning the succession process should be early and gradual. Aim to prepare the next generation to be more mature by reducing owner involvement gradually until it becomes almost no visible involvement. Successors must grow to be a leader by earning the respect and trust of previous leaders and members of the organizations involved.

#### **2.3.2 Encourage intergenerational teamwork**

Building and fostering intergenerational collaboration is very necessary for the transition process, previous generations must support each other and become a coach or mentors for the next generation. It aims to create a suitable structure and mechanism to achieve the goals of an organization more easily.

#### **2.3.3 Develop a written succession plan**

Make a written and gradual succession plan process through related processes such as program development leadership and skills for potential successors. The planning process in writing is then communicated to the family and interested parties.

#### **2.3.4. Involve the family and colleagues**

This process is a good idea to establish a succession working group. The succession working group is selected from the owners, family members who are involved, non-executive directors, and trusted employees. These groups are responsible for the development of succession plans and Supervise the succession process. To achieve great results, what the organization wants is important to ensure that the succession plan is going well, including producing the psychological response of each individual needed to maintain the transition process. The owner has the responsibility to initiate and lead the succession planning process, and the work group can

provide an opportunity for the parties concerned to discuss thoughts openly. This will help the reaction to negative emotions that will occur.

#### **2.3.5. Take advantage of outside help**

Outsiders can provide a good understanding of the company and can provide solutions to dealing with problems during succession planning. Sharing and comparing experiences can be the source of ideas, strategies, and support. Relevant outside parties such as consultants and other professional advisors.

#### **2.3.6. Establish a training process**

Preparing potential successors to lead the company through training. Aims that prospective successors are adequate and able to continue the business. So that there is no pressure from the family because of the lack of preparation of prospective successors in carrying out the company.

#### **2.3.7. Plans for retirement**

The owner prepares a plan of activities that will be carried out after retirement when the succession process occurs. For the purposes to get out of the business which has been attached.

#### **2.3.8. Make retirement timely and unequivocal**

The owner is difficult to let go of his position because he doesn't have trust in others and feels indispensable to the company. Prospective successors become insecure in leading companies.

### **3. Method**

#### **3.1. Type of Research**

The type of research used in this study is descriptive qualitative research. According to Bogdan and Taylor (Moleong, 2004), the qualitative method is a research procedure that produces data descriptive in the form of written and spoken words from people and their observed behavior, qualitative research intends to understand the phenomenon of what is experienced by research subjects such as behavior, perception, motivation, action, etc., holistically, and using description in the form of words and language, in a special context that is natural and with using various natural methods. Study descriptive qualitative is more likely to compare theory and reality obtained in the field, however still within the framework of research and theoretical framework in accordance. In this approach, the author compiles research words and conducts a study on the situation experienced.

The subjects in this research were the owner, potential successor, and an employee. According to Muhammad Idrus (2009), subject research is an individual, thing, or organism that becomes the source of information that is needed by the researcher in collecting research data types. The subject key informant of Beng Goan Group is the owner, the successor, and the expert of the family business. The object of this research is to analyze the succession planning process in the family company at Beng Guan Group.

Sources of data used by the author in this research are primary data and secondary data. The primary data is data obtained directly from the subject research, in this case, the researcher obtains data or direct information using predetermined instruments. Primary data can be the subject's opinion, observation of behavior or events, and test results (Purhantara, 2010). Whereas Secondary data is data that has been processed by other people and then used as a reference for retrieval of information in the study. The primary data used by the author are in the form of results of direct interviews with informants Azwar (2005, p. 91). The secondary data is in the form of documentation data or report that is available (Azwar, 2005, p. 91).

For this research, the researcher uses the purposive sampling technique. According to Sugiyono (2013), purposive sampling is a technique of taking data sources with a certain consideration, data source is considered most knowledgeable about what is expected or to make it easier for researchers to explore the situation that is being researched. In this research, three sources will be interviewed to provide information which is Mrs. Linda Johanes Owner of Hotel Beng Goan 2 and Beng Goan Group 2nd generation, Ms. Mellisa Honesta Successor from 3rd Generation, and Mrs. Tina Melinda expert of a family business.

#### **3.2. Data Validity Techniques**

For this research we use a triangulation technique that researchers did by examining the data that had been obtained from several sources, which in this research compared with the result of interviews and the content of a related document.

#### 4. Result and Discussion

The founder of Beng Goan group have three daughters and five sons, currently Mrs. Linda Johanes, who is the daughter and the youngest child, manages the company.

##### 4.1. Start planning early

The founder of Beng Goan group planned early with the preparation of the company's next-generation, company management from all divisions of the company, things to maintain relations with one another, be it fellow families, colleges, business partners, employees, and the community, etc. Successors were given a good education from an early age to all children since childhood they have been brought into the company and left to take care of small things in the company so that children understand the system in it from an early age and employees know the next generation.

The 3rd generation showed that careful planning is important in managing the family business so that the business remains sustainable and can be passed on to the next generation, the business avoids problems both within the company of fellow families, with relations, and even the general public.

From Family Business expert advice that planning ahead is a must, especially if the company is getting bigger and more complex in order to avoid unwanted. Planning ahead will reduce future unwanted in the internal or external of the company. Giving a good education can help gain knowledge and prepare successors to maintain and develop more for the family business company.

Triangulation data show that all stakeholders agreed and implemented the planning succession as early as it shows from the founder and continue to 3rd generation.

##### 4.2. Encourage intergenerational teamwork

The founder of Beng Goan group regularly have a family meeting to build a strong connection between generations, Seen from the presence and involvement of all member family in the event that is held every year, namely family gathering.

The 3rd generation tells about communication and quality time together and sharing between generations occurs in the family. The next generation is more motivated and trusted but remains in the control of the previous generation.

From Family Business expert advice that making a frequent meetup or meeting or gathering can help tighten the communication, and they can also be straightforward. Make it a habit in the working environment to help the between generations. A frequent family gathering will help communicate well within generations, and motivate each other so they have the confidence to run a business.

Triangulation data show that all stakeholders have followed the regular family gatherings showing that there is good communication and strong relationships between the generations.

##### 4.3. Develop a written succession plan

The founder of Beng Goan group currently had only a succession plan not yet written.

The 3rd generation tells us that succession criteria need to be chosen carefully and deal with the successor candidate. Succession is like recruiting people who want the job, it needs to be chosen especially when in a big and complex company, and the person itself needs to be interested.

From Family Business expert advice that if the company it's not complex it's not really a problem, however, it's better if the company has a written succession plan.

Triangulation data show that all stakeholders agree are important for having a written succession plan, which helps clear rules within the family and generation while still planning for the written succession plan.

##### 4.4. Involves the family and colleagues

The founder of Beng Guan Group involves the previous generation and colleges help to manage and develop but off the book.

The 3rd generation says that the involvement of family with the needs of the company needs to be adjusted in the future whether it requires the involvement of outsiders in development and supervision or not, if it requires family and professional involvement, it's necessary to pay attention to their position, belief, duties, and responsibilities in the company.

From the Family Business expert advice that the involvement of family and colleagues will be depending on the position, level of trust, duties, and responsibility of a person.

Triangulation data show that depending on the family does it need colleagues to help and handle certain positions, but some would like to involve colleagues to help maintain the business.

#### **4.5. Take advantage of outside help**

The founder of Beng Goan group says that she uses help from outside the company if we can't manage the company, with the help of a consultant that can be trusted by the company.

The 3rd generation tells about external assistance that can be taken if the company cannot manage the company. This can be done by finding a consultant who can be trusted by the company.

From Family Business expert advice that when stuck with a problem in a company it's better to hire a consultant for a big and complex company, but for a company that is not complex may use a neutral person/family with experience.

Triangulation data show that all stakeholders agreed that hiring a consultant that can be trusted is seen as a good option for the family business that can help to manage the company

#### **4.6. Establish a Training Process**

The founder of Beng Goan group says that The training process is carried out at an early age. The third generation is given an education from a young age; they are accustomed to entering and training directly in the company, how to handle customers, manage hotel systems, manage employees, and others.

The 3rd generation tells about Training process is carried out from an early age. The 3rd generation is given an education that supports, not only that but the young age they're accustomed to entering and training directly in the company, like how to handle customers, manage hotel systems, manage employees, and others.

From Family Business expert advice, it's better to involve the person you think wants to continue the company the earlier the better so they can learn much.

Triangulation data show that all stakeholders give a good education will help them train how to think, while they're taking education it's better that they can apply the study to real-life business so they will learn much.

#### **4.7. Plan For Retirement**

The founder of Beng Guan Group already made the plan from the start. For example, at the age of 40, you have to build a better business, 45 children have joined the company, and 60 have retired.

The 3rd generation tells us that the plan is done from the start so that we know the step to be taken. For example, at the age of 40, you have to build a better business, 45 children have joined the company, 60 have retired. The retirement plan is prepared by thinking about activities that will be carried out when the succession process occurs so that it can be separated from a business that has been attached from the beginning. .

From Family Business expert advice, the previous generation plans an activity that will be carried out after retirement when the succession process occurs. In order to get out of the business which has been attached. Plan early before retirement so we can prepare for precautions, especially in the family business. It's necessary to prepare children in advance, but sometimes parents don't want to leave their position because of the power syndrome that they have which makes them lose something when they retire.

The triangulation shows that the family has already prepared and planned for the retirement steps that may prepare for the exit strategy or activity for the parent who will retire while preparing for the next generations to onboard for the company.

#### **4.8. Make retirement timely and unequivocal**

The founder of Beng Guan Group is still active and operational at the age above 60, so the plan is off from the retirement planner.

The 3rd generation shows that they feel ready to have to maintain and develop the company

From the Family Business expert says that, it's necessary to prepare children in advance, but sometimes parents don't want to leave their position because of the power syndrome that they have which makes them lose something when they retire.

The triangulation shows that the family is not yet doing succession to 3rd generations in a timely manner.

Table 1. Checklist for the Implementation of the Eight Stage Succession Plan at Beng Goan Group

No	Stages	Indicator	Implementation
1	Start planning early	- Find a successor from the family who have passion, competency, attitude, vision, and empathy (Leach, 2011).	Yes
		- Introduce business information as early to all children (Leach, 2011).	Yes
		- Willingness to continue and develop the company (Setiawan, 2016).	Yes
2	Encourage intergenerational teamwork	Communicate well within a generation (Setiawan, 2016).	Yes
		Spent time together (Leach, 2011).	Yes
3	Develop a written succession plan	Guidelines for the succession plan, are structured and done step by step (Leach, 2011).	Yes
		Written criteria for successor candidates, power-sharing, and member roles of the family that fills the division of the company (Leach, 2011).	No
4	Involve the family and colleagues	By giving access to family and coworkers (Setiawan, 2016).	Yes
5	Involve everyone and obtain outside help	Hire a consultant (Setiawan, 2016).	No
6	Establish a Training Process	Giving a good education (Setiawan, 2016).	Yes
		Follow regular the schedule of training, seminars, and workshops (Setiawan, 2016).	Yes
		Having an internship training program for benchmarking (Setiawan,	Yes

		2016).	
7	Plan For Retirement	Planning for the retirement steps (Leach, 2011).	Yes
8	Make retirement timely and unequivocal	Retire timely (Setiawan, 2016).	No
<b>Percentage of Succession implementation</b>		<b>Do 9 out of 14 indicators</b>	<b>78.57%</b>

At the time of regenerating to the second generation, the first generation owned three hotels in which shares were given to 4 sons and 1 daughter to continue the business as the second generation. The shares of Hotel Beng Goan 1 and 3 were given to the eldest son and the third son of the first generation, Hotel Beng Goan 2 due to the very large size was given to 2 other boys and 1 daughter but the focus of management was initially only carried out by the two sons -boys while girls are more focused on opening a new business, namely a travel agency from the 1990s which was incorporated into a joint business in the hotel area.

With a hotel brand that is well known to people and the highest occupancy rate when held by the first generation, the second generation becomes unfocused and chooses to enjoy it without developing the business, resulting in revenue from the Beng Goan Group for the three hotels experiencing a drastic decrease in turnover and interest in guest visits due to poor management and controlling carried out by the second generation. The occupancy rate from 85% decreased drastically to 30% this resulted in huge losses for the company so far Beng Goan Hotels 1 and 3 are stagnant at 30% visits while Hotel Beng Goan 2 the two brothers chose to release the company shares which were sold to sister his daughter.

Beng Goan Group, especially Hotel Beng Goan 2, which is managed by a daughter from the first generation, has begun to prepare her children (one boy and one girl) to continue this family business. Until 2017 when his daughter graduated from college, this business was passed on to her son who is currently in the third generation position of the Beng Goan Group. The third generation, which is the millennial generation, was at the forefront of the destruction of the Beng Goan Group at that time, so several efforts were made to improve the system and carry out succession planning.

## 5. Conclusion and Recommendations

From the results of research and analysis conducted at the Beng Goan Group family company. The conclusion that can be drawn is that the current owner of the second generation has made a succession plan and has passed it on to the third generation, the planning carried out is to plan ahead, encourage collaboration between generations, establish a written succession plan, involve family and coworkers, take advantage of outside help, Establish a training process, plans for retirement, retirement in a timely and firm manner.

Planning to continue the business to potential successors has been thought of by the owner since the candidate was small by providing business knowledge from an early age and supportive education, strengthening family and surrounding relationships so that collaboration and connections between each generation are well established and get a lot of information and input or knowledge from other family members. The business knowledge given from an early age is carried out by the owner so that the prospective successor is familiar with and familiar with the work environment from an early age, provides business knowledge, and builds the potential of the potential successor. Retirement time missed the initial planning because the owner still wanted to be involved and help potential successors in managing the company. Succession planning has been made by the owner of the Beng Goan 2 Hotel to prepare and regenerate the business for potential successors and future generations will be ready to run the company. There are several plans that have been carried out, namely planning ahead, encouraging collaboration between generations, involving family and coworkers, and establishing a written succession plan, involving family and coworkers. Establishing a written succession plan has not been carried out optimally in the company and the planning that has not been carried out is taking advantage of outside help because it is felt that it is still not needed so far and retirement in a timely and firm manner.

Based on the results of the discussion and conclusions above, there are several suggestions that can be used as consideration for the continuation of the Beng Goan Group company, namely:

1. In determining the prospective successor, the succession plan must prepare more than one candidate of its children.
2. The owner of the company must provide further and continued motivation to successors, to raise willingness, awareness, and commitment generations for the company.
3. Make a testament regarding the company's ownership which is made on a notary to avoid conflicts within the family and a fair distribution of ownership.
4. Retirement timing needs to be carried out according to succession planning.

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