Chapter 18
Development of Family Business Innovation:
A Case in Indonesia

Muhammad Dharma Tuah Putra Nasution
Universitas Pembangunan Panca Budi, Indonesia

Ahmad Rafiki
Universitas Medan Area, Indonesia

Cut Kesuma Pahlufi
Universitas Udayana, Indonesia

ABSTRACT

This current literature looks closely into the aspects of family firm and innovation to enhance the general understanding on Indonesia's family business innovation. More specifically, the attention will rest on the challenges and opportunities of the family business. Indonesia promises a huge potential of economics' prospects, one of which comes from its wealth of natural resources. There is also a series of dynamic social and cultural characteristics in Indonesia that uniquely support its bustling economic development. The family-owned businesses' innovation processes highlighted in this chapter shall explore and resolve issues connected to innovation's implementation.

INTRODUCTION

Most of the businesses that soar in Indonesia are family-oriented and they are known to have hired millions of people, and further catapult the economy to a greater level. However, its sustainability becomes frail as the third generation comes into existence. In a report by Deloitte in 2020[1], it is stated that some of the problems of family business involve establishing or maintaining international-standard, being professional and transparent after their parents have left them to take charge. Based on this observation, 30 percent of family businesses only lasts until the second generation, 13 percent until the third genera-

DOI: 10.4018/978-1-7998-6477-6.ch018

Copyright © 2021, IGI Global. Copying or distributing in print or electronic forms without written permission of IGI Global is prohibited.

tion and 3 percent beyond three generations. Another issue lies in the succession plans for the second and third generation inheritors. More than 95 percent of all businesses in Indonesia classified as family businesses face this issue- from small to medium enterprises (SMEs) that have together opened doors for millions of job hunters and at the same time spurred Indonesia's economy. It is a fact that 12 percent of family businesses are controlled by third generations globally. We are reminded of the fact that the challenges family business successors face are not the same as those faced by the founders. One of the key is being able to adapt so that the company can survive.

However, based on the report by Credit Suisse Global Wealth 2019, Indonesia flaunts the highest net worth individuals in Southeast Asia, with 130,000 people having total wealth of US$1.8 trillion- this gives us the picture of the apparent growing demand for private enterprises in Indonesia. These private enterprises are mostly family-run. 95% of local businesses are family-owned in Indonesia. This figure speaks for a lot of the country's most prominent and well-respected corporations; including several of which that are now publicly traded on Indonesia's fledgling capital markets[2]. According to the Boston Consulting Group (BCG) data, family-controlled businesses account for approximately 40% of Indonesia's market capitalisation and have considerable influence across a multitude of key industries that include property (91% market share), agriculture (74%), energy (65%) and consumer goods (45%). Foreign entities that make their way into the Indonesian market should therefore properly understand the nature and nuances of its family-owned businesses, as they will most probably need to work closely with this type of firm in their roles as prospective partners, suppliers and clients.

Being popular as a powerhouse economy, the vast majority of the country's family-owned businesses in Indonesia are still relatively new, compared to their Western counterparts. Unlike most of the companies listed in Forbes' index of the top 500 family-owned businesses – which are primarily based in Europe or North America, they are already in the fourth generation of leadership or older, while it is typical for Indonesia's family-owned businesses to still be controlled by the first or second generation. One of the differences is that many family-owned businesses in Indonesia have not yet undertaken the journey through the main transition phases that can significantly affect their potential to succeed.

There is perhaps, an old, if not wise, statement saying that 'the first generation builds the business, the second generation makes it a success and the third wrecks it'. The third generation is pictured as very agile and may find it difficult to sustain the family-owned business in Indonesia. Generalisation is not an issue here, but the concern should be on the preliminary plan on resolving the issue related to the third generation. A report of Boston Consulting Group (BCG) stated that only about 30% of family businesses survive the move from first to second generation, while a mere 9% were able to progress from the second to the third generation.[3]

In terms of the innovation process in family-owned businesses, it is an attractive and promising field of research where it examined the impact on family and non-family businesses (De Massis et al., 2013). With respect to the innovation activities and outcomes, the ownership and its structures also tend to vary. Meanwhile, affected by the corporate orientation, family ownership participation could be the result of the innovation process (De Massis et al., 2013; Zellweger et al., 2012).

At first, the intention of family business owners to start collaborating in projects is reducing, but in time, the family ownership, administration, and governance participation can be leveraged via distinctive resources that can influence innovation process to commence. External knowledge sources would be a unique factor of family businesses that can influence their intention on innovation process. Meanwhile, characteristics like distinctive incentives, structures of authority, and legitimacy standards, may offer benefits and obstacles that can affect innovation process in a significant manner Therefore, detailed studies on family-owned businesses' innovation processes are needed to highlight, explore and resolve issues that have to do with innovation's implementation.

LITERATURE REVIEW

Development of Family Business in Indonesia

The family-owned business has shown development and progress year by year.

1. Indonesian family businesses have developed well over the last 12 months in 2018 and this has increased compared to the year before. 65% have experienced growth, including 35% who grew by double. Only 7% experienced reduction in sales (from 44% in 2018). All over the world, 69% of family businesses had progressed. 87% of Indonesian family businesses could see themselves growing in the next two years, and the growth will be quick and aggressive (39% vs. 16% globally). International sales constitute 16% of Indonesian family business turnover at the moment and there is the prediction that it will contribute 27% in the next five years.
2. These Indonesian family businesses see the following challenges in two years- getting the right skills and capabilities, seeking to innovate to stay afloat and ahead, the economic surrounding and competition. Where important personal and business goals are concerned, the stress on the best talent (through recruitment and retention) for the business is very important (89%); the innovation and profitability are considered to be important factors as well.
3. Some family-owned businesses have laid out their own mid-term strategic plan. 17% admitted that they had no plan. More than a third (35%) of these businesses wanted to change their business model over the next two years (vs. 20% globally) and 81% stated that they will bring in an external party as their professional expertise. There is a lower level of diversification in Indonesia than average with only 19% working in multiple sectors and markets (the global average is 26%) and this level is lower than that recorded in 2017.
4. 63% of Indonesian family businesses felt that in terms of digital capabilities, they will have made significant steps in two years' time. 46% of businesses felt that the digital disruption could be intimidating to them (more than twice as many as in 2017, and higher than the 30% globally). A third (31%) felt that they might not be able to face cyberattack (less than the 40% globally who feel vulnerable).
5. 13% of businesses admitted to have a robust, documented and communicated succession plan in order (similar to the global average of 15%). 81% of family businesses in Indonesia had already planned to hand over the management and/or ownership to the next generation. However a third (30%) did not plan on involving the next generation and prepare for these changes and only 57% is now having the next generation already serving in the business.
6. 72% of Indonesian family businesses did not have any issue with the agreed values and purpose as a company, although only half have these values recorded or documented in writing. They felt that such values are assets to the company; more than seven in 10 agreed that values and purpose led them to having a competitive advantage or higher revenue and profitability.
7. On average, 24% women are board members in their family businesses (vs. a global average of 21%) and 27% of people stayed in the management team (24% globally).

In Indonesia, the family-owned businesses can still be seen to be able to grow, given the economic development of the country and other indicators that lend support to the business operations. The prediction of future Indonesia in 2030 shall be established below.

Table 1. Future of Indonesia in 2030

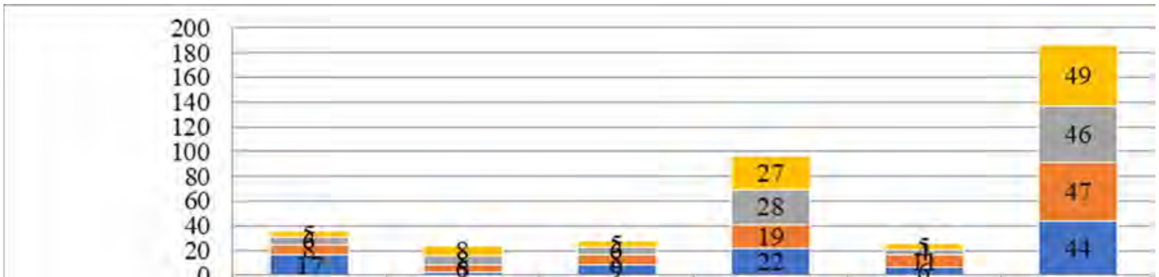
7th largest economy in the world
135 million members of the consuming class
71% of the population in cities producing 86% of GDP
113 million skilled workers needed
$1.8 trillion market opportunities in consumer services, agriculture and fisheries, resources, and education

Based on the report of PwC, and as seen in Figure 1, the majority of the owners of family business own and manage the business themselves.

Figure 1. Family's Role in the Business

Looking into a similar report as seen in Figure 2 below, there is only one dominant owner in 44% of Indonesian family businesses. 22% nominated their own siblings as owners. Around 10% selected their cousins, or members of their extended family to be the business owners. This indicates that a great number of owners attempt to do all business activities by themselves and do not let their spouse, in-law or siblings or their closest persons to take the responsibility in managing the business.

Figure 2. Percentage (%) Family ownership structure



	Other	Extended family (30+)	Several cousins	Siblings	Spouse and/or in-law	One dominant owner
Global 2016	5	8	5	27	5	49
Global 2018	6	8	6	28	4	46
Indonesia 2016	8	6	8	19	11	47
Indonesia 2018	17	2	9	22	6	44

Organisation Performance and Challenges

In this part, an overview of growth, the manner in which the growth is financed and diversification shall be provided. Growth among Indonesian family businesses has tremendously increased over the last 12 months (when compared with those answering in 2016) as seen in Figure 3 below. 87% saw themselves developing well over the next two years.

The progress made by the Indonesian family businesses over the last 12 months has increased greatly (when compared with those answering in 2016) as seen in Figure below. 87% expected growth for the next two years. In fact, in 2016, it has been reported that 88% of businesses in Indonesia and 85% of global businesses anticipated to grow over the next five years.

Whether businesses have a strategic plan in place for the next 3-5 years, this is seen as one of the organization challenges that can be seen in the overview of the challenges facing businesses over the next two years. As depicted in Figure 5 below, accessing skills & capabilities, innovation, the economic environment and competition are named as the key challenges for Indonesian family businesses.

As depicted in Figure 6 below, in terms of the two-year goals, the businesses indicated attracting/ retaining talent, being more innovative and improving profitability as their major personal/business goals for this timeframe.

Globalisation has led to greater product diversity, rising customer demands, and stronger competitive pressure for organizations over the last decades, and this places innovation as the top priority (Abernathy & Clark, 1985; Fine, 1998; Kleinschmidt & Cooper, 1991). The call to innovate is now the major highlight in firms in any sector because all industries experience not only the cycles of relative stability but also the cycles of tumult (Anderson & Tushman, 1990).

Figure 3. Percentage (%) on Growth in last financial year
Source: PwC Family Business Survey 2018 – Indonesia results

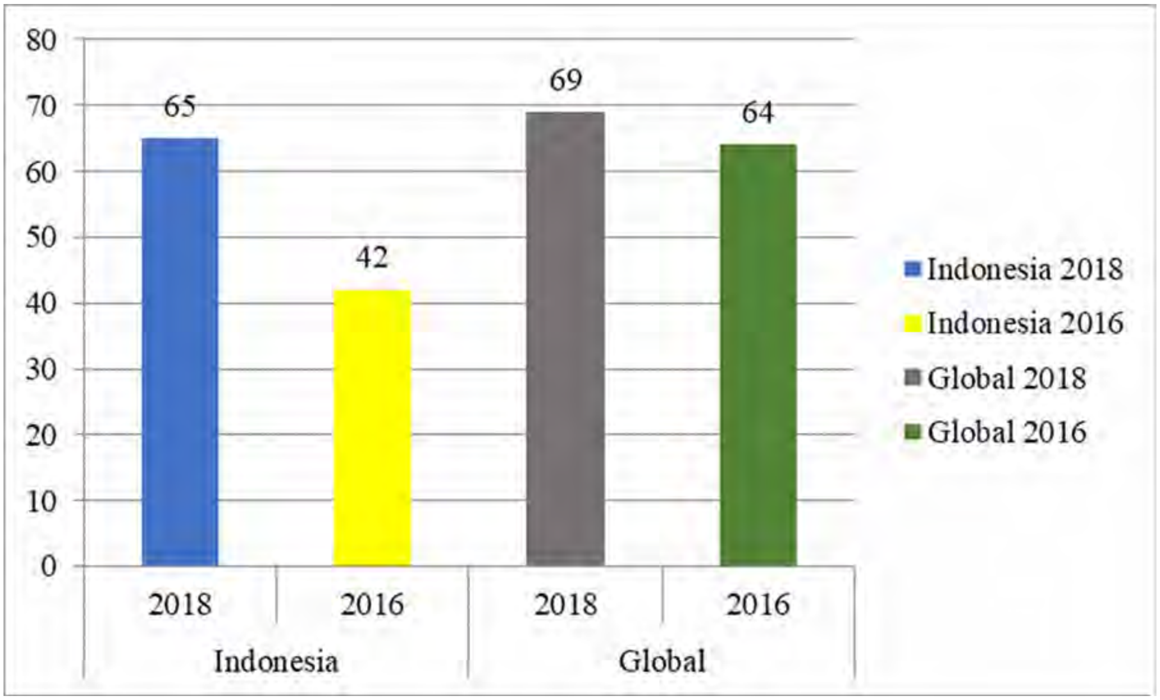


Figure 4. Percentage (%) growth aims over the next two years
Source: PwC Family Business Survey 2018 – Indonesia results

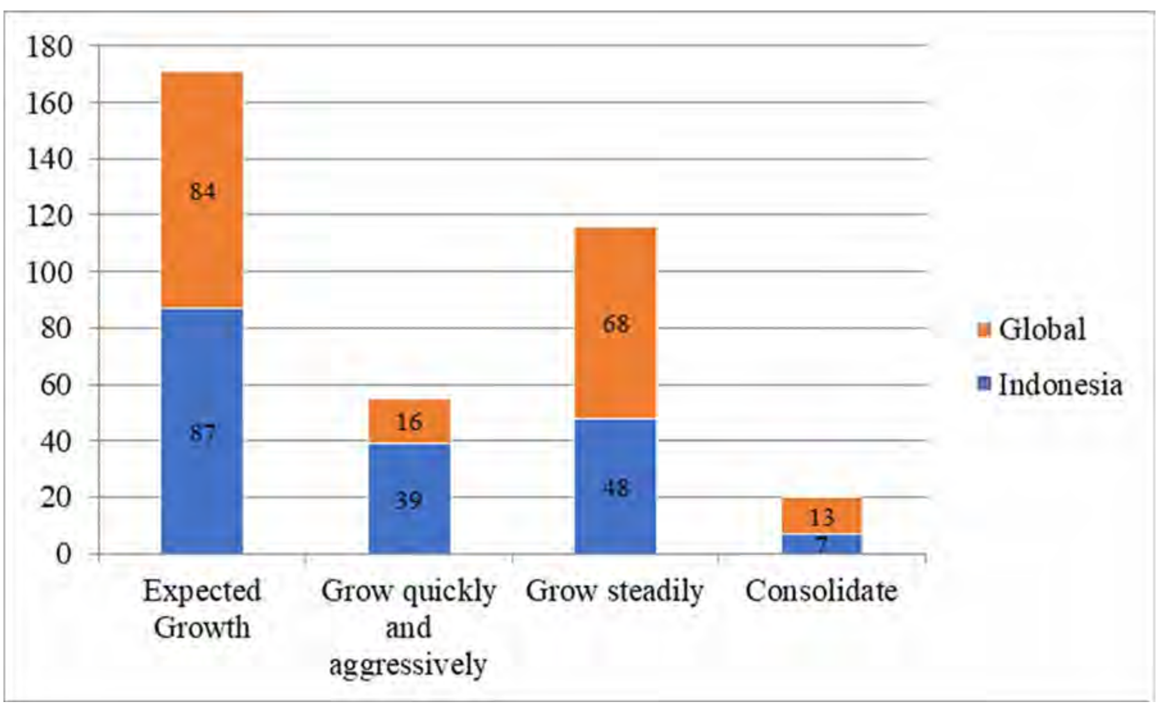
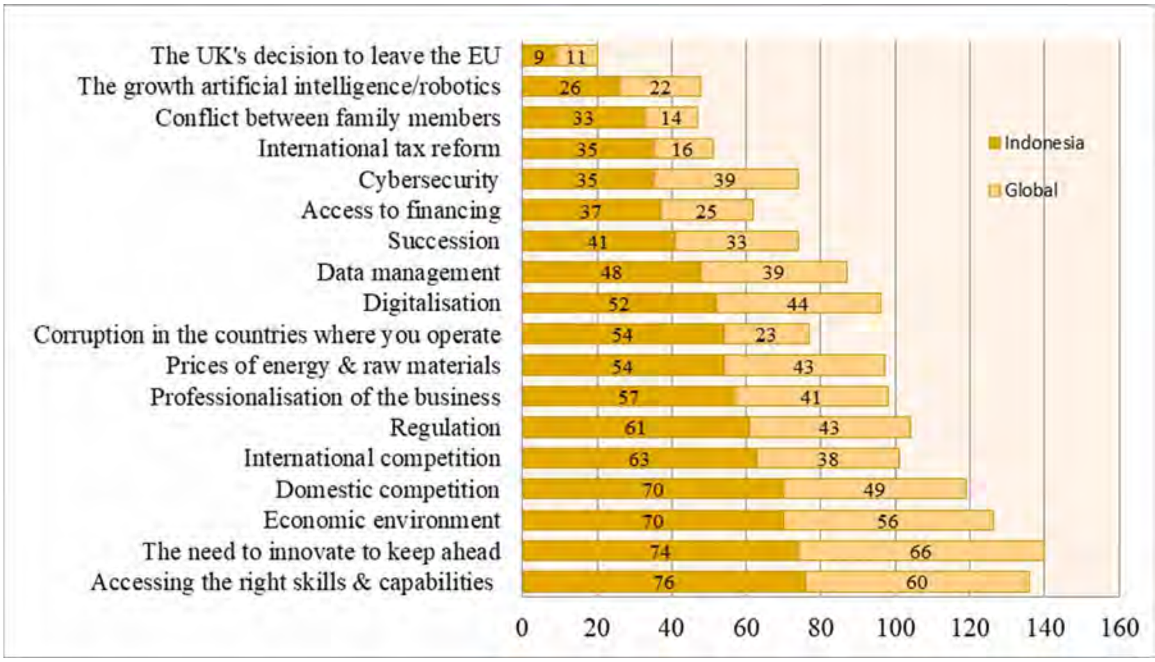


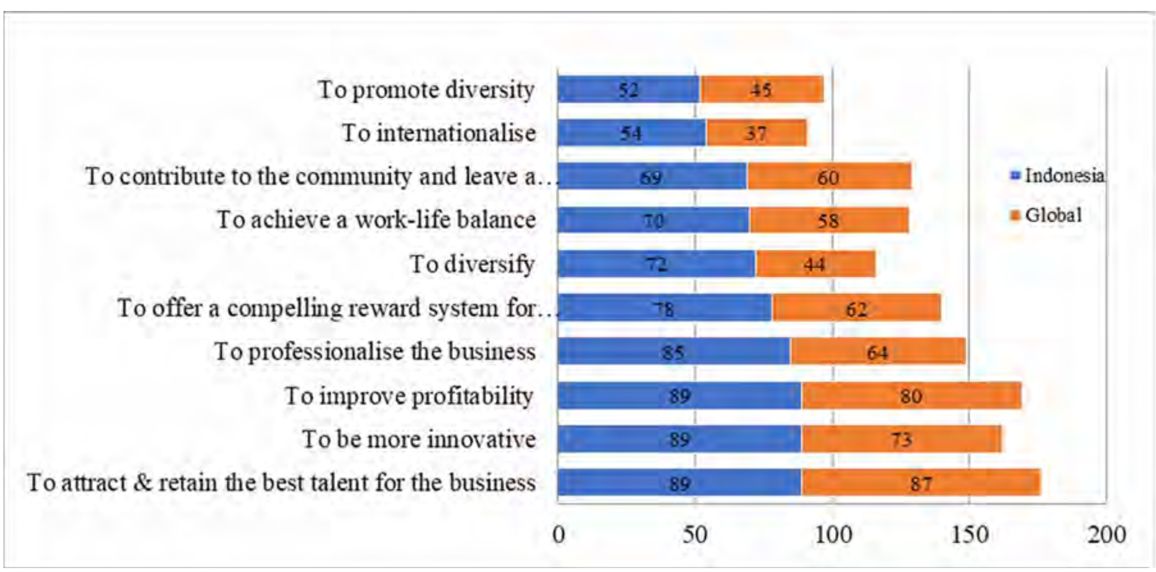
Figure 5. Percentage (%) key challenges over the next two years



Family Firm Research and Relevance

The study by Lethbridge (1997) puts family businesses into three types: (1) traditional: where capital is closed, organization management makes do with little transparency and the family completely runs and

Figure 6. Percentage (%) of the important personal & business goals



takes control of all of the firms' business; (2) hybrid: in which capital is opened and although the firm is controlled by the family, the management is more open, and more professionals are invited to play their roles; (3) family influence: in which performance is market-influenced, but the family stays close in their strategic influence by participating significantly in capital.

Family business literature often adopts case study methodology (Barnes & Hershon, 1976; Beckhard & Dyer, 1983; Dyer, 1988). Through time, this kind of studies grow and mature, and the research has become more suitable for practically all business journals (Chrisman et al., 2008; Matherne et al., 2013). Numerous scientific journals with Social Science Impact Factors are now devoted to publishing family business research, making the importance of this topic increasing. Additionally, universities are also increasingly acknowledging the importance of family businesses by setting up family business research and practice centers, endowed chairs in family business, as well as tenure-track and executive professor positions specialising in family business education and research (Sharma et al., 2011).

Lumpkin et al. (2011), De Massis et al. (2013) who studied innovation technology at family-owned enterprises have laid out a context, one that identifies three main technological innovation steps: inputs from innovation, activities from innovation, and outputs from innovation and the relations among these three steps.

Family involvement in technological innovation inputs

As the impact of family participation on the R&D expenditure level of a company, the theme in the literature has rested on technological innovation in family businesses. However, much of the literature has been pinpointing at a negative relationship between family involvement and R&D investment. Family-owned firms often have internal family conflicts and created new R&D-related agency costs leading to lower R&D-intensity levels compared to other types of ownership. Family ownership would demotivate uncertain and long-term R&D investments, thus it is negatively associated with R&D investments following their propensity for controlling shareholders' limited risk (Muñoz-Bullón and Sanchez-Bueno, 2011; Munari et al., 2010; Block, 2012).

Family involvement in technological innovation outputs

It is mentioned that family involvement influences the results coming from family business innovations. As stated by Chin et al. (2009) control that is exerted by family or closest persons, characteristic of the family enterprise's ownership can inhibit innovations. Similarly, in human, social, and marketing capital aspects, Llach and Nordqvist (2010) find that family businesses are more innovative than family businesses. Craig and Dibrell (2006) conclude that family businesses can more successfully transform the natural environmental policies into product and process innovation, and open door for more flexible structures and decision-making processes. That said, Block (2012) argued that family ownership and management involvement give no impact on R&D productivity.

Some related studies have looked into the particular outputs of the technological innovation process (Wagner, 2010), the impact left by types of technological innovations (product and process) on the companies' competitive advantage (Pittino and Visintin, 2009), and on radical and advanced innovations to diversify the strategic orientation of companies (Bergfeld and Weber, 2011).

Family involvement in technological innovation activities

The paucity of articles on the direct effect of family involvement on the processes and capacities of technological innovation activities (rather than R & D expenditure and innovation outcomes) has been noted. Cassia et al. (2012) confirmed that family participation leaves an impact on the characteristics of the process of development where it positively combines family involvement with the long-term drive towards new product development, accompanied by a strong leader in new product development and available resources for new product development.

Next, Hsu and Chang (2011) found that the use of strategic behavior controls has a positive link with family ownership, which significantly impacts on the way technological innovation activities were done, in return. Classen et al. (2012) revealed that the scope of family firms' research is far from broad, indicated in the number of external sources and partners that companies rely on to obtain innovative resources. De Massis et al. (2014) stated that the family firms are dissimilar from non-family firms with regard to several aspects of product innovation, and Craig and Dibrell (2006) added that family involvement leads to more flexible organizations and lenient decision-making.

Family Firm and Radical Innovation

There have been reports stating that family firms tend to face some difficulties in radical innovation and that the reasons behind it have to be figured out. The radical innovation among family companies is heterogeneous, just like the family businesses themselves, and this implies that they prioritise or create the conditions that can spur radical innovations (Hu, & Hughes, 2020). Radical innovation studies in the family business were outnumbered by the general innovation studies in family enterprises (Calabro et al., 2018; De Massis et al., 2015a). Not only that there is lack in research efforts on understanding family firm radical innovation, the existing studies on family firm radical innovation were also found inconsistent and contradictory. Moreover, the implications on this family firm radical innovation (Hu & Hughes, 2020) also tend to be wrongly perceived.

Family firms show differences in getting their resources, in terms of their business sizes, and levels and scopes of knowledge. These differences easily bring about various innovation activities by family owners (Kotlar et al. 2013). The focus on risk aversion also decreases the family businesses' decision-making. If their family business financial resources are formidable; the abundance of financial resources, in particular, may potentially fuel radical innovation activities in the businesses (Covin et al., 2016).

Considering the family firm's size, logically larger companies will have more social, human, and financial resources compared to small businesses (Danes et al., 2009). This advantage can improve the chances of family businesses to create and work on more radical innovation activities. In the scarcity of resources, any negative impacts from radically innovative failures can possibly be curbed (Gibbert et al . 2007; Xiang et al. 2018). Small family-based companies do not have that much liberty to engage in radical innovation as it requires a high level of sunk cost which includes R&D injections (Singh and Gaur, 2013).

Although typically, the larger family business would have a stronger social capital, which makes it easier to be part of the larger social networks (Kraiczy et al., 2014), this strong social capital can throw radical innovation to the backseat. In several circumstances, the chances of having radical innovation for the large family business is greater than the small or medium-sized family firms (Craig et al., 2014). However, to be fair, the small and medium-sized family firms may react to opportunities faster than large firms, as the latter may have more formalized bureaucratic systems with a systematic decision-making so the process can be more time-consuming (Gudmundson et al., 2003; Patel and Fiet, 2011).

Considering this aspect of heterogeneity, radical innovation poses some risks (Sciascia et al., 2015; Singh and Gaur, 2013). Mallon et al. (2018) argued that family firms can only pursue radical innovation through a combination of human, financial and social capital. However, the fact remains that there is no causal relationship between radical innovation and each resource (Covin et al., 2016; Mallon et al., 2018). A review of studies on the RBV's family-owned innovation reveals that family companies with a wealth of resources should have lesser uncertainties when it comes to pursuing radical innovation than other companies that suffer from scarce well-designed resources (Hu & Hughes 2020). This concludes that although the family businesses have more resources, this cannot be justified by the ownership to conduct innovation activities (Kyriakopoulos et al., 2016).

Family Involvement and Succession Planning

The report of PwC on family business in Indonesia presents an overview of next generation involvement and issues, spouses that have a role in the business, succession and future plans for the business. Only 44% of Indonesian family businesses had taken in their spouses/partners to work in the business; a similar proportion able to own their own shares, while 37% were allowed to take up governance roles- this can be referred to in the figure below.

Moreover, as depicted in Figure 8 below, 13% of Indonesian family businesses boasted off an organized, robust, formalized and communicated succession plan (similar to the global average of 15%).

As depicted in Figure 9, 54% claimed that family conflict is handled within the immediate family or discussed openly by the family, but one in five ignored conflict due to the norms persistent in the society.

Figure 7. Family and spousal involvement in business

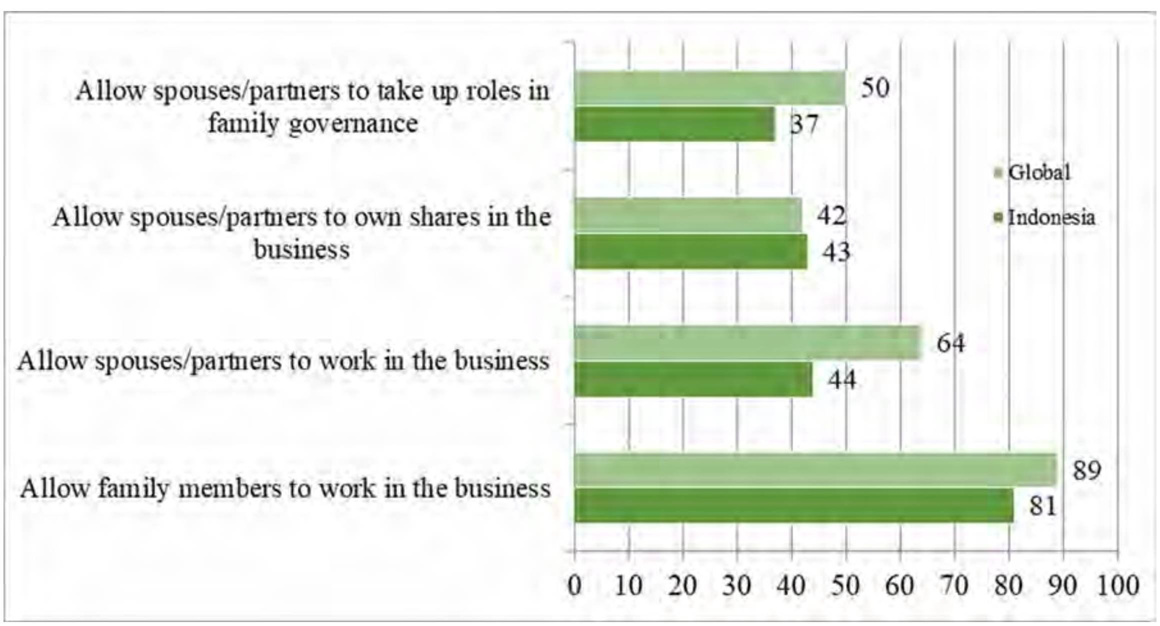
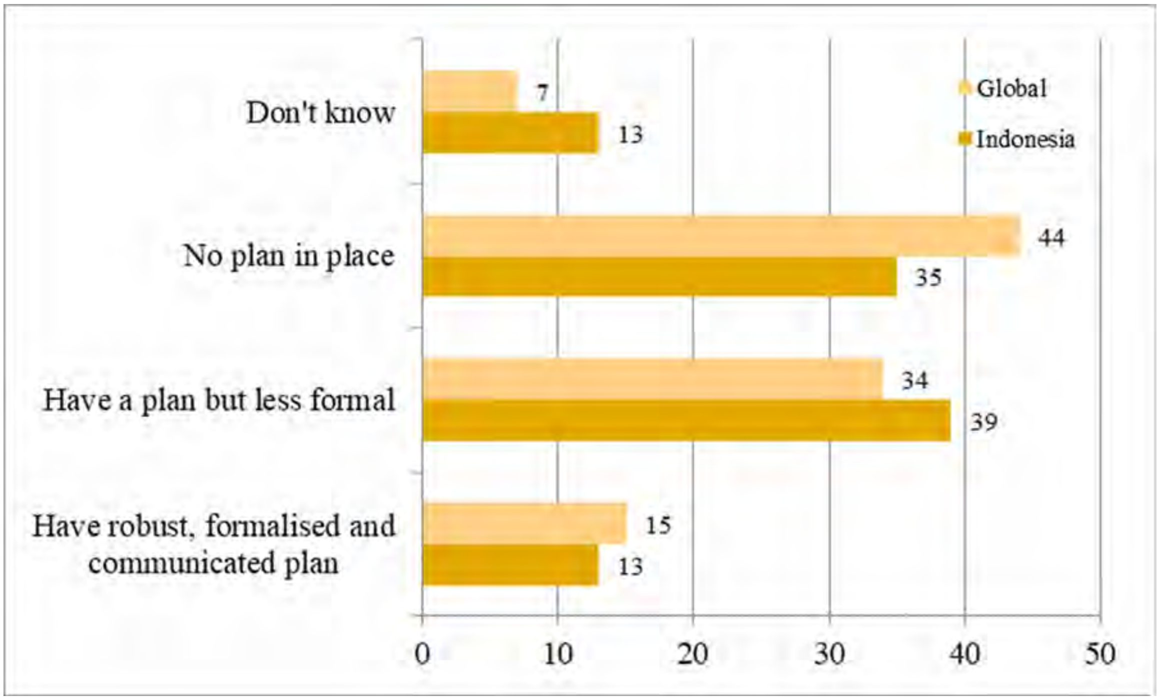
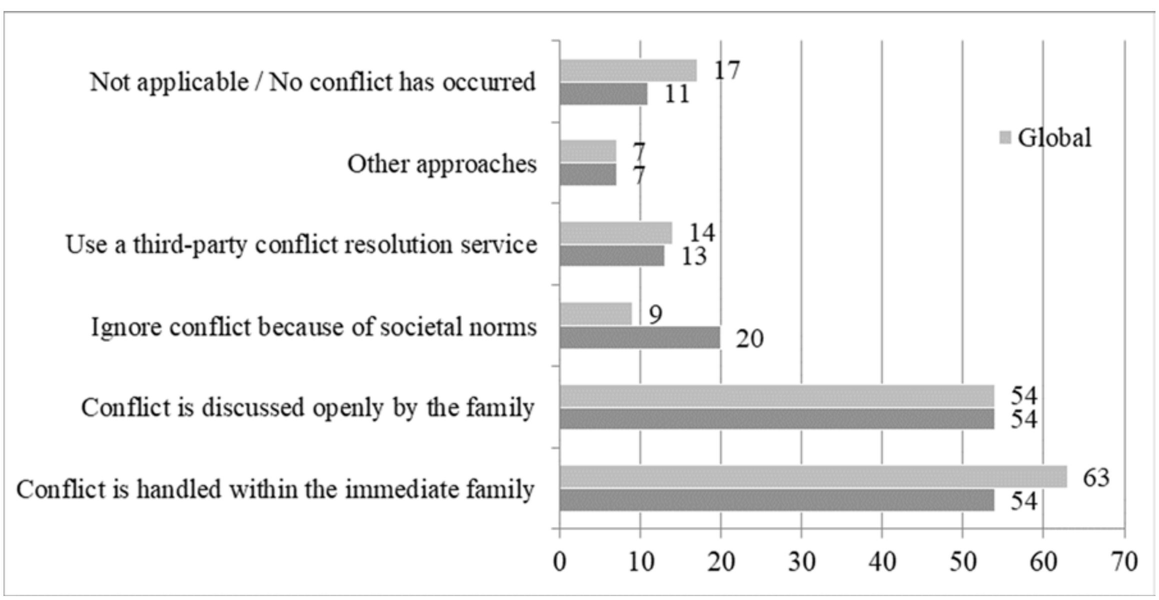


Figure 8. Percentage (%) of have a succession plan in place?



The succession process plays an important role and remarkably influence the determination of the future of the desired family business (Ramadani and Hoy, 2015). Succession planning is a process of leadership transition between generations within a family enterprise as an effort to keep the business

Figure 9. Percentage (%) Approaches use to handle family conflict



sustainable (Ramadani et al., 2015; Aronoff et al., 2003). Thus, succession planning is one of the basic challenges in maintaining and developing the company further. Higginson (2010) named some important factors in the succession process such as the knowledge and ability transfer, good relationships between generations, and openness to ideas and experiences. McNamara et al. (2009) also found that careful succession planning might be a very helpful approach as the business can have a successor who was able to overcome the problem. In addition, successors can also improve the business system by bringing in positive cultural, social and economic changes as they deemed appropriate and timely.

Succession planning is laid out to achieve the optimal transfer of control and responsibility in family business for the next generation (Kaneff, 2011). The internal succession process for family businesses is actually a very complex and important issue (Kamei and Dana, 2012; Gashi and Ramadani, 2013). The study conducted by Morris et al. (1997) shows that only 30 percent of family businesses stay afloat until the second generation, while the next generation fails to sustain the system making the company collapse and close down. Dyck et al. (2002) highlighted that the succession process can represent many strategic opportunities for companies in the emerging markets laden by dynamic change. Duh (2015) found that success in choosing future successors can only be assured if there is a good knowledge transfer in the areas of mentoring, training and strategic planning.

It has been indicated that succession is the most important problem that family businesses have to face. Issues surrounding succession in Indonesia's family businesses are poor succession plans, the lack of successional abilities, internal and external pressures, the role played by culture and the mistrust between family members. The lack of a proper succession plan is perhaps, the first reason as to why family business cannot survive. Many families turned a blind eye on the succession plan, and only focused on training the successor and surrendered the business to their successors.

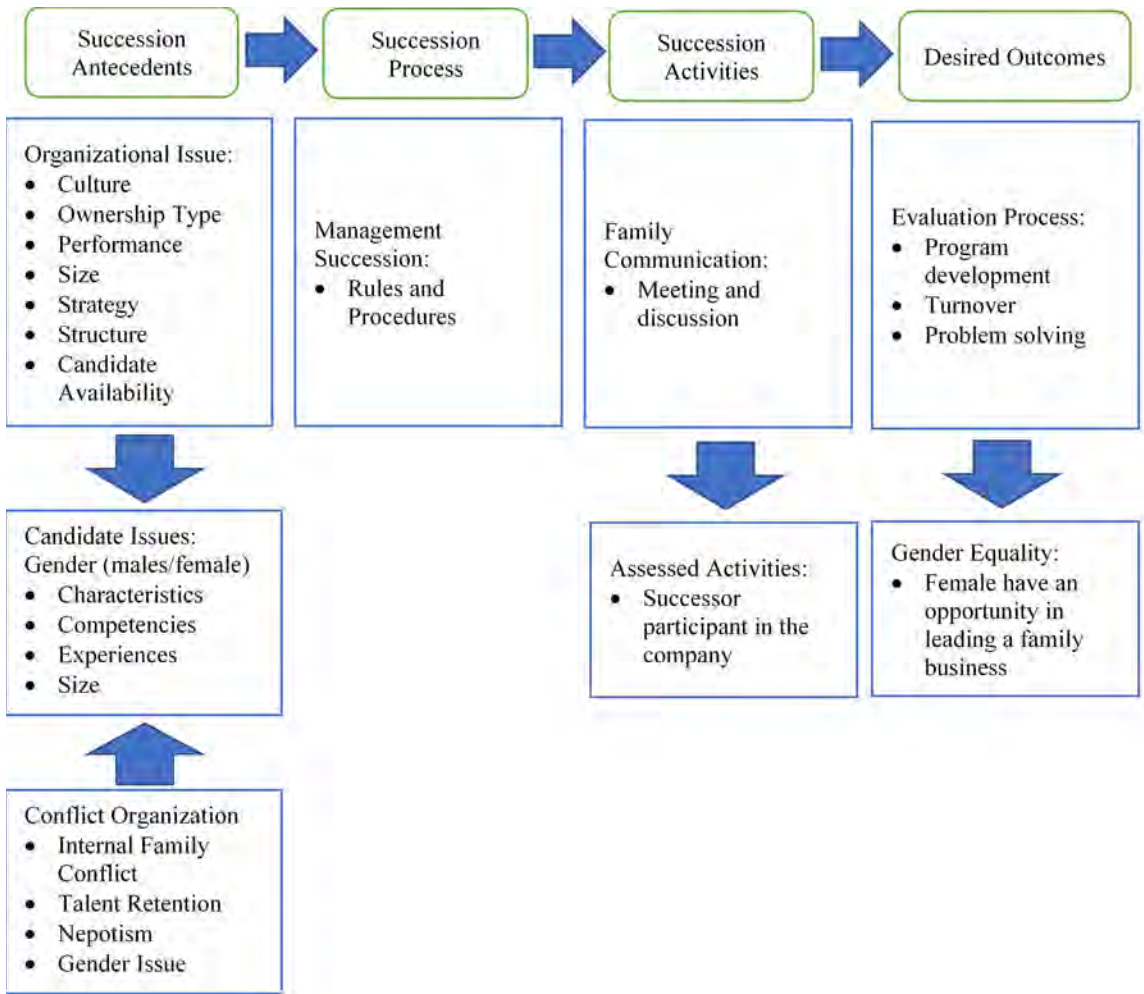
The Role of Human Capital in Family Business Innovation

The innovation initiatives and practices cannot materialize if there is no sufficient human capital. Becker (1964) regarded human capital as the individuals' knowledge, ideas and skills gained through activities crucial for increasing the business growth opportunities (Cooper *et al.*, 1994). All of these can help in the decision-making (Pena, 2004) and also helpful when creating values in an innovation process which could potentially make them distinguished from their competitors or become a competitive advantage.

It is mentioned in the literature that skills and knowledge helped increase productivity via the innovation process (Rephann, 2002). Doucouliagos (1997) noted that as the source, the human capital not only motivates workers and boost their commitment but also helps to materialise innovation, and eventually paves a way for the new generation to help boost the economy and society as well. Furthermore, Haber and Reichel (2005) found that human capital is one of the core constituents in business processes including innovation and it carries the greatest contributing factor, particularly on the managerial skills compared to the role of physical and organizational capital. Human capital gives birth to new ideas, concepts and framework for the owner to be innovative in an independent way, and this can lead to competitive advantage.

A steady stream of research has concentrated on the impact of human capital at the individual- based performance, aligned with a principle of innovation starting with individual thinking. Rastogi (2002) states that as human capital is a necessary element for continuous improvement, it serves as a means for greater innovativeness and enhancement that grow into some positive implications (Selvarajan *et al.*, 2007). Some studies did not fail to forget about the importance of education in the innovation process

Figure 10. Succession planning model
Source: Ramadani et al. (2017)



and business performance such as by and Fluitman and Ondin (1991) and Eltis (1996) who focused on the UK manufacturing firms.

Social Media and Innovation

The role of the social media in creating innovation particularly for the family-owned business in Indonesia is very important. The digital technology is increasingly emphasized that it is inevitable that everyone must embrace it so that businesses have this added value. In 2019, over 150 million Indonesians are social media users, increased by 15-20% from 2018. The figures related to social media users are presented in the table below:

As presented here, there are more than 100 million users of social media in Indonesia. With this added advantage, these users can potentially create innovation or at least initiate some activities related

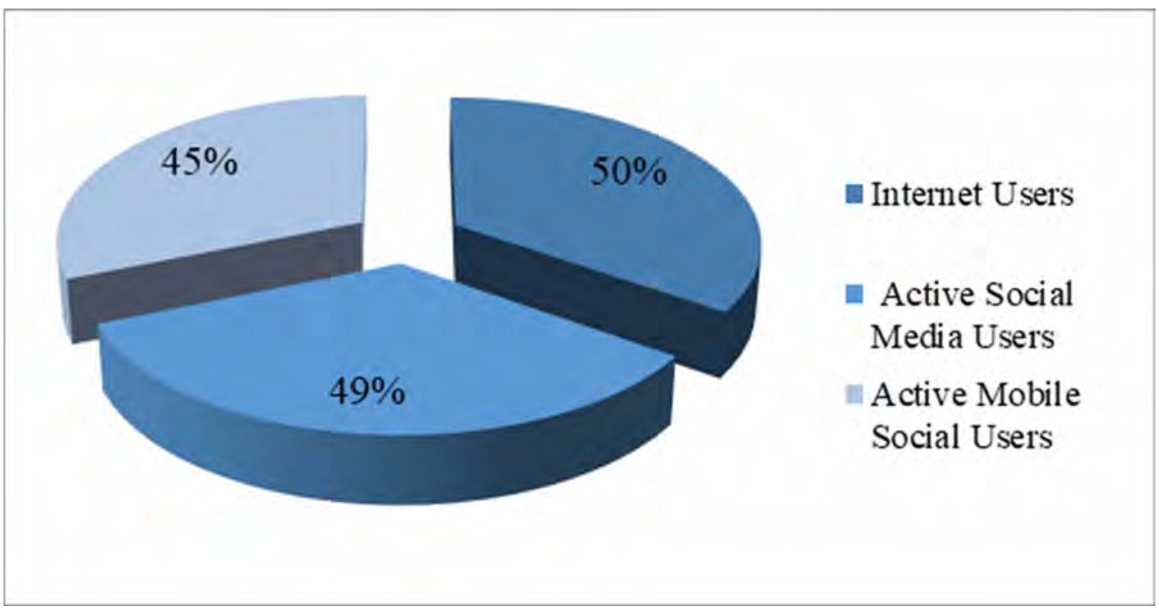
Table 2. Figures related to Social Media Users

Social Media Platform	User Monthly Worldwide (Million Users) - April 2019			Penetration of leading social networks in Indonesia (%)
	Worldwide Users (Million Users)	Indonesia Users (Million Users) / Share Percentage (%)	Indonesia Rank in the World	
Instagram	1000*	56 / 12.3%	4th	80
Facebook	2375	120 / 40.88%	4th	81
YouTube	1900**	50***/ 19.3%	-	88
Twitter	330	22.8 /17.23%	3rd	52

*June 2018; **Sept 2018; *** Dec 2017
Source: Statista Internet (2018)

to the innovation in their family-owned businesses. It would be a lovely idea to be able to see attractive and creative content that can stimulate new idea, and concept which can further lead to the initiatives of innovation.

Figure 11. Digital in Indonesia
Source: McKinsey Asia PFS Survey (2017); We Are Social (2017); GSMA Intelligence (2017)



Other facts of social media in Indonesia which can be used as opportunities and challenges for the family-owned business are established below:

Table 3. Social Media in Figures in Indonesia

Facts	Numbers
Average Daily Time Spent Using Social Media	3 Hours 23 Minutes
Believe that New Technologies offer More Opportunities than Risks	71%
Believe Data Privacy and Protection are very important	79%
Has a Bank Account	36%
Searched Online For a Product or Service to Buy	45%
Mobile Network Infrastructure	41.39 (Out of a Maximum Score of 100)
Digital banking penetration has doubled in the last 5 years	58%
Frequency of digital channel usage in 2017	42%

Source: Google Consumer Barometer (January, 2018); Global WebIndex (2017); World Bank Global Financial Inclusion (2015); GSMA Intelligence (2017); McKinsey Asia PFS Survey (2017).

CONCLUSION

With the competition becoming rife, externally, other key issues that confront the family businesses in Indonesia still revolve around the government policy/regulation. Within the business itself, the biggest concern is certainly recruiting and retaining qualified employees.

Ensuring the Company's Long Term Future is the Most Important Goal

Determining the company's long term future stands out as the most important goal for the next 5 years, followed by the aiding factors like handling the business more professionally, adopting a more innovative approach, and pooling high quality skills.

Family businesses in Indonesia might be thinking in the right direction when they believe that they are important contributors to the country's economy and society; including standing firmly behind community initiatives and employment. However, compared to their global counterparts, they are less likely to feel the need to create more jobs and add stability to a balanced economy. Their priorities are clearly set out, where the long term future and success of the business come first. Family-related factors (creating employment for family members) and diversification (new products/sectors, exporting) might not be just as important. With some issues like that, family business prioritise the urgency to innovate, to draw more skills and talent and to professionalize as the major challenges they have to deal with in the future.

Run the business more professionally to ensure the company's long term future

Professionalizing the business is the be all and end all for the family firm. They prioritise on giving a proper structure and discipline to the vision and energy which are often characterised by the entrepreneurial family business. This helps them come up with better innovation, diversify more effectively, export more, and grow faster.

Professionalizing the family

Setting a professional footing is not enough; an equally rigorous approach to professionalizing the family must be adopted as well. Establishing how the family interacts with the business is one good example..

About 80% of family businesses in Indonesia have procedures already in place to deal with family member issues/conflict (on a par with the world as a whole: 83%). These will be essential during stressful, conflicting times. The concern is on protecting the family's interests, and making sure that the firm can survive and thrive.

Family involvement and succession planning

Family businesses across the world believe they have some advantages over non-family businesses in terms of the former being more entrepreneurial and able to make decisions faster/ more streamlined when it comes to decision making. But many business also recognize the disadvantages: that they can be less open to new thinking and ideas and, to a lesser extent, access to capital will be reduced.

80% family businesses in Indonesia have shareholders who are non-working family member and 60% of them have the next generation family members already in the business. Over a half of Indonesian family businesses plan to pass ownership to the next generation but with a professional in the management also on board. Moreover, in terms of succession, family businesses in Indonesia seem to be better placed than average. Although only 27% have a robust and documented succession plan in place this compares favorably with the world as a whole (16%).

To make the business more professional, families who run business must have a proper business plan. It must be done in writing, otherwise it is just a thought-out idea. Addressing this with the same commitment and energy must be an issue that the family must treat equally importantly as other aspects of the business. This is simply to prevent the whole enterprise to be at risk of collapsing. Moreover, a study by a University Tarumanegara, found that 58 percent of the first-generation family businesses would be in favour of the initial public offerings as part of their succession plans to maintain great professionalism in the company. On the other hand, 54 percent of second-generation businesses wanted the company to remain under family control and the aim is to pass it on to the next generation in time. This can be a cause for concern because there is little chance for the third-generation family businesses to survive, possibly because of the problems arising in communication and relations among family members that often hamper growth and lead to a decline. Conclusively, it can be seen that the first, or second generation may still have the chemistry to run the family-owned business. However, in the third generation, you might not get along that well with your cousins and in-laws. Kalbe Farma, Southeast Asia's largest listed pharmaceutical firm is one perfect example- their split was not due to external challenges, but due to the rivalry among siblings and cousins in that business.

REFERENCES

Abernathy, W. J., & Clark, K. B. (1985). Innovation: Mapping the winds of creative destruction. *Research Policy*, *14*(1), 3–22. doi:10.1016/0048-7333(85)90021-6

Anderson, P., & Tushman, M. L. (1990). Technological discontinuities and dominant designs: A cyclical model of technological change. *Administrative Science Quarterly*, *35*(4), 604–633. doi:10.2307/2393511

Aronoff, C. E., McClure, S. L., & Ward, J. L. (2003). Family business succession: The final test of greatness (No. 1). Family Enterprise Publisher.

Barnes, L. B., & Hershon, S. A. (1976). Transferring power in the family business. *Harvard Business Review*, *54*(4), 105–114.

Becker, G. S. (1976). *Human Capital*. National Bureau of Economic Research.

Beckhard, R., & Dyer, W. G. Jr. (1983). Managing continuity in the family-owned business. *Organizational Dynamics*, *12*(1), 5–12. doi:10.1016/0090-2616(83)90022-0

Bergfeld, M. M. H., & Weber, F. M. (2011). Dynasties of innovation: Highly performing German family firms and the owners' role for innovation. *International Journal of Entrepreneurship and Innovation Management*, *13*(1), 80–94. doi:10.1504/IJEIM.2011.038449

Block, J. H. (2012). R&D investments in family and founder firms: An agency perspective. *Journal of Business Venturing*, *27*(2), 248–265. doi:10.1016/j.jbusvent.2010.09.003

Calabrò, A., Vecchiarini, M., Gast, J., Campopiano, G., De Massis, A., & Kraus, S. (2019). Innovation in family firms: A systematic literature review and guidance for future research. *International Journal of Management Reviews*, *21*(3), 317–355. doi:10.1111/ijmr.12192

Cassia, L., De Massis, A., & Pizzurno, E. (2012). Strategic innovation and new product development in family firms: An empirically grounded theoretical framework. *International Journal of Entrepreneurial Behaviour & Research*, *18*(2), 198–232. doi:10.1108/13552551211204229

Chin, C. L., Chen, Y. J., Kleinman, G., & Lee, P. (2009). Corporate ownership structure and innovation: Evidence from Taiwan's electronics industry. *Journal of Accounting, Auditing & Finance*, *24*(1), 145–175. doi:10.1177/0148558X0902400108

Chirico, F., & Salvato, C. (2016). Knowledge internalization and product development in family firms: When relational and affective factors matter. *Entrepreneurship Theory and Practice*, *40*(1), 201–229. doi:10.1111/etap.12114

Chrisman, J. J., Chua, J. H., Kellermanns, F. W., Matherne Iii, C. F., & Debicki, B. J. (2008). Management journals as venues for publication of family business research. *Entrepreneurship Theory and Practice*, *32*(5), 927–934. doi:10.1111/j.1540-6520.2008.00263.x

Classen, N., Van Gils, A., Bammens, Y., & Carree, M. (2012). Accessing resources from innovation partners: The search breadth of family SMEs. *Journal of Small Business Management*, *50*(2), 191–215. doi:10.1111/j.1540-627X.2012.00350.x

Cooper, A. C., Gimeno-Gascon, F. J., & Woo, C. Y. (1994). Initial human and financial capital as predictors of new venture performance. *Journal of Business Venturing*, *9*(5), 371–395. doi:10.1016/0883-9026(94)90013-2

Covin, J. G., Eggers, F., Kraus, S., Cheng, C. F., & Chang, M. L. (2016). Marketing-related resources and radical innovativeness in family and non-family firms: A configurational approach. *Journal of Business Research*, *69*(12), 5620–5627. doi:10.1016/j.jbusres.2016.03.069

Craig, J., & Dibrell, C. (2006). The natural environment, innovation, and firm performance: A comparative study. *Family Business Review*, *19*(4), 275–288. doi:10.1111/j.1741-6248.2006.00075.x

Craig, J. B., Pohjola, M., Kraus, S., & Jensen, S. H. (2014). Exploring relationships among proactiveness, risk-taking and innovation output in family and non-family firms. *Creativity and Innovation Management*, *23*(2), 199–210. doi:10.1111/caim.12052

Danes, S. M., Stafford, K., Haynes, G., & Amarapurkar, S. S. (2009). Family capital of family firms: Bridging human, social, and financial capital. *Family Business Review*, *22*(3), 199–215. doi:10.1177/0894486509333424

De Massis, A., Di Minin, A., & Frattini, F. (2015). Family-driven innovation: Resolving the paradox in family firms. *California Management Review*, *58*(1), 5–19. doi:10.1525/cmr.2015.58.1.5

De Massis, A., Frattini, F., & Lichtenthaler, U. (2013). Research on technological innovation in family firms: Present debates and future directions. *Family Business Review*, *26*(1), 10–31. doi:10.1177/0894486512466258

De Massis, A., Frattini, F., Pizzurno, E., & Cassia, L. (2015). Product innovation in family versus nonfamily firms: An exploratory analysis. *Journal of Small Business Management*, *53*(1), 1–36. doi:10.1111/jsbm.12068

Doucouliagos, C. (1997). The aggregate demand for labour in Australia: A meta-analysis. *Australian Economic Papers*, *36*(69), 224–242. doi:10.1111/j.1467-8454.1997.tb00847.x

Dyck, B., Mauws, M., Starke, F. A., & Mischke, G. A. (2002). Passing the baton: The importance of sequence, timing, technique and communication in executive succession. *Journal of Business Venturing*, *17*(2), 143–162. doi:10.1016/S0883-9026(00)00056-2

Dyer, W. G. (1988). Culture and continuity in family firms. *Family Business Review*, *1*(1), 37–50. doi:10.1111/j.1741-6248.1988.00037.x

Eltis, W. (1996). How low profitability and weak innovativeness undermined UK industrial growth. *Economic Journal (London)*, *106*(434), 184–195. doi:10.2307/2234942

Fine, C. H. (1998). *Winning industry control in the age of temporary advantage*. Perseus.

Fluitman, F., & Ondin, X. (1991). *Skill acquisition and work in micro-enterprises: evidence from Lome, Togo*. Discussion Paper No. 31, ILO.

Gashi, G., & Ramadani, V. (2013). Family businesses in Republic of Kosovo: Some general issues. In *Entrepreneurship in the Balkans* (pp. 91–115). Springer. doi:10.1007/978-3-642-36577-5_6

Gibbert, M., Hoegl, M., & Välikangas, L. (2007). In praise of resource constraints. *MIT Sloan Management Review*, *48*(3), 15.

Gudmundson, D., Tower, C. B., & Hartman, E. A. (2003). Innovation in small businesses: Culture and ownership structure do matter. *Journal of Developmental Entrepreneurship*, *8*(1), 1–18.

Haber, S., & Reichel, A. (2005). Identifying performance measures of small ventures—The case of the tourism industry. *Journal of Small Business Management*, *43*(3), 257–286. doi:10.1111/j.1540-627X.2005.00137.x

Handler, W. C. (1994). Succession in family business: A review of the research. *Family Business Review*, *7*(2), 133–157. doi:10.1111/j.1741-6248.1994.00133.x

Higginson, N. (2010). Preparing the next generation for the family business: Relational factors and knowledge transfer in mother-to-daughter succession. *Journal of Management and Marketing Research*, *4*, 1.

Hsu, L. C., & Chang, H. C. (2011). The role of behavioral strategic controls in family firm innovation. *Industry and Innovation*, *18*(7), 709–727. doi:10.1080/13662716.2011.604474

Hu, Q., & Hughes, M. (2020). Radical innovation in family firms: A systematic analysis and research agenda. *International Journal of Entrepreneurial Behaviour & Research*, *26*(6), 1199–1234. doi:10.1108/IJEBR-11-2019-0658

Kamei, K., & Dana, L. P. (2012). Examining the impact of new policy facilitating SME succession in Japan: From a viewpoint of risk management in family business. *International Journal of Entrepreneurship and Small Business*, *16*(1), 60–70. doi:10.1504/IJESB.2012.046917

Kaneff, M. (2011). *Taking over: Insider tips from a third-generation CEO*. Teen Eagles Press.

Kleinschmidt, E. J., & Cooper, R. G. (1991). The impact of product innovativeness on performance. *Journal of Product Innovation Management: An International Publication of the Product Development & Management Association*, *8*(4), 240–251. doi:10.1111/1540-5885.840240

Kotlar, J., De Massis, A., Frattini, F., Bianchi, M., & Fang, H. (2013). Technology acquisition in family and nonfamily firms: A longitudinal analysis of Spanish manufacturing firms. *Journal of Product Innovation Management*, *30*(6), 1073–1088. doi:10.1111/jpim.12046

Kraiczy, N. D., Hack, A., & Kellermanns, F. W. (2014). New product portfolio performance in family firms. *Journal of Business Research*, *67*(6), 1065–1073. doi:10.1016/j.jbusres.2013.06.005

Kyriakopoulos, K., Hughes, M., & Hughes, P. (2016). The role of marketing resources in radical innovation activity: Antecedents and payoffs. *Journal of Product Innovation Management*, *33*(4), 398–417. doi:10.1111/jpim.12285

Lethbridge, E. (1997). *Tendências da empresa familiar no mundo*. Academic Press.

Llach, J., & Nordqvist, M. (2010). Innovation in family and non-family businesses: A resource perspective. *International Journal of Entrepreneurial Venturing*, *2*(3-4), 381–399. doi:10.1504/IJEV.2010.037119

Lumpkin, G. T., Steier, L., & Wright, M. (2011). Strategic entrepreneurship in family business. *Strategic Entrepreneurship Journal*, *5*(4), 285–306. doi:10.1002ej.122

Mallon, M. R., Lanivich, S. E., & Klinger, R. L. (2018). Resource configurations for new family venture growth. *International Journal of Entrepreneurial Behaviour & Research*, *24*(2), 521–537. doi:10.1108/IJEBR-06-2017-0184

Matherne, C. F., Debicki, B. J., Kellermanns, F. W., & Chrisman, J. J. (2013). Family business research in the new millennium: An assessment of individual and institutional productivity, 2001–2009. In *Handbook of Research on Family Business* (2nd ed.). Edward Elgar Publishing.

McNamara, K., Watson, J. G., & Wittmeyer, C. B. (2009). The utilization of a succession plan to effectively change leadership and ownership in a small business enterprise. *The Journal of American Academy of Business, Cambridge*, *15*(1), 31–42.

Morris, M. H., Williams, R. O., Allen, J. A., & Avila, R. A. (1997). Correlates of success in family business transitions. *Journal of Business Venturing*, *12*(5), 385–401. doi:10.1016/S0883-9026(97)00010-4

Munari, F., Oriani, R., & Sobrero, M. (2010). The effects of owner identity and external governance systems on R&D investments: A study of Western European firms. *Research Policy*, *39*(8), 1093–1104. doi:10.1016/j.respol.2010.05.004

Muñoz-Bullón, F., & Sanchez-Bueno, M. J. (2011). The impact of family involvement on the R&D intensity of publicly traded firms. *Family Business Review*, *24*(1), 62–70. doi:10.1177/0894486510396870

Patel, P. C., & Fiet, J. O. (2011). Knowledge combination and the potential advantages of family firms in searching for opportunities. *Entrepreneurship Theory and Practice*, *35*(6), 1179–1197. doi:10.1111/j.1540-6520.2011.00497.x

Pena, I. (2004). Business incubation centers and new firm growth in the Basque country. *Small Business Economics*, *22*(3-4), 223–236. doi:10.1023/B:SBEJ.0000022221.03667.82

Pittino, D., & Visintin, F. (2009). Innovation and strategic types of family SMEs: A test and extension of miles and snow's configurational model. *Journal of Enterprising Culture*, *17*(03), 257–295. doi:10.1142/S0218495809000382

Ramadani, V., Hisrich, R. D., & Gërguri-Rashiti, S. (2015). Female entrepreneurs in transition economies: Insights from Albania, Macedonia and Kosovo. *World Review of Entrepreneurship, Management and Sustainable Development*, *11*(4), 391–413. doi:10.1504/WREMSD.2015.072066

Ramadani, V., & Hoy, F. (2015). Context and uniqueness of family businesses. In *Family businesses in transition economies* (pp. 9–37). Springer.

Rephann, T. J. (2002). The importance of geographical attributes in the decision to attend college. *Socio-Economic Planning Sciences*, *36*(4), 291–307. doi:10.1016/S0038-0121(02)00006-X

Sciascia, S., Nordqvist, M., Mazzola, P., & De Massis, A. (2015). Family ownership and R&D intensity in small-and medium-sized firms. *Journal of Product Innovation Management*, *32*(3), 349–360. doi:10.1111/jpim.12204

Selvarajan, T. T., Ramamoorthy, N., Flood, P. C., Guthrie, J. P., MacCurtain, S., & Liu, W. (2007). The role of human capital philosophy in promoting firm innovativeness and performance: Test of a causal model. *International Journal of Human Resource Management*, *18*(8), 1456–1470. doi:10.1080/09585190701502588

Sharma, P., Chrisman, J. J., & Gersick, K. E. (2012). *25 years of family business review: reflections on the past and perspectives for the future*. Academic Press.

Singh, D. A., & Gaur, A. S. (2013). Governance structure, innovation and internationalization: Evidence from India. *Journal of International Management*, *19*(3), 300–309. doi:10.1016/j.intman.2013.03.006

Wagner, M. (2010). Corporate social performance and innovation with high social benefits: A quantitative analysis. *Journal of Business Ethics*, *94*(4), 581–594. doi:10.100710551-009-0339-y

Xiang, D., Chen, J., Tripe, D., & Zhang, N. (2019). Family firms, sustainable innovation and financing cost: Evidence from Chinese hi-tech small and medium-sized enterprises. *Technological Forecasting and Social Change*, *144*, 499–511. doi:10.1016/j.techfore.2018.02.021

Zellweger, T. M., Nason, R. S., & Nordqvist, M. (2012). From longevity of firms to transgenerational entrepreneurship of families: Introducing family entrepreneurial orientation. *Family Business Review*, *25*(2), 136–155. doi:10.1177/0894486511423531

ADDITIONAL READING

Becerra, M., Cruz, C., & Graves, C. (2020). Innovation in family firms: The relative effects of wealth concentration versus family-centered goals. *Family Business Review*, *33*(4), 372–392. doi:10.1177/0894486520953700

Bhatti, S. H., Santoro, G., Sarwar, A., & Pellicelli, A. C. (2021). Internal and external antecedents of open innovation adoption in IT organisations: Insights from an emerging market. *Journal of Knowledge Management*. Advance online publication. doi:10.1108/JKM-06-2020-0457

Brinkerink, J., Rondi, E., Benedetti, C., & Arzubiaga, U. (2020). Family business or business family? Organizational identity elasticity and strategic responses to disruptive innovation. *Journal of Family Business Strategy*, 100360.

Coad, A., Nightingale, P., Stilgoe, J., & Vezzani, A. (2021). The dark side of innovation. *Industry and Innovation*, *28*(1), 102–112. doi:10.1080/13662716.2020.1818555

Colombo, M. G., Foss, N. J., Lyngsie, J., & Lamastra, C. R. (2021). What drives the delegation of innovation decisions? The roles of firm innovation strategy and the nature of external knowledge. *Research Policy*, *50*(1), 104134. doi:10.1016/j.respol.2020.104134

Lita, R. P., Faisal, R. F., & Meuthia, M. (2020). Enhancing small and medium enterprises performance through innovation in Indonesia. *Journal of Hospitality and Tourism Technology*, *11*(1), 155–176. doi:10.1108/JHTT-11-2017-0124

Manca, S., Bocconi, S., & Gleason, B. (2021). "Think globally, act locally": A glocal approach to the development of social media literacy. *Computers & Education*, *160*, 104025. doi:10.1016/j.compedu.2020.104025

Raby, R. L., & Valeau, E. J. (2021). Position training and succession planning for community college international education leaders. *Community College Journal of Research and Practice*, *45*(2), 86–102. doi:10.1080/10668926.2019.1645055

Raitis, J., Sasaki, I., & Kotlar, J. (2021). System-spanning values work and entrepreneurial growth in family firms. *Journal of Management Studies*, *58*(1), 104–134. Advance online publication. doi:10.1111/joms.12653

Roffia, P., Moracchiato, S., Liguori, E., & Kraus, S. (2021). Operationally defining family SMEs: A critical review. *Journal of Small Business and Enterprise Development*. Advance online publication. doi:10.1108/JSBED-11-2020-0399

KEY TERMS AND DEFINITIONS

Family Business: A commercial organization in which decision-making is influenced by multiple generations of a family, related by blood or marriage or adoption, who has both the ability to influence the vision of the business and the willingness to use this ability to pursue distinctive goals.

Innovation: An introduction of new goods, new methods of production, the opening of new markets, the conquest of new sources of supply and the carrying out of a new organization of any industry.

Radical Innovation: An invention that destroys or supplants an existing business model that blows up the existing system or process and replaces it with something entirely new.

Social Media: A computer-based technology that facilitates the sharing of ideas, thoughts, and information through the building of virtual networks and communities.

Succession Planning: A process for identifying and developing new leaders who can replace old leaders when they leave, retire or die.

ENDNOTES

1 https://www2.deloitte.com/global/en/pages/finance/articles/private-company-issues-and-opportunities.html

2 http://www.gbgindonesia.com/en/finance/article/2015/indonesian_capital_markets_local_funds_in_prime_position_11214.php

3 http://www.gbgindonesia.com/en/main/why_indonesia/2016/family_matters_a_guide_to_family_owned_businesses_in_indonesia_11459.php