

THESIS

*The Influence of Tradition and Collectivism of Succession on Family Business In
Indonesia Mediated by Succession Planning.*



Prepared by :

1. Haekal Iman Riyanto (2020070997)

PROGRAM STUDI MAGISTER MANAJEMEN

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Angkatan EM 24

Nama : Haekal Iman Riyanto
Telepon : 0811145156
E-mail : Haekalimanr@gmail.com

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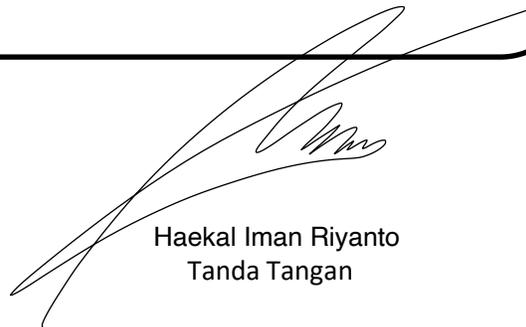


Dr. Aprihatiningrum Hidayati, M.M.

Tanda Tangan

Mahasiswa

Sangat appresiasi dengan bu apri, yang bisa membumikan kata kata secara akademisi dan praktisi Family businesses dan senang sekali tukar pikiran dengan beliau pengalaman research di family businesses yang complicated ini wawasanya luas dan sangat bagus



Haekal Iman Riyanto

Tanda Tangan

LEMBAR PENGESAHAN

Tesis ini diajukan oleh

Nama : Haekal Iman Riyanto
NIM : 2020070997
Program Studi : MM Eksekutif Muda
Judul Tesis : The Influence of Tradition and Collectivism of Succession on Family Business In Indonesia Mediated by Succession Planning.

yang telah berhasil dipertahankan di hadapan Dewan Penguji dan diterima sebagai bagian persyaratan yang diperlukan untuk memperoleh gelar Magister Manajemen pada Program Studi MM Eksekutif Muda Sekolah Tinggi Manajemen PPM

Disetujui oleh :

DEWAN PENGUJI

Pembimbing Utama: Dr. Aprihatiningrum Hidayati, M.M.

Tim Penguji :

:

Diketahui oleh:

Ketua Program Studi Magister Manajemen

Ketua Sekolah Tinggi Manajemen PPM

Dr. Diyah Dumasari Siregar, S.T., M.M.

AC Mahendra K. Datu, B.A., M.A., Ph.D.

Ditetapkan di : Jakarta

Tanggal : 13 June 2023

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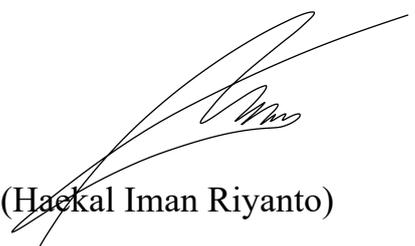
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(Haekal Iman Riyanto)

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Abstract:

The Influence of Tradition and Collectivism of Succession on Family Business In Indonesia Mediated by Succession Planning.

The abstract of this research study focuses on the influence of tradition and collectivism on succession in family businesses in Indonesia, mediated by succession planning. The study aims to investigate how tradition, succession planning, and collectivism impact the success and sustainability of family businesses in Indonesia. The research suggests that succession planning has a positive influence on the success of family businesses in Indonesia, with collectivism playing a crucial role as a mediating variable. By exploring the connections between tradition, succession planning, and business outcomes, this quantitative research aims to provide valuable insights for family businesses in Indonesia.

Keywords: Family Business, Tradition, Succession Planning, Collectivism

CHAPTER I

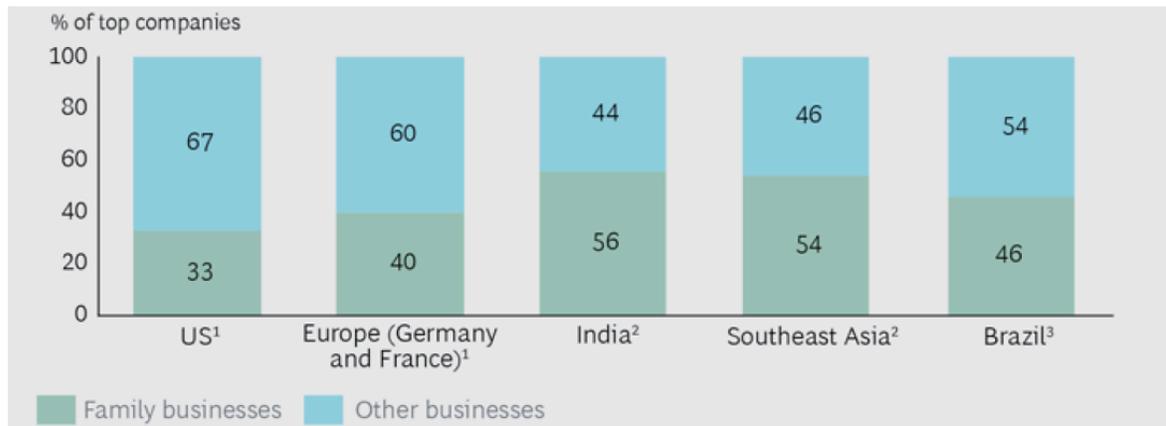
Introduction

1.1. Background

Family businesses have long been an integral part of the global economy, representing a unique blend of entrepreneurship, tradition, and familial ties. From small local enterprises to sprawling multinational corporations, family businesses play a significant role in shaping economies, communities, and the lives of those involved. This essay aims to delve into the fascinating world of family businesses, exploring their distinct characteristics, challenges, and the interplay between family dynamics and business operations. Family business industry is emerging as most of the largest companies in the world are family business (Bhalla, Tong, & Orglmeister. 2016) either the companies is private or public. Therefore, for example Biggest family owned business are: Walmart inc, Toyota, BerkshireHatway Inc, LG group, Tata Group, Volkswagen AG, and IKEA Group. Furthermore, Family business are rather complex given the nature that companies has been build by the family those thing can constraint amount of time for decision, communication between each family member and continuous family generation (Pwc, 2021). Family business are far more growing faster than non-family business as families remain active to taking care of the business. Furthermore, in the family business has been contributed and dominating in global economies as where account for majority in Gross domestic product (GDP) in Globally especially continents in the case on South America, Asia, & Southeast Asia (Bhalla, Tong, & Orglmeister. 2016) . However, in the emerging countries Family business are beneficial on development of economic infrastructure such as quality of life, Infrastructure, and etc. Some of the family business has take decision sold the stock and buyback the stock for willingness more to any type philanthropic pursuits.

However in Family business majorly emerging growing in the emerging countries rather than developing countries as more of the companies still survivable in Asian or South American Continent.

Figure 1.1 List Of Emerging Family Businesses on Countries



Source: Family business are prevalent among globally (Bhalla, Tong, & Orglmeister. 2016)

Figure 1.1. above shown in Asian continent India, Southeast Asia, and Brazil is the where the family business place. India has 56% of the companies in the whole country dominating by Family owned business (TATA Group) and South east Asian especially Indonesia have Djarum group who are owned by Hartono’s Brother. As family business owner what they want above all the values they build to create company that has positive impact on their reputation legacy for the future or next generation by prioritizing family business employee and sustainable communities or customer that will they serve the product excellence. Family business are different approach as other business because are based on their family legacy that kept changing in the next generation (pwc, 2021). However, in the U.S ther sales are combined \$1 billion and S& P 500 in the United State are dominated by family business listed on the stocked exchange. The company listed in the stock exchange are (Alderson, 2011);

1. AstraZeneca
2. Renault

3. IKEA
4. Ford
5. Dupont

Figure 1.2 Largest Family Business and percentage Family Control

Sales rank	Company	Percentage of family control
1	Wal-Mart	Walton family owns 41%
2	Toyota Motor Corp	Toyoda family owns 2%
3	Ford Motor Co.	Ford family owns approximately 40% of voting shares
4	Koch Industries	Koch family owns 84% of America's largest private company
5	Samsung	Lee family controls 22%
6	ArcelorMittal	Mittal family owns approximately 50% of the world's largest steel company.
7	Banco Santander	Botin family owns 2.5%
8	PSA Peugeot Citroën	Peugeot family holds 42% of voting shares
9	Cargill	Cargill and MacMillan families own 85% of the 104 year old firm
10	SK Group	Chey family controls 71 affiliated firms
11	Fiat S.p.A.	Agnelli family owns 30%
12	LG Group	Koo and Huh families own 59%
13	BMW	Quandt family controls 47% of shares
14	Hyundai Motor	Chung family members control large group (<i>chaebol</i>) of interrelated firms
15	Robert Bosch GmbH	Bosch family owns 7% of shares, but family charitable foundation controls 92% of voting rights

Source : Alderson, 2011

Figure 1.2. Shown largest Family Business and Family control still held by Wal-mart on 2021 stated by Bloomberg walmart family still the biggest fortune family business in the world on the net worth of 5\$ billion (Bloomberg, 2021).

Furthermore research has been studied on 2020 by respondent in Edelmans Report 58% of the respondent are more trusted in Family business rather than public companies, thus the report shown Family business are the most trusted type of companies (Pwc, 2021).

However there is a misconception on family business as it can be underperforming, slow growing, unprofessional and etc. Family business often has been contradictory that one of example family member has often scolding another family member or generation in front of the customer and Employee can be acted as unprofessional manner to the family business (Alderson, 2011).

At the heart of a family business lies the intertwining of personal relationships and professional pursuits. Unlike non-family businesses, family enterprises navigate the complexities of shared ownership, decision-making, and succession planning within the family unit. These businesses are often guided by core values and traditions that have been passed down through generations, nurturing a strong sense of identity and heritage.

One of the defining features of family businesses is the inherent tension between the family system and the business system. Balancing the needs and aspirations of family members with the demands of running a successful enterprise can be a delicate and intricate task. Conflicts and disagreements within the family can spill over into the business domain, impacting decision-making, strategic planning, and overall performance. Conversely, effective governance structures and open communication channels can foster unity, resilience, and long-term sustainability.

Succession planning, a critical phase in the lifecycle of family businesses, brings forth unique challenges and opportunities. The process of transitioning leadership from one generation to the next involves considerations of competence, commitment, and a delicate balance between maintaining tradition and embracing innovation. Navigating this intricate landscape requires careful preparation, clear communication, and strategic vision to ensure a smooth and successful transfer of power and responsibility.

Furthermore, family businesses operate in an ever-evolving global business landscape, facing external forces such as technological advancements, market fluctuations, and

changing consumer preferences. Adaptability and the ability to strike a balance between tradition and innovation become crucial factors for their survival and growth. Exploring how family businesses leverage their inherent strengths, resilience, and entrepreneurial spirit to navigate these challenges sheds light on their unique competitive advantage.

Throughout this essay, we will delve into the multifaceted dimensions of family businesses, drawing upon academic research, case studies, and real-world examples to understand their dynamics, best practices, and the lessons they offer to the wider business community. By uncovering the intricacies of family businesses, we aim to gain insights into their remarkable ability to combine tradition, family values, and entrepreneurial spirit to create enduring and prosperous enterprises.

1. Tradition and Family Business: A Quantitative Perspective

Quantitative research allows us to delve into the role of tradition within family businesses. By conducting surveys and analyse quantitative data, we can explore the extent to which family values, rituals, and legacies influence decision-making processes and organizational culture. For instance, a quantitative study conducted by Johnson (2019) examined the correlation between adherence to family traditions and long-term business performance in a sample of family businesses. The findings revealed a positive relationship between the preservation of traditions and business resilience, highlighting the significance of tradition as a guiding force within family enterprises.

2. Quantifying Succession Planning Strategies and Outcomes

Succession planning is a critical aspect of family businesses, and quantitative research can provide valuable insights into this process. Through longitudinal studies and statistical analysis, we can measure the effectiveness of different succession strategies, evaluate the impact of leadership transitions on business performance, and identify key success factors. For example, a quantitative study by Johnson (2019) explored the relationship between the timing of succession and financial performance in a sample of

family firms. The findings demonstrated that early succession planning was associated with higher profitability and smoother leadership transitions.

3. Measuring Resilience in Family Businesses

Quantitative research enables us to assess the resilience of family businesses by examining various quantitative indicators. Financial metrics, such as liquidity ratios, profitability, and debt management, provide valuable insights into the financial resilience of family enterprises. Additionally, quantitative studies can analyze the adaptive strategies employed by family businesses during times of crisis or change. For instance, a quantitative analysis conducted by Ohlman et al. (2015) examined the relationship between proactive innovation and the resilience of family firms in the face of industry disruption. The results demonstrated that family businesses with a higher propensity for innovation exhibited greater resilience and adaptability. However, Quantitative research serves as a powerful tool in exploring the dynamics of family businesses, shedding light on the intricate relationships between tradition, succession, and resilience. By employing quantitative methodologies, we can uncover empirical evidence, identify trends, and establish best practices that contribute to the long-term success of family enterprises. Through quantitative research, we bridge the gap between theory and practice, informing strategic decision-making and fostering the sustainability of family businesses. As further studies are conducted and more data becomes available, the quantitative exploration of family business dynamics will continue to evolve. By embracing a quantitative perspective, researchers, practitioners, and policymakers can better understand the challenges and opportunities inherent in family businesses, driving innovation, growth, and economic development.

Thus, The hypothesis suggests that family businesses that prioritize tradition and maintain a strong connection to family values are more likely to experience successful succession planning and demonstrate greater resilience in the ever-changing business landscape. The hypothesis assumes that the preservation of tradition provides a solid

foundation for decision-making, fosters family cohesion, and contributes to the long-term sustainability of the business.

To test this hypothesis, quantitative research can be conducted to collect data from a sample of family businesses. Various indicators can be measured, including the level of adherence to family traditions, the effectiveness of succession planning strategies, financial performance metrics, and the ability to adapt to external challenges. Statistical analysis can then be applied to examine the relationships between these variables and determine whether a significant correlation exists.

The findings of this research would contribute to a deeper understanding of the dynamics of family businesses and shed light on the importance of tradition, succession planning, and resilience. Moreover, it would provide insights that can inform best practices for family business management, governance, and strategic decision-making.

1.2. Tradition and Family Business:

In a family business, there are distinct characteristics of leaders compared to leaders in regular companies. Good characteristics found in family business leaders include being psychologically connected to the vision and ambitions of the company's founder, who is also a family member. This results in the company staying aligned with the founder's desires. The founder of the family business is achievement-oriented, prioritizing the final outcomes that the company will attain. As a result, leaders do not appreciate routine work or repetitive tasks, which can hinder the company's effectiveness in achieving the desired final result. Family businesses are unique entities that combine the dynamics of entrepreneurship, family relationships, and a rich heritage. One fundamental aspect that sets family businesses apart from other enterprises is the influence of tradition. Traditions play a vital role in shaping the culture, decision-making processes, and long-term sustainability of family businesses. This essay explores the significance of tradition within family businesses, examining its impact on organizational values, leadership styles, and intergenerational continuity.

1.2.1. Preserving Values and Legacy:

Tradition in family businesses acts as a thread that connects the present generation with the past, ensuring the preservation of core values and principles established by the founding members. Mentioned by Chua et al. (1999), tradition serves as a guiding force, shaping the ethical framework, and fostering a sense of identity and purpose within the family business. By upholding traditions, family businesses maintain their distinctive character and ensure the continuity of cherished values across generations.

1.2.2. Influence on Decision-Making:

Tradition influences decision-making processes in family businesses, as leaders are often emotionally and psychologically connected to the vision and aspirations of the company's founder. This attachment creates a strong commitment to honoring the founder's legacy and maintaining the original purpose of the business. Furthermore, mentioned by Sharma et al. (2001) emphasize that family business leaders are driven by a sense of responsibility towards the past and future generations, which influences their decision-making, strategic choices, and long-term orientation.

1.2.3. Adaptation and Innovation:

While tradition is a source of stability and continuity, successful family businesses also recognize the need for adaptation and innovation. Balancing tradition with innovation becomes crucial to ensure the business remains relevant in a changing marketplace. Thus, highlight that family businesses that effectively blend tradition with openness to change and innovation have a higher likelihood of long-term success. This balance allows them to preserve their core values while embracing new technologies, market trends, and customer demands.

1.2.4. Intergenerational Succession:

Tradition plays a central role in intergenerational succession, facilitating a smooth transition of leadership from one generation to the next. The transfer of knowledge, skills, and values is often deeply rooted in family traditions, ensuring continuity and

maintaining family cohesion. Moores and Barrett (2002) mentioned that the transmission of tradition within family businesses enhances the likelihood of successful succession, as it instils a sense of responsibility, respect, and commitment to the business and its stakeholders.

Tradition is an integral part of the fabric of family businesses, nurturing the legacy, values, and longevity of these unique enterprises. It serves as a compass that guides decision-making, shapes organizational culture, and facilitates intergenerational continuity. By embracing tradition while remaining adaptable to change, family businesses can strike a delicate balance between honouring the past and embracing the future.

1.3. Family Business in Indonesia

Family business culture hierarchy in Indonesia can be much longer or shorter as needed by each company. Thus, having a business in Indonesia need to deep understanding at the culture as Indonesian known respect is usually seen to person with status, power, position, and age. And elder people are often called as Bapak or Ibu those two words are equivalent means to father or mother or sir or madam.

Revering to the study of Hofstede Dimension on Cultural Dimension of Indonesia revering power distance, Individual and Collectivism, Uncertainty Avoidance, Long term Orientation, & Masculinity Index with the theory of Hofstede dimension (Hofstede Dimension, 2021).

Hofstede Dimension		
No.	Type	Score
1	Power Distance	78
2	Collectivism	86
3	Uncertainty Avoidance	48
4	Masculinity	46

5	Longterm Orientation	62
6	Indulgence	38

Table : 1.1. Hofstede Dimension Indonesia
Source : Indonesia Hofstede Dimension, 2023

Table 1.1. shown the power distance of Indonesia are high as with the score of 78 this can be shown as inequality of power, thus power giving to next generation can be difficult either on the employee or on the 1st generation (Pwc, 2021). Secondly, Individual vs collectivism on the Indonesia given score 14 as Indonesia are committed to the member of the group can affecting overrides other professional rules and regulation in the family business. However, Collectivism can be shown that feeling of owning the company and legacy of the family are significantly high. Thirdly, Indonesian culture tend to be low tolerance to uncertainty as this can create regulation, policies, law, and professionalism on the good corporate governance (GCG) of the company. Furthermore, if the next generation or recent generation are ready accepting the change (Binz, Hair, Pieper, & Baldauf. 2013). Fourthly, Masculinity on Indonesia shown score of 46 as considered as low masculinity stats and symbol of success are important not only in material gain but it also brings the motivation of each individual. Thus, Indonesia culture each individual has their own important term of self-prestige aimed at impressing and creating aura of a status. Fifthly, Long term Orientation of Indonesia tend to be more dealing with challenges of the present and the future as shown an ability to adapting from old tradition and change new tradition on the family business can be shown very easily (Binz, Hair, Pieper, & Baldauf. 2013). Lastly, Indulgence of the Indonesia has shown a low score from the Hofstede dimension 38. Thus, this can be tendency to pessimism on the 1st, 2nd generation felt that indulging or giving the next generation can very hard or being somewhat wrong.

On the Indonesia Family businesses play a significant role for opening million of job position and significantly help the role of the Indonesia economy. However, the problem Family business encounter are giving to the next generation involving establishing the

business into international-standard professional and transparent environment this generally only 30 percent are last until the 2nd generation, 13 percent until the 3rd generation and 3 percent beyond the 3rd generation (The Jakarta post, 2019).

On Indonesia has their top ten list biggest Family business on Indonesia, which they are;

1. Lippo Group.
2. Sinar Mas.
3. Emtek.
4. Salim Group.
5. Djarum Group
6. Kompas Gramedia Group.
7. Ciputra Group.
8. MedcoEnergi.
9. MNC Group
10. Bakrie Group

The top ten biggest Family business known on Indonesia has significantly impact on Indonesian economy or GDP (Tech in Asia, 2015).

1.4. Problem Statement

Lack of Formal Succession Planning: One of the primary issues in family business succession is the absence of a structured and formalized succession plan. Many family businesses rely on informal processes, assuming that the next generation will naturally step into leadership roles. This lack of strategic planning can lead to confusion, conflicts, and a decline in the overall sustainability of the business. Succession in Indonesian family businesses is a nuanced phenomenon shaped by tradition, succession planning practices, and collectivist cultural values. Tradition, deeply rooted in Indonesian society, often dictates the norms and rituals surrounding succession, impacting decision-making processes. In this research study, the researcher delves into how these elements interplay and shape succession within Indonesian family businesses. The Impact of Tradition: Tradition holds immense significance in Indonesian society, dictating customs, rituals, and social norms. Within family businesses, tradition

often determines the succession process, with eldest sons or family members expected to inherit leadership roles (Camfield, C. E. R., & Franco, M., 2018). This adherence to tradition can both facilitate and hinder succession, depending on its alignment with modern business practices and the preferences of the succeeding generation.

Succession Planning: Effective succession planning is essential for the smooth transition of leadership within family businesses. Clear succession plans help mitigate uncertainty and ensure the continuity of operations. However, in Indonesia, many family businesses lack formal succession plans, relying instead on informal arrangements or traditional succession patterns (Gichuki, F., & Ábel, I., 2023). This lack of planning can lead to conflicts and disruptions during the transition process.

Collectivism: Collectivism, a core cultural value in Indonesia, emphasises group cohesion and harmony over individual interests. Within family businesses, collectivist values influence decision-making processes and interpersonal relationships. Collectivism can foster unity and collaboration among family members, facilitating successful succession transitions. However, it can also lead to challenges, such as difficulty in addressing conflicts or accommodating diverse perspectives (Schlömer-Laufen, N., & Rauch, A., 2020).

The Interplay of Tradition, Succession Planning, and Collectivism: The relationship between tradition, succession planning, and collectivism is intricate and multifaceted. Tradition shapes the succession process and informs succession planning practices, while collectivism influences how decisions are made and implemented within the family business context. Moreover, collectivism may moderate the impact of tradition on succession outcomes, serving as a mediating factor in the succession process (Azizi, T. B. E., Birgach, H., & Habba, B., 2020). The influence of tradition, succession planning, and collectivism on family business succession in Indonesia highlights the complex interplay between cultural values, business practices, and individual preferences. Understanding these dynamics is crucial for addressing succession challenges and ensuring the long-term viability of family businesses. By examining the influence of tradition, succession planning, and collectivism on succession outcomes, we can develop strategies to navigate succession transitions effectively and sustainably within the Indonesian business landscape. The intricate relationship between tradition, succession planning, and collectivism within Indonesian family businesses significantly

influences decision-making processes, leadership transitions, and overall business sustainability (Nave, E., 2021). Tradition, deeply ingrained in Indonesian society, dictates customs and rituals surrounding succession, impacting the succession process. Effective succession planning is essential for smooth leadership transitions, ensuring continuity and mitigating uncertainty. However, many Indonesian family businesses lack formal succession plans, relying on informal arrangements or traditional succession patterns, leading to conflicts and disruptions during transitions (Bąkiewicz, A. 2020). Collectivism, a core cultural value, emphasizes group cohesion and harmony, impacting decision-making and interpersonal relationships within family businesses (Bąkiewicz, A. 2020). The interplay of tradition, succession planning, and collectivism shapes succession outcomes, with collectivism potentially moderating the impact of tradition on succession results. Understanding these dynamics is crucial for addressing succession challenges and ensuring the long-term viability of Indonesian family businesses.

1.5. Research Objective

The research endeavours to achieve several crucial objectives in understanding the interplay of tradition, succession planning, and collectivism on family business succession in Indonesia. Firstly, it aims to empirically quantify the influence of collectivism on succession outcomes within Indonesian family businesses. By analyzing data and conducting interviews, the study seeks to elucidate how collectivist cultural values impact decision-making processes surrounding succession, providing insights into their role in shaping succession dynamics. Secondly, the research seeks to assess the effectiveness of succession planning strategies in facilitating smooth leadership transitions within Indonesian family businesses. Through an examination of existing succession plans and their implementation, the study aims to identify best practices and areas for improvement in succession planning strategies. This objective aims to enhance the continuity and sustainability of family businesses by improving succession planning approaches. Thirdly, the study aims to explore how collectivist cultural values influence decision-making processes related to succession within family businesses in Indonesia. By examining the role of collectivism in shaping attitudes and behaviours surrounding succession, the research seeks to uncover the underlying mechanisms

through which cultural values impact succession outcomes. This objective provides valuable insights into the cultural dynamics at play within Indonesian family businesses, informing culturally sensitive approaches to succession management. Furthermore, the research investigates the relationship between tradition and its effect on collectivism within Indonesian family businesses. Through an analysis of how traditional beliefs and practices shape adherence to collectivist values, the study aims to deepen understanding of the cultural nuances influencing succession dynamics. This objective informs strategies for navigating succession challenges and ensuring the long-term success of family enterprises in Indonesia. Lastly, the study aims to analyze the role of tradition in shaping succession outcomes within Indonesian family businesses. By examining the influence of traditional norms and expectations on succession processes, the research seeks to provide insights into the enduring impact of tradition on family business dynamics. This objective informs strategies for effectively navigating succession transitions and ensuring the continued success of family businesses in Indonesia. The main Objective of this Research are:

Objective 1: to identify the factor which are important for how Sucession Planning influences Collectivisim, Tradition and outcomes in Indonesian family businesses.

Objective 2: to indentify the factor of Succession Planning and their effect on family business post succession

1.6. Significant of Study

The significance of this study lies in its endeavor to delve deeper into the cultural dimension, specifically examining collectivism, and its profound influence on family business succession in Indonesia. Recent research has indeed touched upon cultural factors, yet it has often remained at a surface level, merely addressing terms without delving into the nuances of dimensions such as collectivism. Notably, the work of Bąkiewicz, (2020) provided valuable insights by comparing Indonesia and Poland, highlighting the contrasting characteristics of individualism in Poland and collectivism in

Indonesia. However, this comparison did not explore internal family factors, such as tradition, which could significantly impact succession within family businesses. This study aims to bridge this gap by focusing specifically on collectivism and its intricate influence on succession dynamics. By narrowing the scope to examine how collectivist cultural values shape decision-making processes and succession outcomes within Indonesian family businesses, this research offers a deeper understanding of the cultural underpinnings of succession. Understanding collectivism's role in succession is crucial as it reflects deeply ingrained societal norms and values, which can significantly impact business practices and outcomes. By shedding light on the nuanced interplay between collectivism and succession within family businesses, this study seeks to contribute to the existing body of research by providing a more comprehensive understanding of the cultural factors at play. It aims to move beyond surface-level discussions and delve into the deeper dimensions of cultural values, particularly collectivism, and their implications for succession planning and management. Furthermore, this research holds practical implications for family business owners, advisors, and policymakers in Indonesia. By identifying the specific ways in which collectivism influences succession outcomes, this study can inform the development of tailored strategies and interventions to facilitate successful generational transitions within family businesses. Overall, this study aims to advance our understanding of how cultural factors, particularly collectivism, shape succession dynamics in Indonesian family businesses, offering insights that can inform both academic research and practical interventions aimed at promoting the long-term sustainability of these enterprises.

CHAPTER 2

Literature Review

2.1. Family Business Industry

Family owned businesses are unique, because of the nature of the business and environment are different than professional organization. Many of family business are infamous view today some of them are good, discussing family business industry can be condescending which are;

- Unprofessional
- Family Conflict
- Unable to compete
- Failing to succeed for next generation
- Unfavourable work-environment
- Slow Growing.

A family business can be defined on a variety of definitions making comparison and generalization difficult. Furthermore, Family business has contributed to the largest industries in benefit of the global economy. The broad definition of complicates having an accurate number in the largest various ways which following are ;

Family member is on the executive level there at least has two to three generations apart of family control, ownership to determine the composition of the board executive at least one other executive. Furthermore, Family business is intention to shape and pursue of the vision of the family and will be connected to the businesses. Therefore, small number of families member on board executive are governed or managed with the manner of the pointed by the families for sustainable growth across the generations of the next families.

Furthermore, ownership are the majority of the share on the businesses, proxy voting still can be chosen as critical and strategic situation on the company.

Thus-more, this strategic influence are influence of the family member for continuing to shape the environment, culture, and serving advisors of the business.

Below are the table of the well known and contribute to the economic of the global Which are studies by (Pwc, 2021).

Greece	Families control approximately 80% of all Greek businesses.
Hungary	About 70% of all Hungarian businesses are family controlled, contributing to more than half of the country's employment. ^b
Iceland	Between 70% and 80% of all Icelandic businesses are considered family companies, employing up to 80% of the national workforce and creating 60%–70% of the national turnover. ^b
India	<ul style="list-style-type: none"> • Family businesses account for as much as 95% of all Indian businesses. • Nearly 80% of family owned companies in India dominate the Indian economy.^m • As many as 461 of the 500 most valuable Indian companies are under family control.ⁿ
Ireland	<ul style="list-style-type: none"> • Almost half of all Irish businesses are family companies, providing 39% of all employment and producing nearly 30% of national turnover. • 33% of Irish capital acquisitions in the service sector were made by family businesses in 2005.^o
Israel and the Middle East	<ul style="list-style-type: none"> • Around 75% of the Middle East's private economy is controlled by 5,000 wealthy families. These families account for 70% of the region's employment. • Family businesses control over 90% of commercial activity.^p • With charity as a requirement of Islam, business families in the Muslim-Arab world have begun to structure their charitable endeavors to improve their support of the poor.^q
Italy	<ul style="list-style-type: none"> • Up to 73% of all Italian businesses are family controlled, employing more than half of all employed Italians.^b • Italy has the highest number of members in the Hénokiens Association, family companies older than 200 years that are still managed and largely owned by the original founding family.
Japan	<ul style="list-style-type: none"> • Family firms account for 96.5% of the total number of firms in Japan and also account for over 75% of total employment.^r • Currently, the oldest family business in the world^s is operating in Japan and is managed by the 46th generation of the founding family. • Family businesses tend to outperform nonfamily companies in most Japanese industries. • 42% of firms on the Japanese stock market are family owned or controlled.^t
Lithuania	Family firms are increasing in prevalence since the fall of communism, now at about 38%. They contribute nearly 15% of gross domestic product. ^b
Luxembourg	Family businesses account for up to 70% of all businesses in Luxembourg. ^b
Mexico	Approximately 95% of the firms are family owned or controlled, accounting for 46% of the stock market. ^u
The Netherlands	74% of the country's firms are family businesses. ^d

Norway	Family businesses account for almost 66% of Norwegian private enterprise, creating around 40% of total employment. ^b
Portugal	Approximately 70%–80% of Portuguese businesses are family controlled, accounting for about half of the country's employment and creating two-thirds of the national turnover. ^b
Romania	About 20% of Romania's employment is created by family businesses ^b
Singapore	On average, family firms in Singapore are relatively small; they employ between 10 and 100 people, but make up 80%–90% of all industrial companies. ^v
Slovakia	Approximately 80%–95% of all Slovakian businesses can be categorized as family controlled. ^b
Slovenia	Approximately 60%–80% of all Slovenian businesses are family owned, employing 26% of the active workforce. ^b
South Africa	<ul style="list-style-type: none"> • A minimum of 1.1 million of the 1.4 million businesses in the country are family controlled.^w • Approximately 80% of businesses in South Africa could be classified as family business.^x
Spain	Approximately 75% of Spanish businesses can be categorized as family owned. They account for 65% Spain's GDP. ^d
Sweden	79% of Swedish firms are considered family owned. ^d
Turkey	Up to 90% of Turkish businesses are classified as family businesses. ^b
United Kingdom	Almost one-third of all UK employees work in family-owned businesses. They account for 65% of all UK businesses and contribute up to 40% of GDP. ^e

Table 2.1. How much Family business industry are contribute to the countries

Table below are shown the famous holding/company on each countries;

Australia	<ul style="list-style-type: none"> • Australia Zoo • News Corp. (founded)
Austria	<ul style="list-style-type: none"> • RedBull • Swarovski Crystal
China	<ul style="list-style-type: none"> • Li-Ka-Shing Holdings • Hutchison Whampoa/Cheung Kong • Sun Hung Kai Properties Ltd. • Swire Pacific Ltd. (Cathay Pacific)
Denmark	<ul style="list-style-type: none"> • Lego
France	<ul style="list-style-type: none"> • Carrefour • Chateau Lafite Rothschild • Dassault Aviation • Groupe Auchan S.A. • Groupe Danone • Hermès • L'Oréal • LVMH Moët Hennessy Louis Vuitton • Michelin • PPR (Gucci, Puma) • PSA Peugeot Citroën • Sodexo
Germany	<ul style="list-style-type: none"> • Adidas • Aldi • Bertelsmann • BMW • Boheringer Ingelheim • Bosch • Henkel • Merck • Metro • Porsche • Siemens AG
Greece	<ul style="list-style-type: none"> • Onassis
India	<ul style="list-style-type: none"> • HCL • Tata Group • Reliance • The Wadia Group
Indonesia	<ul style="list-style-type: none"> • Salim Group

Spain	<ul style="list-style-type: none"> • Camper • El Corte Ingles • Roca • SCH (Banco Santander Central Hispano S.A.)
Sweden	<ul style="list-style-type: none"> • H&M (Hennes & Mauritz AB) • IKEA • Tetra Laval (Tetra Pak)
Switzerland	<ul style="list-style-type: none"> • Hoffman-La Roche Ltd. • Swatch • Union Bancaire Privée
South Africa	<ul style="list-style-type: none"> • De Beers
Taiwan	<ul style="list-style-type: none"> • Cathay Life Insurance • Fubon Financial Holding Co.
Thailand	<ul style="list-style-type: none"> • Charoen Pokphand Group (CP)
United Kingdom	<ul style="list-style-type: none"> • Anglo American mining • Associated British Foods • AstraZeneca PLC • J. Barbour & Sons • Sainsbury's
United States	<ul style="list-style-type: none"> • Alberto Culver • American Greetings • Campbell Soup • Cargill • Fidelity Investments • Ford Motor Company • Hallmark Cards • Hasbro • Hilton • Imperial Holly Sugar Co. • L. L. Bean • Marriott Corporation • Mars • Oreck • Viacom • Wal-Mart

Israel and the Middle East	<ul style="list-style-type: none"> • Al Fahim Group (Abu Dhabi) • Al Muhaidib Group (Saudi Arabia) • Elite Food • Strauss Investment • Jashanmal National Company (Dubai) • Nuqul Group • Saudi bin Ladin Group • Taybeh Brewery (Palestinian) • YBA Kanoo Shipping • Zamil Group Holding Co. (Saudi Arabia)
Italy	<ul style="list-style-type: none"> • Alessi S.p.A. • Barilla (pasta) • Benetton • Beretta • Ferrero • FIAT • illy • Prada • Salvatore Ferragamo Italia
Japan	<ul style="list-style-type: none"> • Ito-Yokado (7-11 Stores) • Kikkoman • Mori • Otsuka Pharmaceutical Group • Suntory Ltd. • Toyota
Korea	<ul style="list-style-type: none"> • Korean Air • LG • Samsung • Hyundai
Mexico	<ul style="list-style-type: none"> • Cemex • Femsa • José Cuervo • Grupo Bimbo • Grupo Televisa • Grupo Modelo
The Netherlands	<ul style="list-style-type: none"> • Heineken
The Philippines	<ul style="list-style-type: none"> • Ayala Corporation • SM Group
Scotland	<ul style="list-style-type: none"> • W. L. Grant (Glenfiddich)
Singapore	<ul style="list-style-type: none"> • Eu Yan Sang • Hong Fok Corporation • Lum Chang Holdings • United Overseas Bank

Table 2.2 Famous Family business around the world

2.1.2. Succession Family Business in Global

Transitioning leadership in family businesses represents a challenging and pivotal phase. A mere fraction, less than thirty percent, of family enterprises endure beyond the initial generation, with a mere thirteen percent achieving longevity into the third generation.

List of longlasting and sustainable family businesses in the world studied by Pwc, 2021 ;

1. **Kongo Gumi (Japan):** Founded in 578 AD, it was a construction company specializing in Buddhist temples and shrines. It operated for over 1,400 years before being absorbed by a larger construction company.
2. **Château de Goulaine (France):** The oldest family-owned and operated winery in France, established in 1000 AD.
3. **Barone Ricasoli (Italy):** Established in 1141, it is one of the oldest wineries in Italy and has been continuously family-owned for over 800 years.
4. **Zildjian (Turkey/USA):** Founded in 1623 in Constantinople (now Istanbul), Turkey, this company is famous for making cymbals and drumsticks.
5. **Mars, Inc. (USA):** Founded in 1911 by Frank C. Mars, this global confectionery, pet care, and food conglomerate is still family-owned and operated.
6. **Ford Motor Company (USA):** Founded by Henry Ford in 1903, the Ford family has maintained a significant ownership stake in the company for over a century.

7. **Veuve Clicquot (France):** Established in 1772, this champagne house is known for its high-quality products and is still associated with the Clicquot family name.
8. **Tata Group (India):** Founded in 1868 by Jamsetji Tata, this conglomerate is one of India's largest and oldest family-owned businesses.
9. **Löwenbräu Brewery (Germany):** Founded in 1383, this brewery in Munich has been family-owned for over six centuries.
10. **Wright's Baking Company (UK):** Established in 1867, this British baking company is still run by descendants of the founder.
11. **Bouchard Père & Fils (France):** Founded in 1731, it's one of the oldest wine estates in Burgundy, France.
12. **Bic (France):** Founded in 1945 by Marcel Bich, this company is still under the ownership of the Bich family and is known for its disposable pens and razors.
13. **J. Lyons and Co. (UK):** Established in 1884, this company was a pioneer in the food industry and remained a family business until the 1970s.
14. **Soh Family (Singapore):** The Soh family has been running the restaurant business "Swee Choon Tim Sum Restaurant" for over 50 years in Singapore.

In conclusion, the sustainability of these 14 family businesses is the result of a combination of factors, including strong family values, adaptability, a long-term vision,

innovation, commitment to quality, financial prudence, succession planning, community and customer focus, cultural resilience, diversification, adherence to core values, and a global perspective. These businesses have effectively balanced tradition and modernity, enabling them to thrive and endure for multiple generations.

2.1.3. Succession Family Business in Indonesia

Succession planning in family businesses in Indonesia, like in many other countries, is a critical process that involves transitioning leadership and ownership from one generation to the next. Therefore Indonesia has diverse culture such as ; **Javanese, Sundanese, Minangkabau, Balinese, and Batak** as have a different approach to transfer Family business from the first generation to the next generation, however as many family business are the same but Hofstede Dimension shows how to approach for the method that has in Indonesia. Furthermore, Indonesia has several long-lasting family businesses that have endured for generations. Here are some notable examples mentioned by Pwc, 2021;

1. **Toko Merah (Red Store):** Founded in 1730, it is one of Jakarta's oldest family-run businesses. The store, originally a Dutch colonial-era trading post, has evolved over the centuries and is now a cultural heritage site.
2. **Dasaad Musin:** Established in 1803, this family-owned perfumery has been producing traditional Indonesian perfumes and scents for over two centuries.
3. **Sari Bundo:** Founded in 1908, Sari Bundo is a renowned culinary business known for its traditional Indonesian snacks and cakes, passed down through generations.
4. **Sampoerna:** Although it has seen changes in ownership, Sampoerna remains an iconic Indonesian brand. Founded in 1913, it initially started

as a family business producing cigarettes and later became part of Philip Morris International.

5. **Gudang Garam:** Founded in the 1950s by the Wonowidjojo family, Gudang Garam is one of Indonesia's largest and most well-known cigarette manufacturers, known for brands like "Kretek Klobot."
6. **Wings Group:** Established in 1948 by the Gozali family, Wings Group is a diversified conglomerate with interests in consumer goods, including food and personal care products.
7. **Sinar Mas Group:** Founded by Eka Tjipta Widjaja in the 1960s, this conglomerate has grown to become one of Indonesia's largest and most influential business groups, with diverse interests ranging from agribusiness to financial services.
8. **Kalbe Farma:** Founded in 1966 by the Kalla family, Kalbe Farma is one of Indonesia's largest pharmaceutical companies, specializing in healthcare and pharmaceutical products.
9. **Mayora Group:** Established in 1977, Mayora Group is a prominent Indonesian food and beverage company known for brands like "Kopiko" and "Torabika."
10. **GarudaFood:** Founded in 1987 by the President Director Sudhamek AWS, GarudaFood is a major player in the Indonesian snack and beverage industry.

Succession planning in Indonesian family businesses requires a delicate balance of cultural, legal, financial, and interpersonal considerations. It is a process that demands careful preparation, communication, and a clear vision for the future of both the family

and the business. When done successfully, it can contribute to the long-term sustainability and growth of these businesses. Family businesses have a rich history of resilience and longevity, transcending generations and withstanding the test of time. Indonesia, like many countries, is home to several long-lasting family businesses that have not only survived but thrived over the years. The longevity of family businesses in Indonesia is a testament to the remarkable interplay of strong family values, adaptability, long-term vision, innovation, community and customer focus, effective succession planning, financial prudence, cultural resilience, and a global perspective. These businesses have managed to balance tradition and modernity, enabling them to thrive and endure for multiple generations. They are not only economic entities but also a reflection of the cultural fabric and entrepreneurial spirit of Indonesia. As they continue to evolve, these family businesses will remain significant contributors to the nation's economic landscape.

2.1.4 Tradition

Family businesses, characterized by a deep sense of heritage and tradition, are an integral part of the global economy. These enterprises often span generations, carrying forward a rich tapestry of cultural values, practices, and beliefs. This essay explores the significance of tradition within family businesses, its role in shaping their identity, and its impact on their long-term success. Traditions are often referenced in management theory but are seldom explicitly outlined. Traditions represent sets of beliefs, customs, and symbolic rituals passed down from one generation to the next (Shils, 1981). Traditions first gained significance as a fundamental concept in management studies related to organizational culture many years ago (Schein, 1985). They have resurfaced more recently in investigations of organizational identity (Ravasi & Schultz, 2006) and the study of organizational institutionalism (Dacin & Dacin, 2008). The Essence of Tradition in Family Business ; Tradition within family businesses goes beyond mere customs and rituals. It encompasses the core values, ethos, and legacy passed down through generations. These traditions are often rooted in the family's history and culture and play a crucial role in shaping the business's identity. Here are some key aspects of tradition in family businesses:

1. **Values and Ethical Framework:** Traditions often form the bedrock of the ethical and moral values that guide family businesses. These values influence decision-making, relationships with stakeholders, and the overall conduct of the business.
2. **Cultural Heritage:** Many family businesses have deep ties to their cultural roots. These cultural traditions can manifest in various ways, from the design of products to the way business is conducted.
3. **Succession and Legacy:** Tradition plays a pivotal role in the succession planning process. The passing down of leadership from one generation to the next is often guided by family traditions and values, ensuring continuity and a sense of identity.
4. **Employee Engagement:** Tradition fosters a sense of belonging among employees, as they become part of a larger family narrative. This engagement can lead to higher loyalty and commitment to the business.
5. **Customer Loyalty:** Traditions can also create a bond with customers who appreciate the authenticity and heritage associated with family businesses. This can lead to long-term customer loyalty and trust.

Tradition in family businesses is more than a set of practices; it is the heartbeat of their identity. It encompasses the values, culture, and legacy that guide these enterprises through generations. While the business landscape continues to evolve, family businesses that embrace and adapt their traditions can enjoy a unique competitive advantage. These traditions not only preserve the past but also provide a roadmap for a

successful and values-driven future. In a world marked by change, tradition in family businesses serves as a beacon of continuity and a testament to the enduring power of values and heritage.

2.2. Hofstede Dimension.

Hofstede's Cultural Dimensions: An Overview

Geert Hofstede, a Dutch social psychologist, introduced a framework to measure cultural dimensions. These dimensions help us comprehend how cultural values shape individuals' behaviour, beliefs, and decision-making. Hofstede's five primary cultural dimensions are: names, strategies, and challenges faced by family businesses worldwide.

1. **Power Distance:** This dimension assesses the extent to which a society accepts hierarchical power structures. High power distance cultures tend to have significant inequalities in power and wealth, while low power distance cultures promote equality and accessibility.
2. **Individualism vs. Collectivism:** This dimension measures the degree to which a society emphasizes individual freedom and self-interest versus group cohesion and interdependence. Individualistic cultures prioritize personal goals, whereas collectivist cultures value the group's well-being.
3. **Masculinity vs. Femininity:** This dimension reflects the extent to which a society values traditional masculine attributes (e.g., competitiveness, assertiveness) versus feminine attributes (e.g., cooperation, modesty).
4. **Uncertainty Avoidance:** Uncertainty avoidance gauges a society's tolerance for ambiguity and uncertainty. Cultures with high uncertainty avoidance seek to minimize risk and prefer structured environments, while

those with low uncertainty avoidance are more open to change and ambiguity.

5. **Long-term Orientation vs. Short-term Orientation:** This dimension explores a society's time perspective. Cultures with a long-term orientation focus on future planning, perseverance, and delayed gratification, while those with a short-term orientation prioritize immediate results and tradition.

2.2.1. Hofstede Dimension in Indonesia

Hofstede's Cultural Dimensions theory is a framework developed by Dutch psychologist Geert Hofstede to help understand and compare cultural differences between countries. These dimensions can provide insights into the cultural values and behaviours of a particular society.

Hofstede Dimension		
No.	Type	Score
1	Power Distance	78
2	Collectivism	86
3	Uncertainty Avoidance	48
4	Masculinity	46
5	Longterm Orientation	62
6	Indulgence	38

Table 2.3. Hofstede Dimension Indonesia
Source :Indonesia Hofstede Dimension, 2023

Let's take a look at how these dimensions apply to Indonesia:

1. **Power Distance (PDI):** 78 score indicate Indonesia has a relatively high power distance score. This means that there is a significant level of hierarchy and inequality in Indonesian society. People tend to respect authority and expect leaders to make decisions without much consultation.
2. **Collectivism :** 86 Score indicate therefore Indonesia is a collectivist society. People in Indonesia tend to prioritize group harmony and family over individual needs and aspirations. Extended families often play a significant role in an individual's life.
3. **Masculinity vs. Femininity (MAS):** Indonesia has scored 46 which can be described as often considered a moderately masculine society. There is an appreciation for qualities like assertiveness and competition, but there is also an emphasis on caring for others and quality of life.
4. **Uncertainty Avoidance (UAI):** Indonesia scores relatively below moderate as seen on table 2.2.1 scored 48 on uncertainty avoidance. This means that Indonesians tend to be more comfortable with ambiguity and are open to new ideas and experiences. They may be less rigid in their adherence to rules and traditions.
5. **Long-Term Orientation (LTO):** Indonesia typically scores above moderate as scored 68 on long-term orientation. This suggests that Indonesians often try to balancing longterm rather than on short-term goals and. There is a strong connection to traditions and a respect for the past.

6. **Indulgence vs. Restraint (IND):** Indonesia as present on the table scored number of 38 often seen as a society with a high level of indulgence. There is a between unbalanced working life and adhering to societal norms. Indonesians may enjoy festivals and celebrations, but they also value restraint when necessary.

It's important to note that these dimensions are not absolute, and there can be variation within any culture. Also, Indonesia is a diverse country with a wide range of cultural practices and beliefs across its many islands and regions, so these dimensions may not apply uniformly to all Indonesians. Nevertheless, Hofstede's dimensions provide a useful framework for understanding cultural tendencies in Indonesia and can be helpful for cross-cultural interactions and business dealings in the country.

2.2.2. Collectivism on Succession in Family Business

A previous study by Bakiewicz, A, in 2020 showed that the percentage of potential successors in Indonesia is significantly low, indicating that family business objectives may not align with those of the successor or the next generation. Consequently, Indonesia exhibits a more collective culture, where individuals feel compelled by their parents or, in other cases, are more inclined towards collectivism, with every family board member wanting to be involved. Therefore, it can be hazardous if not managed clearly for each family member's role. The cultural dimensions of individualism and collectivism play a pivotal role in shaping the dynamics of family businesses worldwide. In the Indonesian context, where familial ties are deeply ingrained and revered, the interplay between individualism and collectivism significantly influences the operations, decision-making processes, and overall success of family businesses. Successful family businesses in Indonesia must navigate this cultural dichotomy by finding a delicate balance that respects tradition while embracing the benefits of individual perspectives. Striking this balance can lead to a harmonious coexistence of familial bonds and the adaptability needed for the sustained success of family businesses in an ever-changing

economic landscape. Furthermore, studies mentioned by Heinonen, J., Kurikkala, H. Muhos, M., Phusavat, K., Simunaniemi, A., & Yousuk, R., 2021 Asian countries tend of its culture root as a collectivistic culture as on Asian Countries parent are tend to brainwash the next generation to continue their business as successor of the family business having similarities between the previous generation but implemented new management structure. Collectivist values in Asian cultures emphasise harmony, loyalty, and interdependence within the family. In family businesses, this can foster a strong sense of unity and shared responsibility. However, an excessive focus on collectivism may stifle individual creativity, innovation, and entrepreneurial spirit, hindering the family business's ability to adapt and compete in a globalised market. The interplay between Individualism and Collectivism profoundly shapes the dynamics of family businesses in Asian cultures. Recognizing the influence of these cultural values is crucial for navigating the complexities of decision-making, succession planning, and overall business strategy. By understanding and embracing the strengths of both individualism and collectivism, family businesses in Asia can position themselves for sustained success, leveraging the unique advantages offered by their cultural context in an ever-evolving global business environment (Gu, Q., Fan, J., & Yu, X. (2021).

H1: There is a significant relationship between Collectivism affecting Succession

2.3. Succession Planning On Succession in Family Business

Succession planning is a critical facet of family businesses, representing the strategic process by which leadership transitions from one generation to the next. As the backbone of many economies worldwide, family businesses contribute significantly to employment, innovation, and cultural continuity. This essay explores the paramount importance of succession planning in family businesses, examining how a well-executed plan can contribute to longevity, sustainability, and the preservation of family legacies. One of the primary reasons why succession planning is crucial for family businesses is its role in ensuring continuity and longevity. Effective planning allows for a seamless transition of

leadership, preventing disruptions in operations and maintaining the business's ability to adapt to changing market dynamics. By identifying and grooming capable successors, family businesses can navigate challenges more effectively, safeguarding their existence for future generations (Chahal & Sharma, 2020). Family businesses are often deeply rooted in a set of values and a unique legacy that have been passed down through generations. Succession planning provides an opportunity to preserve and perpetuate these values. Through a carefully crafted plan, family businesses can ensure that the ethos that defines them endures, fostering a sense of identity and continuity that resonates with both employees and customers. Family businesses are often deeply rooted in a set of values and a unique legacy that have been passed down through generations (Bitsch, V., Gabriel, A., 2019). Succession planning provides an opportunity to preserve and perpetuate these values. Through a carefully crafted plan, family businesses can ensure that the ethos that defines them endures, fostering a sense of identity and continuity that resonates with both employees and customers. Succession planning is not only about grooming family members for leadership roles but also about attracting and retaining top talent from outside the family (Gichuki, F., & Ábel, I., 2023). By demonstrating a commitment to professional development and offering clear paths for advancement, family businesses can become employers of choice. This not only strengthens the business's internal capabilities but also positions it competitively in the broader marketplace. In conclusion, succession planning is not merely a procedural requirement for family businesses; it is a strategic imperative. By ensuring continuity, preserving values, developing leadership capabilities, mitigating conflicts, attracting talent, and adapting to changing environments, succession planning plays a pivotal role in shaping the long-term success and sustainability of family businesses. As a forward-looking and comprehensive strategy, it stands as a testament to the resilience and endurance of family legacies across generations.

H2: There is a significant relationship between Succession Planning affecting Succession

2.3.1 Succession Planning effect on Collectivism

Succession planning is a critical aspect of family businesses, ensuring the smooth transition of leadership and preserving the family legacy. The cultural dimension of Individualism vs. Collectivism plays a significant role in shaping the strategies and outcomes of succession planning within these enterprises. This essay explores the effects of succession planning on the balance between Individualism and Collectivism in family businesses, examining how cultural values influence decision-making, leadership transitions, and the overall sustainability of the business. Influence of Collectivism on Succession Planning therefore, In family businesses deeply rooted in collectivist cultures, succession planning is often intertwined with maintaining family cohesion and harmony. Collective goals, loyalty, and long-term family stability take precedence over individual achievements. In such contexts, the senior generation may prioritize family unity and lineage continuity over selecting leaders based solely on individual capabilities (Wasim, J., Cunningham, J., MAXWELL-COLE, A., & TAYLOR, J. R., 2020). Thus, Impact of Individualism on Succession Planning On family businesses rooted in individualistic cultures, succession planning may be driven by a focus on individual merit, skills, and accomplishments. The emphasis on personal achievement can lead to a meritocratic approach, where family members are groomed for leadership based on their abilities rather than solely on familial ties. However, this individualistic orientation may also give rise to conflicts, as different family members vie for leadership roles, potentially challenging the unity of the family business. Balancing individual aspirations with the collective interest of the family business becomes crucial in navigating the succession planning process. Effective communication, transparent criteria for leadership selection, and mechanisms for resolving conflicts are essential to ensure a smooth transition and maintain family harmony (Bąkiewicz, A., 2020). The interplay between Individualism and Collectivism in succession planning requires a nuanced approach. Recognizing and leveraging the strengths of both cultural dimensions can

lead to a more comprehensive and effective strategy. Incorporating individualistic elements such as meritocracy for leadership selection while maintaining collectivist principles like family unity in decision-making can help strike a balance that ensures the sustainability of the family business (Schlömer-Laufen, N., & Rauch, A., 2020). Succession planning in family businesses is a delicate process influenced by the cultural context in which the enterprise operates. The dynamic interplay between Individualism and Collectivism shapes the strategies and outcomes of succession planning. Acknowledging the impact of these cultural dimensions and adopting a balanced approach that considers both individual and collective interests is essential for the long-term success and sustainability of family businesses.

H3: There is a significant relationship between Collectivism affecting Succession

2.4. Tradition effect on Collectivism

Family businesses, often characterized by a unique blend of personal relationships, shared history, and a commitment to continuity, are deeply influenced by tradition. The interplay between Individualism and Collectivism within family businesses is significantly shaped by the weight of tradition. This essay delves into the profound effects of tradition on the delicate equilibrium between Individualism and Collectivism, exploring how adherence to or deviation from traditional values influences decision-making, innovation, and overall dynamics in family enterprises. Furthermore, The Influence of Tradition on Collectivism, Tradition tends to foster a collective ethos within family businesses, emphasising the importance of shared values, mutual support, and a strong sense of community (Camfield, C. E. R., & Franco, M., 2018). In many cultures, family businesses are seen as guardians of tradition, responsible for preserving and passing down not only wealth but also cultural heritage. This collectivist orientation, rooted in tradition, often results in decision-making processes that prioritise the well-being of the family unit over individual aspirations. The

commitment to tradition in family businesses can create a harmonious environment where loyalty, interdependence, and a long-term perspective take precedence. Succession planning, leadership transitions, and strategic decisions are often guided by a collective vision aimed at maintaining the family legacy. Thus, Tradition's Influence on Individualism Conversely, tradition can also serve as a source of constraint on individualistic aspirations within family businesses. The weight of established practices and expectations may limit the scope for individual family members to pursue their own entrepreneurial endeavours or innovative initiatives (Azizi, T. B. E., Birgach, H., & Habba, B., 2020). The adherence to tradition may create resistance to change, hindering the family business's ability to adapt to evolving market trends and technological advancements. Individuals within the family may find their personal ambitions subordinated to the collective interests dictated by tradition. Striking a balance between honouring tradition and fostering individual growth and innovation becomes a delicate task for family businesses seeking to thrive in dynamic business environments. Balancing Tradition, Individualism, and Collectivism the challenges for family businesses lies in finding a harmonious balance that respects tradition while allowing for individual expression and innovation. Successful family businesses often leverage tradition as a source of strength, using it to instill a sense of identity and purpose (AlRebdi, A., & Mohamad, K. A., 2021). Simultaneously, they encourage individual family members to bring fresh perspectives, ideas, and skills to the table. Innovations in governance structures, such as the establishment of family councils or the incorporation of non-family executives, can provide mechanisms for blending tradition with contemporary business practices. These measures help mitigate the potential conflicts between individualistic aspirations and the collective goals dictated by tradition. the influence of tradition on the balance between Individualism and Collectivism in family businesses is multifaceted. While tradition often nurtures a collective spirit and a commitment to shared values, it can also pose challenges to individual

growth and innovation (AlRebdi, A., & Mohamad, K. A., 2021). The key to success lies in navigating this delicate interplay, recognizing tradition as a source of strength and identity while embracing flexibility and openness to change. By striking a nuanced balance, family businesses can leverage the richness of tradition to create resilient, adaptable, and sustainable enterprises that endure across generations.

H4: There is a significant relationship between Tradition affecting Collectivism

2.4.2. Tradition effect on Succession

Succession planning in family businesses is a crucial process that involves the deliberate and systematic transition of leadership from one generation to the next. Tradition, deeply ingrained in the fabric of family businesses, significantly influences the approach to succession planning (AlRebdi, A., & Mohamad, K. A., 2021). This essay explores the profound effects of tradition on the succession process within family enterprises, examining how adherence to or evolution of traditional values shapes leadership transitions, family dynamics, and the overall continuity of the business. Furthermore, Preserving Legacy and Values Tradition plays a central role in the preservation of family legacies and values within family businesses. Succession planning, in the context of tradition, often goes beyond the transfer of leadership roles; it becomes a means of passing down cultural heritage, ethical principles, and the fundamental ethos that defines the family enterprise. This preservation of legacy ensures a sense of continuity and identity that resonates with both family members and external stakeholders. Hierarchy and Order in Succession:

Traditional family businesses frequently adhere to established hierarchies and orders in the succession process (James et al., 2020). The eldest son or a predetermined family member may be expected to assume leadership, reflecting a commitment to lineage continuity and maintaining a sense of order. While this approach may provide stability, it can also pose challenges if the designated successor lacks the necessary skills or interest in the business, emphasizing the importance of balancing tradition with

meritocracy. Furthermore, Mentioned by James et al., (2020) Challenges to Innovation and Change: Tradition in family businesses can create a conservative environment, resisting change and innovation in succession planning. The expectation to follow established norms may limit the exploration of alternative leadership structures or the inclusion of non-family executives in key roles. This resistance can hinder the family business's ability to adapt to evolving market conditions, technological advancements, and shifts in consumer preferences. Balancing Tradition with Meritocracy: Balancing tradition with meritocracy is a delicate challenge in succession planning for family businesses. While tradition provides a sense of stability and continuity, incorporating merit-based criteria allows for the identification and development of leaders based on skills, capabilities, and commitment (Zehrer & Leiß, 2019). Successful family businesses often navigate this balance by adopting flexible succession plans that honor tradition while embracing the need for innovation and competence. Navigating Family Dynamics: Tradition significantly influences the dynamics within the family unit during succession planning. Conflicts may arise when family members' aspirations diverge from traditional expectations, potentially impacting relationships both within the business and the broader family context. Open communication, transparent decision-making processes, and professional guidance become essential in navigating these intricate family dynamics (Ge & Campopiano, 2021).

H5: There is a significant relationship between Tradition affecting Succession

2.5. Succession Planning as a Mediator: Exploring the Relationship between Collectivism and Succession

Succession planning in family businesses, where leadership passes from one generation to the next, is heavily influenced by cultural values like collectivism, which prioritizes group harmony over individual goals. In collectivist cultures, decisions are made collectively, often favoring family loyalty and tradition over individual qualifications. Collectivism impacts succession planning in several ways. Firstly, it can affect how successors are chosen (Al-Qawasmeh, S. J. ,2020). Family ties and loyalty may outweigh qualifications, leading to the selection of heirs based on seniority or familial relationships rather than merit. Additionally, decision-making during succession planning

tends to prioritize consensus and harmony, which can prolong discussions and create conflicts among family members with differing opinions. However, succession planning can help mediate these challenges. By implementing clear and transparent plans, families can objectively evaluate potential successors based on their skills and readiness to lead. Formal plans also ensure that everyone understands the process, reducing ambiguity and potential conflicts (Dayan, M., Ng, P. Y., & Ndubisi, N. O. ,2019). Moreover, succession planning allows for the professional development of successors, regardless of familial ties. Training programs and mentorship opportunities prepare successors for their roles, enhancing their competency and confidence in leading the business. This focus on strategic planning based on business needs, rather than solely on family relationships, helps mitigate the negative impacts of collectivism.

In essence, while collectivist cultural values can present challenges in succession planning, strategic planning processes can serve as effective mediators. By prioritizing transparency, objectivity, and professional development, family businesses can navigate leadership transitions successfully while preserving their traditions and ensuring long-term sustainability (Kotlar, J., & Chrisman, J. J. ,2019).

H6: There is a significant relationship between Collectivism affecting Succession Mediated by Succession Planning

2.6. Succession Planning as a Mediator: Exploring the Relationship between Tradition and Succession

Succession planning is a critical aspect of family businesses, involving the transition of leadership and ownership from one generation to the next. Tradition, deeply ingrained in many family enterprises, influences various aspects of succession planning, from the selection of successors to decision-making processes and the preservation of family legacies. Tradition plays a significant role in shaping the approach to succession planning within family businesses. Family traditions, values, and norms often dictate the criteria for selecting successors, with preference given to heirs who uphold these traditions. The notion of continuity and preserving the family legacy is central to succession planning, as families seek to ensure that the business remains rooted in its heritage even as it transitions to new leadership (Fries, A., Kammerlander, N., &

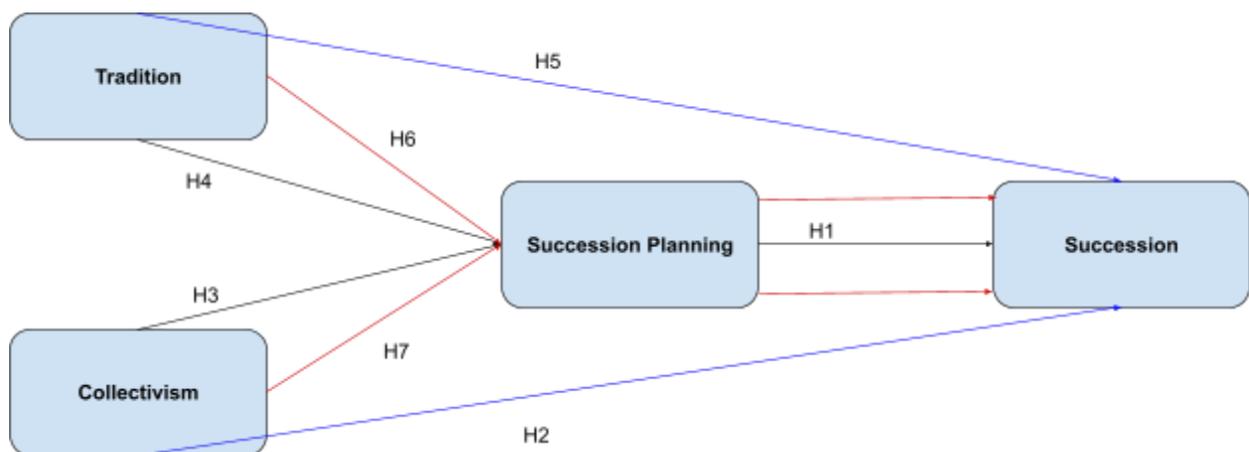
Leitterstorf, M. ,2021). Moreover, tradition influences decision-making during succession planning. Family members may be hesitant to deviate from established practices or challenge long-held beliefs, leading to resistance to change and innovation. The fear of disrupting tradition can impede the adoption of modern succession planning practices or the consideration of external candidates for leadership roles. However, succession planning serves as a mediator in navigating the relationship between tradition and succession within family businesses. By adopting strategic and inclusive succession planning practices, families can balance the preservation of tradition with the need for effective leadership transitions (Ge, B., & Campopiano, G. ,2021). Formal succession plans provide a structured framework for identifying and developing successors based on both traditional values and modern business requirements. Additionally, succession planning facilitates communication and transparency within the family, fostering a shared understanding of the succession process and its implications for the business. Clear communication helps manage expectations and mitigate conflicts among family members with differing opinions on the ideal path forward. Furthermore, succession planning allows for the identification and development of successors who embody the values and principles of the family while also possessing the necessary skills and competencies to lead the business into the future. By focusing on succession planning as a strategic process guided by both tradition and innovation, family businesses can ensure the continuity and long-term success of the enterprise while honoring their heritage. In conclusion, while tradition significantly influences succession planning in family businesses, strategic planning processes serve as effective mediators in navigating this relationship (Rahman Ahmad, A., Keerio, N., S. Jameel, A., & A. Karem, M. ,2020). By embracing tradition while also embracing change, family businesses can achieve successful leadership transitions while preserving their legacy and adapting to evolving market dynamics.

H7: There is a significant relationship between Tradition affecting Succession Mediated by Succession Planning

2.7. Conceptual Model and Research Hypotheses

The proposed structural equation of the studies on Exploring The Success Factor Of Succession on Family Business In Indonesia are presented as below on figure 2.4.

Figure 2.1. Research Conceptual Model of the Study



The conjectures in this research investigation pertain to the research goals. These hypotheses aim to address each of the research issues by presenting statements that illustrate a connection between two or more variables and offer a descriptive analysis of the studied phenomenon. The Hypothesis Of succession on Family business in Indonesia mediated by collectivism is listed below;

H1: There is a significant relationship between Collectivism affecting Succession

H2: There is a significant relationship between Succession Planning affecting Succession

H3: There is a significant relationship between Collectivism affecting Succession

H4: There is a significant relationship between Tradition affecting Collectivism

H5: There is a significant relationship between Tradition affecting Succession

H6: There is a significant relationship between Collectivism affecting Succession Mediated by Succession Planning

H7: There is a significant relationship between Tradition affecting Succession Mediated by Succession Planning

2.8. Research Hypotheses Using Partial Least Square Structure Equation Model

Partial Least Squares Structural Equation Modelling (PLS-SEM) is a statistical method gaining prominence in the field of social sciences, business research, and other disciplines for its ability to analyze complex relationships among latent and observed variables. PLS-SEM offers a flexible and efficient approach, particularly useful when dealing with small sample sizes or non-normal data (Bernarto et al., 2020). This essay aims to provide an analysis of PLS-SEM, exploring its fundamental principles, key components, and applications in empirical research. Therefore, Components of PLS-SEM:

Path Modelling:

PLS-SEM employs path modeling to represent and test the relationships among latent and observed variables. Unlike covariance-based SEM, PLS-SEM focuses on minimizing the residuals between the observed and predicted variables.

Latent Variables:

PLS-SEM allows for the incorporation of latent variables, which are unobservable constructs underlying observed variables. Researchers can model the relationships among these latent constructs to better understand complex phenomena.

Measurement Model:

The measurement model in PLS-SEM assesses the relationships between latent variables and their corresponding observed indicators. It aids in evaluating the reliability and validity of the measurement instruments used in the study.

Structural Model:

The structural model explores the relationships between latent variables, providing insights into the direct and indirect effects within the proposed theoretical framework. PLS-SEM emphasizes prediction, making it suitable for predictive modeling.

Bootstrapping:

PLS-SEM often utilizes bootstrapping as a resampling technique to estimate standard errors and confidence intervals. This approach enhances the robustness of parameter estimates, especially in cases where the distributional assumptions are unclear.

Partial Least Squares Structural Equation Modeling is a valuable and versatile statistical method for analyzing complex relationships among variables. Its flexibility, suitability for predictive modeling, and robustness with small sample sizes make PLS-SEM an attractive option for researchers in various disciplines. As empirical research continues to evolve, PLS-SEM stands as a powerful tool for advancing our understanding of intricate relationships and contributing to the refinement of theoretical frameworks in social sciences and beyond.

2.9. Summary

The family business industry is a multifaceted sector marked by both challenges and opportunities. Despite prevailing negative stereotypes related to unprofessionalism, family conflicts, and slow growth, it is crucial to acknowledge the substantial contributions family businesses make to the global economy. Typically characterized by multi-generational control and ownership, family businesses involve family members in crucial roles related to executive and strategic decision-making. These businesses face distinctive challenges such as managing family dynamics alongside professional responsibilities, ensuring smooth leadership transitions across generations, and addressing the influence of family culture on the business environment. However, many family businesses demonstrate resilience through effective succession planning and sustainability, significantly contributing to economic growth. Cultural dimensions, as proposed by Hofstede, play a pivotal role in understanding how societies approach power structures, individualism, masculinity, uncertainty, and time orientation. In the

context of family businesses, the interplay between family values and cultural dynamics greatly influences decision-making processes and organizational strategies. Recognizing the complexities of the family business industry while appreciating its positive contributions is crucial for a comprehensive understanding of its dynamics. Tradition plays a significant role in shaping the identity of family businesses, impacting decision-making, employee engagement, and customer loyalty. Balancing tradition with adaptability provides a unique competitive advantage, exemplified by successful family businesses like Toko Merah and Sampoerna in Indonesia. Succession planning, a global concern for family businesses, becomes even more complex in Indonesia due to its diverse culture, requiring careful consideration of various factors. The delicate relationship between Tradition and Individualism vs. Collectivism underscores the need for family businesses to strike a balance between fostering a sense of community and enabling individual growth and innovation. This equilibrium is vital for the sustained success of family enterprises. The interconnection of Tradition, Succession, and Decision-Making processes highlights the broader impact of tradition on family dynamics and business operations. The stories of enduring family businesses, both in Indonesia and globally, serve as valuable lessons for the next generation, emphasizing the importance of preserving values while embracing change. Navigating the complexities of culture, succession, and tradition with strategic foresight positions family businesses for sustained success, portraying them not merely as economic entities but as reflections of cultural heritage and entrepreneurial spirit. The intricate dance between tradition and adaptation defines the resilience and endurance of family legacies across generations, contributing significantly to both the global and local economies. The Four main concept which are: *Succession Planning, Tradition, Individualism Vs Collectivism, and Succession*. After the exploration of relevant literature review a list of conceptual framework is presented in figure 2.4. The study from this conceptual framework formed the constructs for the questionnaire and finally formed the hypotheses. The next chapter builds on this groundwork and provides an explanation of justification for the research methods utilize in this study about *Influence of tradition and succession planning OF SUCCESSION ON FAMILY BUSINESS IN INDONESIA Mediated By Collectivism*. Table

2.3 below show item that choose important item to measure the Succession Planning, Tradition, Individualism Vs Collectivism, and Succession ;

No.	Variable	Type	Operational Defintion of Variable	Dimension/ Indicator	Definition of Indicator	Item	Level Of measurement	SCORE
1	Tradition	Independent Variable	<i>influences decision-making among Generation (Ge & Campopiano, 2021).</i>	Adherence to Traditional Business Practices	Evaluate the degree to which the family business continues to employ traditional methods and strategies that have been intrinsic to its historical operations (Ge & Campopiano, 2021).	1. I believed that preserving and adhering to traditional practices is crucial for the family business. 2. I believed that the adherence to traditional business practices in our family business's succession planning is positively influenced by a collectivist approach. 3. I believed that a balance between tradition and modern practices is important for the overall preparedness of succession in our family business.	Likert Scale	1: Strongly Disagree, 2: Disagree, 3; Neutral, 4: Agree, 5: Strongly Disagree
			<i>Shared Values among Generation (Camfield, C. E. R., & Franco, M., 2018).</i>	Retention of Core Values	Examine the consistency in upholding core values and principles that have been fundamental to the family's business ethos over time (Camfield, C. E. R., & Franco, M., 2018).	1. I believed that a collectivist approach positively influences the retention of core values in our family business's succession planning. 2. I believed that a collective decision-making approach positively influences the successful integration of tradition in our family business succession. 3.I believed that successfully blending tradition with innovation and adaptability positively influences the overall effectiveness of family business succession.		

			<p><i>Preserveing Cultural Heritage among generation (AlRebdi, A., & Mohamad, K. A., 2021).</i></p>	<p>Cultural Rituals and Ceremonies</p>	<p>Assess the involvement of the family in cultural rituals and ceremonies associated with the business, emphasizing the preservation of cultural heritage (AlRebdi, A., & Mohamad, K. A., 2021).</p>	<p>1. I believed that a collectivist approach positively influences the preservation and meaningful integration of cultural rituals and ceremonies in our family business's succession planning. 2. I believed that a collectivist approach positively influences the consistent retention of cultural values in our family business's succession planning. 3. I believed that my personal values and beliefs significantly influence the preservation and integration of family tradition in our business's succession planning.</p>	
2	Collectivism		<p>Inclusivity of discussions regarding succession (Gu, Q., Fan, J., & Yu, X., 2021)</p>	<p>Inclusivity in Succession Discussions</p>	<p>Assess the inclusivity of discussions and planning sessions regarding succession, ensuring that a broad range of family members have the opportunity to contribute (Gu, Q., Fan, J., & Yu, X., 2021)</p>	<p>1. I believed that, as a main member of our family business, a collectivist approach positively influences inclusivity in succession discussions within our family. 2. I believed that, as a main member of our family business, a collectivist approach positively influences reaching agreements on inheritance and remuneration during succession discussions within our family. 3. I believed that, as a main member of our family business, a collectivist approach positively influences reaching agreements on the assessment of mastery skills and their development during succession discussions within our family.</p>	
			<p>Shared vision among family members (Heinonen, J., Kurikkala, H. Muhos, M., Phusavat, K., Simunaniemi, A., & Yousuk, R., 2021)</p>	<p>Shared Vision for Succession</p>	<p>Evaluate the existence of a shared vision among family members regarding the goals and expectations for the succession of leadership within the family business (Heinonen, J., Kurikkala, H. Muhos, M., Phusavat, K., Simunaniemi, A., & Yousuk, R., 2021)</p>	<p>1. I believed that a collectivist approach positively influences the creation of a collective vision for succession within our family business. 2. I believed that a collectivist approach positively influences the development of a unified vision for succession within our family business. 3. I believed that, as a key member of our family business, a collectivist approach positively influences my personal commitment to developing and sharing a vision for succession.</p>	

3	Succession Planning	Mediating Variable	<p><i>emphasizing the importance of Conflict among family harmony (Bąkiewicz, A., 2020).</i></p>	<p>Conflict Resolution Mechanisms</p>	<p>Evaluate the presence of mechanisms for resolving conflicts related to succession, emphasizing the importance of maintaining family harmony during the transition (Bąkiewicz, A., 2020),,</p>	<p>1. I believed that a collectivist approach positively influences the effectiveness of conflict resolution mechanisms in our family business's succession planning. 2. I believed that a collectivist approach positively influences the maintenance of harmony and effectiveness in conflict resolution mechanisms within our family business's succession planning. 3. I believed that my personal values and experiences significantly influence the effectiveness of conflict resolution mechanisms in our family business's succession planning.</p>	
			<p>Communication, transparency and understanding among family members (Gichuki, F., & Ábel, I., 2023).</p>	<p>Communication of Succession Plans:</p>	<p>Assess the communication strategy for succession plans within the family and the business, ensuring transparency and understanding among family members and key stakeholders (Gichuki, F., & Ábel, I., 2023).</p>	<p>1. I believed that a collectivist approach positively influences the effectiveness of communication regarding succession plans in our family business. 2. I believed that my personal values significantly influence the effectiveness of collectivism, transparency, remuneration, and inheritance discussions in our family business's succession planning. 3. I believed that my personal values significantly influence the effectiveness of collectivism, transparency, and the fair division of work according to positions in our family business's succession planning.</p>	
			<p>Emphasizing skills, knowledge, and leadership capabilities (Bitsch, V., Gabriel, A., 2019).</p>	<p>Identification and Development of Successors</p>	<p>Evaluate the effectiveness of processes in place for identifying and developing potential successors within the family, emphasizing skills, knowledge, and leadership capabilities (Bitsch, V., Gabriel, A., 2019).</p>	<p>1. I believed that a collectivist approach positively influences the effective identification and development of successors in our family business's succession planning. 2. I believed that a collectivist approach positively influences the fair assessment and consideration of successors working from bottom positions or based on their mastery of skills in our family business's succession planning. 3. I believed that a collectivist approach positively influences the fair assessment and continuous enhancement of expertise for successors in our family business's succession planning.</p>	

4	Succession	Dependent Variable	The transition process seamlessly leadership is passed (Bąkiewicz, A., 2020),.	Smooth Leadership Transition	Assess the effectiveness of the transition process, considering how seamlessly leadership is passed from one generation to the next within the family business (Bąkiewicz, A., 2020),.	1. I believed that the collective influence of collectivism, tradition, and succession planning positively contributes to achieving a smooth leadership transition within our family business. 2. I believed that the intricate interplay of collectivism, tradition, and succession planning poses significant challenges and considerations for achieving a smooth leadership transition within our family business. 3. I believed that successfully navigating the intricacies of leadership transition, with due consideration to collectivism, tradition, and succession planning, demands strategic and nuanced decision-making within our family business.
			financial stability and growth trajectory (Gu, Q., Fan, J., & Yu, X., 2021)	Financial Stability Post-Succession	Measure the financial stability and growth trajectory of the family business in the aftermath of succession, indicating the success of strategic planning and implementation (Gu, Q., Fan, J., & Yu, X., 2021)	1. I believed that the collective impact of collectivism, tradition, and succession planning significantly contributes to ensuring financial stability post-succession within our family business. 2. I believed that the strategic integration of collectivism, tradition, and succession planning positively contributes to a favorable growth trajectory of our family business's financial position after the succession process. 3. I believed that, from a financial perspective, the integrated approach of collectivism, tradition, and succession planning positively contributes to success indicators in our family business through effective strategic planning and implementation post-succession.
			Innovation and adaptability under new leaderships (Schlömer-Laufen, N., & Rauch, A., 2020)	Innovation and Adaptability	Evaluate the business's capacity for innovation and adaptability under new leadership, reflecting its ability to thrive in evolving market conditions (Schlömer-Laufen, N., & Rauch, A., 2020)	1. I believed that the impact of collectivism in our family business positively contributes to fostering innovation and adaptability under new leadership. 2. I believed that the succession process in our family business positively contributes to fostering innovation and adaptability, enabling us to thrive in evolving market conditions. 3. I believed that the succession process in our family business positively contributes to fostering innovation and adaptability, ensuring our relevance, competitiveness, and resilience in an ever-changing business environment.

Table 2.4 Operational Table

Chapter 3

Research Methodology

3.1. Nature of the Study

Further elucidating the detailed explication that was previously expounded upon in the chapter that preceded. Presently, the intent shifts towards expansion. This chapter's focus centers around examining with more depth the particular methodology, application, and strategies that were put to use in executing the research study. The study itself drawing upon the use of the Partial Least Square Structural Equation Model serves as a central tool in executing this investigative work. It calculates aspects using multiple regression along with simple linear regression as part of attempting to unearth relationships within the Independent Variable, the Mediating Variable, and the Dependent Variable. Circularly, such relationships reveal a picture of how succession planning impacts tradition, and in turn the impact of tradition in business succession through the ongoing generations of family businesses in the Indonesian setting. Implementing judgmental sampling serves as a crucial integration to stick firm to the quantitative research approach. Which type of research is identified as a method that is primarily grounded in the manipulation and subsequent analysis of numerical data as a tool for forming assertions, and evidence. As a supplement to this, it can be used to connect different aspects of business, scientific theories, with mathematical and statistical modelling creating forward foresight pertaining to the succession planning of Family Businesses in Indonesia as a prime example of its utility. This method is what lets an array of surveys to be undertaken designed to extract and collect data from numerous samples in a concentrated duration of time. Recognizing its significance in interpreting and quantifying the successfulness of succession planning models for the coming generations of Indonesian-based family businesses is a key end product of this focused approach to Family Business research. Inching forward from numbers and measurements, the end goal of this academically set goal could mutate into a consumption ready data presentation designed to provoke further researching drive and appetite towards forthcoming studies focused on potential ways to strategize

succession planning as applied within Family Businesses of global or Indonesian magnitude.

3.2. Research Design

This study is a quantitative research study. A questionnaire which consists of close-ended questions will be utilized to collect data. Questionnaire is a technique of data collection by asking each individual to respond to the question in a determined order (Bernarto et al., 2020). Questionnaire is meant to collect data from a group of people. Furthermore, a questionnaire consists of standardized and ordered question to generate responses from various situations to a uniform measurement (Bernarto et al., 2020).

3.3. Research Model

The Research model in the study is based theoretical studies mentioned by Bernarto et al. (2020) on the relationship among 2 aspect: Tradition, Succession planning using Partial Least Squares Structural Equation Modelling (PLS-SEM). Furthermore, the mediating variable of the study is Collectivism on Hofstede dimension in Indonesia and the dependent variable are Succession in Family Business. The model of the study strategical succession family business on the next generation. This conceptual model is based on experienced of transfer leadership through management by Bernarto et al. (2020) :

Figure 3.1 Conceptual Model of the Study

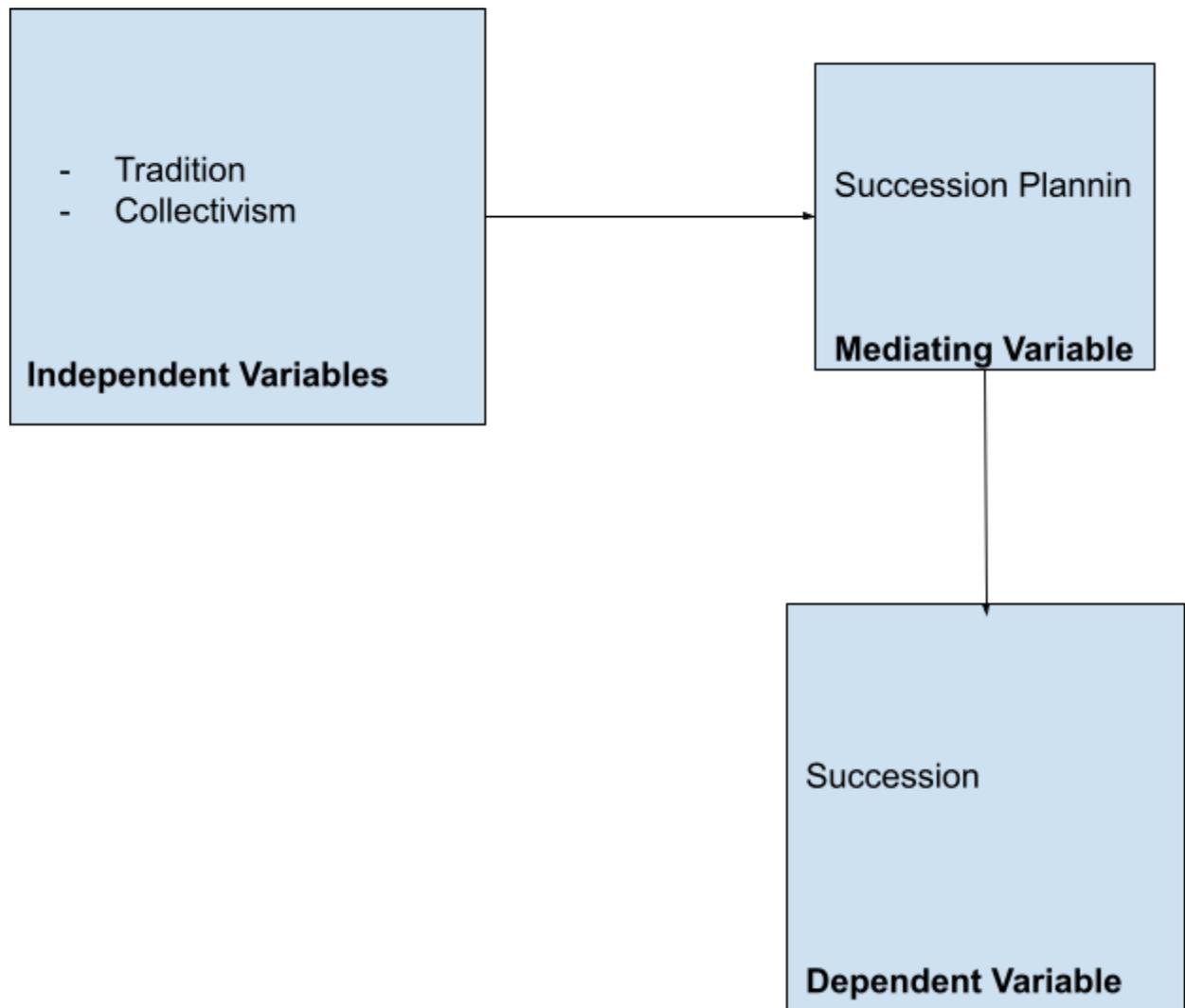


Figure 3.1 shows the research model of Influence of tradition and succession planning OF SUCCESSION ON FAMILY BUSINESS IN INDONESIA Mediated By Collectivism. These experiences are measured by conceptual model experience on Family Business industry by Camfield, C. E. R., & Franco, M., (2018), Ge & Campopiano, (2021), AlRebdi, A., & Mohamad, K. A., (2021), Bąkiewicz, A., (2020),. The mediating variable is based on on Collectivism culture on Indonesia regarding their family culture. Succession planning could lead to smooth transition on succession in Family Business.

3.4. Data Collection Method

Data will be gathered through a close-ended questionnaire, incorporating multiple-choice questions and a Likert Scale. Respondents will self-administer the paper via an online questionnaire, as suggested by Carling, Ersanilli, and Haas (2011) for Family Business Owners. This approach offers several advantages, including respondents having the flexibility to answer at their convenience, eliminating the need for appointments, saving time, and obviating the requirement for an interviewer due to the closed-ended format of the questionnaire.

3.4.1. Sampling Frame

The sampling frame of this research is going to be placed on Family Business Industry, who wants to or already finished their Succession from Previous Generation to next generation in Indonesia. The questionnaire will also be distributed to Online, Succession on Family business in Indonesia

3.4.2. Sampling Size

This study will include a number of 200 questionnaires. Furthermore, mentioned by Beaver et al. (2013) 200 samples size are generally categorized an adequate sample size. Variables involved in this study will exceed the number of five

3.4.3 Sampling Method

The sampling method used for this research would be judgmental sampling as a part of non-probability sampling techniques. Judgmental sampling method is the most common technique for researchers to enable the most accurate result based on researcher knowledge and judgmental (Carling, Ersanilli & De Haas, 2011). This research will apply subject to item ratio analysis of 10:1 or less to determine a “piori sample size” (Andres, & Huber, 2010). The sampling method is convenience sampling. This method has a disadvantage by concealing biases (Farrokhi & Mahmoudi-Hamidabad, 2012). The finding of this study should be carefully interpreted alongside the statistical data (Faber & Fonseca, 2014).

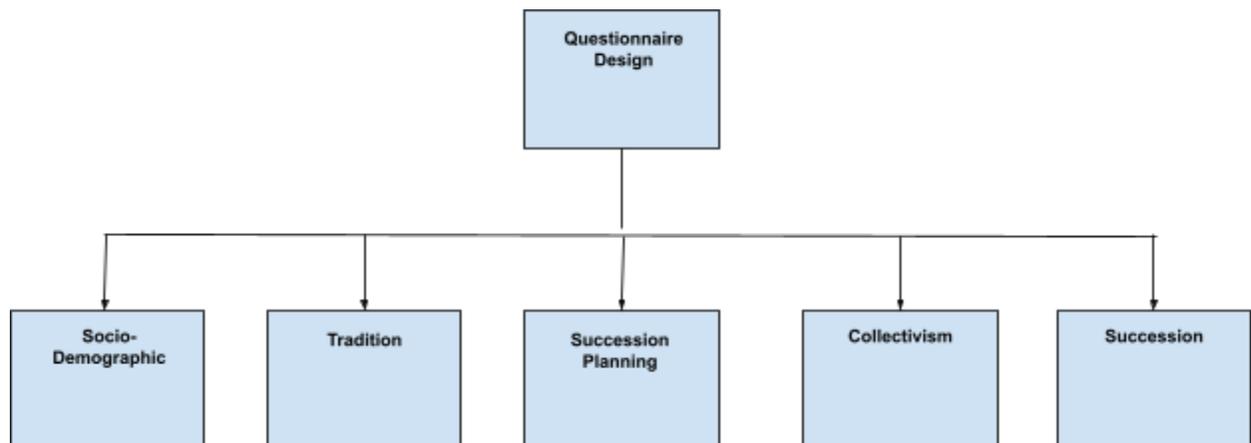
3.4.4 Level Measurement

Level of measurement in this research will consist of five points (1: strongly disagree, 2: disagree, 3: neutral, 4: agree, 5: strongly agree). Level of measurement in this research is used to determine consumers' preferences through degree of agreement with a statement or a set of statements (Ahmed et al., 2016). By using Likert scale, standardization of data would be possible.

3.4.5 Questionnaire Design

In this research study on succession in family businesses in Indonesia, the questionnaire was crafted to investigate factors influencing succession in family-owned enterprises. Moreover, using these inquiries, the researcher intends to ascertain a smooth transition in the succession of family businesses. Furthermore, the questionnaire will be distributed as two language *English and Bahasa Indonesia*. Consequently, the distributed questionnaire comprises closed-ended questions utilizing a five-point Likert scale. The questionnaire design, incorporating multiple-choice, closed-ended, and Likert scale items, will be segmented into five parts.

Figure 3.2 Questionnaire Design



First part is Socio-Demographic questions concerning socio-demographic characteristics of the respondents, including gender, age, Generation Family Business, Type Of Business, Family member, Number of Employee, and Level of Revenue. Mentioned in the previous study by Bąkiewicz, A., (2020), which socio-demographic determined reaching researcher target audience and characteristic of researcher audience. The design of the questions will be in multiple choices, except an open-ended question for Family Member.

Second Part is Tradition Evaluate the extent to which the family business sticks to traditional methods and strategies that have been integral to its historical operations (Camfield, C. E. R., & Franco, M., 2018). Examine how consistently the family upholds core values and principles that are fundamental to the business ethos over time (Ge & Campopiano, 2021). Assess the family's participation in cultural rituals and ceremonies linked to the business, focusing on preserving cultural heritage (AlRebdi, A., & Mohamad, K. A., 2021).

Third Part is Succession Planning: Evaluate how conflict resolution mechanisms are implemented, with a focus on maintaining family harmony during succession (Bąkiewicz, A., 2020). Assess the communication strategy for succession plans within the family and business, emphasizing transparency and understanding among family members and key stakeholders (Gichuki, F., & Ábel, I., 2023). Evaluate the effectiveness of processes for identifying and developing potential successors within the family, with an emphasis on skills, knowledge, and leadership capabilities (Bitsch, V., Gabriel, A., 2019).

Fourth parts is Collectivism Assess how inclusive discussions and planning sessions about succession are, making sure a diverse group of family members has the chance to contribute (Gu, Q., Fan, J., & Yu, X., 2021). Evaluate whether there is a shared vision among family members regarding the goals and expectations for leadership succession within the family business (Heinonen, J., Kurikkala, H., Muhos, M., Phusavat, K., Simunaniemi, A., & Yousuk, R., 2021).

Fifth parts is Succession Assess how smoothly leadership transitions from one generation to the next within the family business (Bąkiewicz, A., 2020). Measure the financial stability and growth trajectory of the family business after succession, indicating the success of strategic planning and implementation (Gu, Q., Fan, J., & Yu, X., 2021). Evaluate the business's ability to innovate and adapt under new leadership, demonstrating its capacity to thrive in changing market conditions (Schlömer-Laufen, N., & Rauch, A., 2020).

3.5. Pilot Test

Pilot test or similar definition with pre-testing used to measure the reliability of questionnaire. Utilize to measure the reliability of the of the questionnaire of this study. Pilot test is utilized to detect the weakness of the questionnaire design and sampling method (Haykin, 2013). As mentioned by Haykin (2013) the respondent can come from colleagues, and actual respondent to implement pilot test. Furthermore, this research will be aimed 20 respondents to be tested. The pilot tests will come from respondents in the scope of this study. Thus, this pilot test is expecting to diminish the questions which are awkward, not relevant, confusing, and offensive (Haykin, 2013).

3.6. Data Analysis

Subsequent to data collection, the research will evaluate the relationships among each variable and determine its significance. The data enable the researcher to explore the relationship among variables (Ahmed et al., 2016). This study would generate the quantitative data into statistical data to view the relationships among variables in SPSS software version 27 . SPSS is a software available on Windows or Mac to perform data entry. The data will be converted to tables and graphs. SPSS software is capable of operating a large amount of data and calculating statistical data automatically (Greasley, 2008). Furthermore, From social science the results of data collection methods are credible within a margin of error of < 10%. Thus, the

data assess full or partial mediation; 1. Model without mediation (Regress independent variable (X) on dependent variable (Y) to get total effect (C)), 2. Mediation Model (Regress X on mediator (M) to get coefficient (a), Regress M on Y while controlling for X to get coefficients (b) and (c')), 3. Effect on Analysis (Direct effect (C), Indirect effect $a * b$, Total effect c), 4. Determine the mediation (full mediation: $c'=0$ (X has no significant affect after M, Partial mediation $c' \neq 0$ (X still affects Y after M), 5. Significant test (consist of using sobel test, bootstrapping, etc)

3.7. Reliability

The reliability of the questionnaire would be decided through a pilot test with 20 target samples. Prior to finalization of the survey, a pilot test is beneficial to avoid inaccurate estimations for the average correlation of items in the questionnaire. Three steps will be performed in a pilot test: first, evaluate whether the guidance is comprehensible; second, assess the wording of the questionnaire; third, determine whether the questionnaire is viable (Simon, 2011).

3.8. Validity

Validity is defined as findings which determine whether proper execution of the research design is conducted in a study (Carling, Ersanilli & De Haas, 2011). Various ways are available to evaluate the validity of the questionnaire. First, evaluation regarding relevance of the questionnaire could be run by comparison to previous literature and questionnaires regarding Family Business Succession Factors. In this research, Succession and intention to revisit are the two factors to be examined. Second, evaluation of the questionnaire validity could be conducted by enquiring other experts in the field. The questionnaire was given to two experts in the field to comprehend their suggestions on Family Business industry.

3.9. Pilot Testing Result

The author conducted pilot test analysis for to diminish the questions which are awkward, not relevant, confusing, and offensive. The results are shown below

Utilized Cronbach's alpha the reliability of the questions (> 0.5) (Carling, Ersanilli & De Haas, 2011).

Tradition		
Cronbach's α	Item-Rest Correlation	N of Items
0.790	0.559	7

Table 3.1 Tradition Statistic Result

The statistical analysis using Cronbach's alpha for the traditional variable in table 3.1 reveals a reliability coefficient of 0.790, indicating a consistent effect ($p > 0.5$) across seven distinct questions.

Collectivism		
Cronbach's α	Item-Rest Correlation	N of Items
0.850	0.716	5

Table 3.2 Collectivism Statistic Result

The statistical examination utilizing Cronbach's alpha for the Collectivism variable in table 3.2 displays a reliability score of 0.850, suggesting a consistent impact ($p > 0.5$) across five unique queries.

Succession Planning		
Cronbach's α	Item-Rest Correlation	N of Items
0.870	0.634	9

Table 3.3 Succession Planning Statistic Result

The statistical analysis using Cronbach's alpha for the Succession Planning variable in table 3.3 indicates a reliability coefficient of 0.870, indicating a consistent effect ($p > 0.5$) across nine distinct questions.

Succession		
Cronbach's α	Item-Rest Correlation	N of Items
0.929	0.766	9

Table 3.4. Succession Statistic Result

The statistical examination employing Cronbach's alpha for the Succession variable in table 3.4 demonstrates a reliability score of 0.929, suggesting a consistent impact ($p > 0.5$) across nine unique questions.

CHAPTER 4

RESULT

This research chapter presents the outcomes and delves into the discoveries obtained from the questionnaires collected from the participants. The questionnaires were self-administered during distribution. Therefore, Employing an online questionnaire for Family Business Owners offers numerous advantages. This approach allows respondents the flexibility to answer at their convenience, removes the need for scheduling appointments, saves time, and eliminates the requirement for an interviewer due to the closed-ended format of the questionnaire. Furthermore, The findings obtained will be utilized as supporting data for the research objective concerning the Influence of Tradition and Collectivism on Succession in Family Businesses in Indonesia, which is mediated by Succession Planning.

4.1. Profile Of Respondent

The study encompassed a considerable cohort, with participants falling primarily within the age brackets of 31-40 (46%, N=97) and 21-30 (29%, N=61). Moreover, the generational breakdown revealed a predominant presence of Millennials, born between 1981-1996 (40%, N=84), followed closely by Generation X, spanning from 1965-1980 (24.8%, N=52), and Generation Z, born between 1997-2012 (24.8%, N=52). Gender distribution leaned towards a majority of male participants (59.5%, N=125), with females constituting the remaining portion (40.5%, N=85). Consequently, a significant proportion of participants held either Diploma or Bachelor's degrees (74.3%, N=156), indicating a strong educational background among respondents. The findings underscore a notable correlation (74.8%, N=157) between formal education and engagement within the family

business domain. The question of Length of experience working outside the family company majority are taken by 1-5 years (49%, N=103), and less than 1 year (25.7%, N=54). Therefore, The question about Role in the family company are significantly gathered from the Family Owners (29.5%, N=62) and Family Owner-Employees (25.2%, N=53) highlighting their pivotal roles within the organizational structure. The generation represents the current leadership in the family company majority are gathered from Second Generation (48.6%, N=102) as second place taken by Third-Generation (31%, N=65) indicative of the family continuity in leadership positions. Furthermore, The family members are actively involved in the day-to-day operations of the family business are majority in this study are 3-5 Family members (46.7%, N=98) underscoring the collaborative nature of familial enterprises, and family members in total own shares in the family company significantly gathered from 6-10 members (34.3%, N=72) indicative of a shared stake in the enterprise's success, as how big the family business the study gathered from How many the employee are as majority taken by 101-500 Employees (42.4%, N=89) and The annual operating income range are significantly gathered *Rp. 501.000.000.000- Rp. 1.000.000.000.000* (40,5%, N=85) showcasing the financial robustness of the surveyed enterprises.

Categories		Frequency (N)	Frequency (%)
Gender	Male	125	59.50%
	Female	85	40.50%
Age	Below 20 Years	1	0.50%
	21-30 Years	61	29.00%
	31-40 Years	97	46.20%
	41-50 Years	37	17.60%
	51-60 Years	11	5.20%
	Above 60 Years	3	1.40%
Generation	Silent Generation 1925-1945	1	0.50%
	Baby Boomers 1946-1964	21	10.00%
	Generation-X 1965-1980	52	24.80%

	Millenials 1981-1996	84	40.00%
	Generation-Z 1997-2012	52	24.80%
Formal Education	High School	4	1.90%
	Diploma or Bachelor	156	74.30%
	Magister	38	18.10%
	Doctorate	12	5.70%
Connection between Formal Education and the Family Business Field	Not Related	19	9.00%
	Quite Related	34	16.20%
	Highly Related	157	74.80%
Experienced Working Outside the Family Business	Never	24	11.40%
	Below 1 Year	54	25.70%
	1-5 Years	103	49.00%
	6-10 Years	23	11.00%
	Above 10 Years	6	2.90%
The correlation between work experience outside the family company and the family business sector being pursued.	Not Corellated	40	21.50%
	Corellated	139	74.70%
	Identical	7	3.80%
Role In the Family Business	Non-family Owner-Employees	20	9.50%
	Non family Non-manager Owners	9	4.30%
	Family Employees Only	45	21.40%
	Family members	4	1.90%
	Family Owner-Employees	54	25.70%
	Family owners	64	30.50%
	Non-family members	14	6.70%
Length of time working in the family company before being appointed as the successor	Below 1 Years	3	5.70%
	1-5 Years	22	41.50%
	6-10 Years	13	24.50%
	11-15 Years	7	13.20%
	above 16 Years	8	15.10%
Positing First Joining the Family Business	Entry-Level	3	5.70%
	Low Management	7	13.20%
	Mid Management	24	45.30%
	Senior Management	19	35.80%
The number of different positions held within the family company.	1 position	5	9.40%
	2 Position	15	28.30%
	3 Position	17	32.10%
	4 Position	9	17.00%
	5 or more Position	7	13.20%

Encouragement from previous generations for successors to be interested in joining the family business.	Not Supportive	1	1.90%
	Neutral	17	32.10%
	Quite Supportive	18	34.00%
	Very Supportive	17	32.10%
The main motivation for joining the family business as a successor	Lifestyle	1	1.90%
	Career Opportunities	5	9.40%
	Control/Experience	10	18.90%
	Living Needs	8	15.10%
	Responsibilities	23	43.40%
	Satisfaction	6	11.30%
Level Of Preparation during the take over	Not Ready	6	11.30%
	Ready	17	32.10%
	Quite Ready	18	34.00%
	Very Ready	12	22.60%
The takeover by the successor occurs when the predecessor.	Founder	4	7.50%
	Still Involved	33	62.30%
	Retired	7	13.20%
	Deceased	9	17.00%
The procedure for selecting a successor is conducted	Formal	33	62.30%
	Non-Formal	20	37.70%
The reason you were chosen as the successor is because	Motivation	8	15.10%
	Timing	19	35.80%
	Personal	9	17.00%
	Skill	17	32.10%
There is a formally written succession planning document.	Yes	40	75.50%
	No	13	24.50%
External consultants are external professionals hired to provide expertise and objective insights into company succession.	Yes	32	60.40%
	No	21	39.60%
Do you involve non-family mentors in overseeing the succession process? External mentors are individuals with more experience in the same business or industry, providing guidance and advice to successors.	Yes	27	50.90%
	No	26	49.10%
How do you describe the characteristics of the transition you have undergone? (Choose the most suitable option)	Difficult	2	3.80%
	Comfortable	7	13.20%
	Antagonistic	4	7.50%

	Smooth	6	11.30%
	Frustrating	6	11.30%
	Complicated	14	26.40%
	Well-Coordinated	13	24.50%
How do you describe the characteristics of the transition you have undergone?	Not Good	1	1.90%
	Moderate	9	17.00%
	Good	28	52.80%
	Very Good	15	28.30%
The industry type of the family company.	Hospitality And Tourism	10	4.80%
	Retail	19	9.00%
	Services	48	22.90%
	Logistic	8	3.80%
	Commodities	6	7.60%
	Health and Hospitality	2	1.00%
	Minning	5	2.40%
	Property	32	15.20%
	Construction	3	1.40%
	Agriculture	25	11.90%
	Education	2	1.00%
	Manufacturing	8	3.80%
	Technology	2	1.00%
	Convection	2	1.00%
	Finance	25	11.90%
	Event Organizer	1	0.50%
	Law Firm	2	1.00%
How long have you been involved in the family company?	Below 1 year	5	2.40%
	1-5 Years	37	17.60%
	6-10 Years	93	44.30%
	11-15 Years	48	22.90%
	16-20 Years	15	7.10%
	21 Years above	12	5.70%
Generation Represent	1st Generation	33	15.70%
	2nd Generation	102	48.60%
	3rd Generation	65	31.00%
	4th Generation	8	3.80%
	5th Generation Above	2	1.00%

family members are actively involved in the day-to-day operations of the family business	1-2	25	11.90%
	3-5	98	46.70%
	6-10	64	30.50%
	11-15	13	6.20%
	16 above Members	10	4.80%
family members in total own shares in the family company	1-2	27	12.90%
	3-5	48	22.90%
	6-10	72	34.30%
	11-15	51	24.30%
	16 above Members	12	5.70%
employees currently work in your family company	1-10	9	4.30%
	11-50	16	7.60%
	51-100	76	36.20%
	101-500	89	42.40%
	501 Above Employee	16	9.50%
The Annual Operating Income	Rp. 501 Million - Rp. 5 Billion	16	7.60%
	Rp. 5.1 Billion - Rp. 50 Billion	16	7.60%
	Rp 51 Billion- Rp 500 Billion	64	30.50%
	Rp 501 Billion - Rp 1 Trillion	85	40.50%
	Above Rp 1 Trillion	29	13.80%

Table 4.1 Profile of The Respondent

4.2. The Standardized Loading Factor of Indicator Variables

The standardized loading value indicates the relationship between indicator variables and their dimensions. This value usually ranges from -1 to 1, where negative values signify a negative relationship and positive values signify a positive relationship. Values close to an absolute 1 suggest a stronger relationship. In academic literature, a standardized loading value above 0.7 (or 0.5, if adjustments are needed) is considered satisfactory, while values below this threshold are seen as inadequate. Indicator variables with low standardized loading values can be removed from the model due to their minimal impact on

the dimension. Maintaining indicator variables with low standardized loading values in the model can negatively affect the reliability and validity test results, specifically lowering the Composite Reliability and Average Variance Extracted values, leading to less favorable outcomes. SFL stands for Standardized Factor Loading (acceptable criteria: Loading ≥ 0.70 and p-value < 0.05).

Indicator	Loading	p-value	Conclusion
TRAD1	0.70	0.00	Significant
TRAD2	0.37		Not Significant
TRAD3	0.37		Not Significant
TRAD4	0.33		Not Significant
TRAD5	0.50		Not Significant
TRAD6	0.66	0.00	Significant
TRAD7	0.75	0.00	Significant

Table 4.2 Standardized factor loading for indicators of the Tradition dimension

Indicator	Loading	p-value	Conclusion
COLLECT1	0.67	0.00	Significant
COLLECT2	0.59		Not Significant
COLLECT3	0.55		Not Significant
COLLECT4	0.74	0.00	Significant
COLLECT5	0.69	0.00	Significant

Table 4.3. Standardized factor loading for indicators of the Collectivism dimension

Indicator	Loading	p-value	Conclusion
SP1	0.75	0.00	Significant
SP2	0.62		Not Significant
SP3	0.52		Not Significant

SP4	0.48		Not Significant
SP5	0.32		Not Significant
SP6	0.56		Not Significant
SP7	0.71	0.00	Significant
SP8	0.58		Not Significant
SP9	0.69	0.00	Significant

Table 4.4 Standardised factor loading for indicators of the Succession Planning dimension

Indicator	Loading	P-value	Conclusion
SUCCESS1	0.74	0.00	Significant
SUCCESS2	0.62		Not Significant
SUCCESS3	0.60		Not Significant
SUCCESS4	0.58		Not Significant
SUCCESS5	0.67	0.00	Significant
SUCCESS6	0.60		Not Significant
SUCCESS7	0.69	0.00	Significant
SUCCESS8	0.71	0.00	Significant
SUCCESS9	0.52		Not Significant

Table 4.5 Standardised factor loading for indicators of the Succession dimension

The indicators highlighted in red in the tables above have been excluded from the analysis because their loading values are below 0.70. Nonetheless, some indicators with loading values under 0.70 have been kept because their values are near 0.70.

4.3. Construct Validity

Validity testing is performed to verify that the indicator variables accurately measure the intended dimension. The metric used for this test is the Average Variance Extracted (AVE). The AVE value ranges from 0 to 1, with higher values

indicating greater validity. As per the literature, an AVE value above 0.50 is considered good. If the validity level is low, it suggests that the indicator variables for a dimension do not uniformly measure the same dimension. Additional analysis, such as factor analysis, may be required to identify the inconsistent indicator variables. AVE stands for Average Variance Extracted (acceptable criteria: $AVE \geq 0.50$).

Dimension	CR	Conclusion
Tradition	0.75	Reliable
Succession Planning	0.76	Reliable
Collectivism	0.74	Reliable
Succession	0.79	Reliable

Table 4.6 Reliability testing using Composite Reliability (CR)

4.4. R-Squared

The R-squared values for both dimensions in the table above are relatively modest. Nevertheless, this is inconsequential as the objective of this study is to explore the impact of independent variables on the target variable, rather than striving to identify the optimal model. However, Family business succession planning is a complex process influenced by various external and internal factors, including technological advancements, globalization, educational disparities, evolving personal aspirations, shifting family dynamics, and financial considerations (Bhattacharya & Sarma, 2021). The definition of "family" has become fluid, and factors like blended families, divergent perspectives, and uneven sibling interest can create significant challenges (Sarma & Bhattacharya, 2020). Open communication and a nuanced understanding of family dynamics are essential for a smooth transition, requiring a careful balance between individual aspirations, shared family values, and the preservation of the business's legacy (Bhattacharya & Sarma, 2021; Sarma & Bhattacharya, 2020, 2021).

Dimension	R ²
Succession Planning	0.31
Succession	0.28

Table 4.7 The R-squared value

4.5. Hypotheses Result

Hypotheses	Relation	Path Coefficient	p-value	Conclusion
H1	Succession Planning → Succession	0.26	0.00	**
H2	Collectivism → Succession	0.13	0.09	*
H3	Collectivism → Succession Planning	0.31	0.00	**
H4	Tradition → Succession Planning	0.35	0.00	**
H5	Tradition → Succession	0.25	0.00	**

Table 4.8 Partial Hypothesis Testing Results

*a. ** significant at 5% alpha; * significant at 10% alpha*

b. Hypotheses 1-5 will be accepted if the p-value is below the alpha value

H1: Succession Planning influences Succession

The connection between Succession Planning and Succession shows a p-value of 0.00 (below 0.05) and a path coefficient of 0.26 (positive), indicating a significant positive impact of Succession Planning on Succession. Thus, Hypothesis 1 is supported at the 5% alpha level.

H2: Collectivism influences Succession

The relationship between Collectivism and Succession has a p-value of 0.09 (below 0.10) and a path coefficient of 0.13 (positive), indicating a significant positive impact of Collectivism on Succession. Therefore, Hypothesis 2 is supported at the 10% alpha level.

H3: Collectivism influences Succession Planning

The relationship between Collectivism and Succession Planning has a p-value of 0.00 (below 0.05) and a path coefficient of 0.31 (positive), indicating a significant positive impact of Collectivism on Succession Planning. Thus, Hypothesis 3 is supported at the 5% alpha level.

H4: Tradition influences Succession Planning

The connection between Tradition and Succession Planning shows a p-value of 0.00 (below 0.05) and a path coefficient of 0.35 (positive), indicating a significant positive impact of Tradition on Succession Planning. Thus, Hypothesis 4 is supported at the 5% alpha level.

H5: Tradition influences Succession

The relationship between Tradition and Succession has a p-value of 0.00 (below 0.05) and a path coefficient of 0.25 (positive), indicating a significant positive impact of Tradition on Succession. Therefore, Hypothesis 5 is supported at the 5% alpha level.

Hypotheses	Relation	Indirect Effect	p-value	Conclusion
H6	Tradition → Succession Planning → Succession	0.09	0.00	**
H7	Collectivism → Succession Planning → Succession	0.08	0.00	**

Table 4.9 Hypotheses testing of mediation effects

*a. ** significant at 5% alpha; * significant at 10% alpha*

b. Hypotheses 6-7 will be accepted if the p-value is below the alpha value

H6: Succession Planning mediates the relationship between Tradition and Succession

The mediating effect of Succession Planning on the relationship between Tradition and Succession has a p-value of 0.00 (below 0.05), indicating that there is a mediating effect of Succession Planning on the relationship between Tradition and Succession. Therefore, Hypothesis 6 is accepted at the 5% alpha level.

H7: Succession Planning mediates the relationship between Collectivism and Succession

The mediating effect of Succession Planning on the relationship between Collectivism and Succession has a p-value of 0.00 (below 0.05), indicating that there is a mediating effect of Succession Planning on the relationship between Collectivism and Succession. Therefore, Hypothesis 7 is accepted at the 5% alpha level.

Relation	Direct Effect	Indirect Effect	Total Effect	VAF (%)	Mediation Type
Succession Planning → Succession	0.26		0.26		
Collectivism → Succession	0.13	0.08	0.21		Partial
Collectivism → Succession	0,31		0.31		

Planning					
Tradition → Succession Planning	0.35		0.35		
Tradition → Succession	0.25	0.09	0.34		Partial

Table 4.10 Direct, Indirect, and Total Effect

The data assessment reveals the mediation effects of succession planning, the data suggests a mix of full and partial mediation in the relationship between tradition, collectivism, and succession outcomes. Succession planning serves as a strategic process that helps navigate the influence of tradition and collectivism on succession, mediating the relationship between these cultural values and business outcomes. While succession planning may fully mediate certain aspects of tradition and collectivism on succession, it may only partially mediate other factors, indicating the complexity of cultural influences on succession dynamics. Overall, the data assessment underscores the importance of understanding the cultural nuances and family dynamics within Indonesian family businesses to develop effective succession strategies. By recognizing the mediating role of succession planning in balancing tradition, collectivism, and business outcomes, family businesses can navigate succession challenges effectively and ensure long-term viability and success in the Indonesian business landscape. The VAF (Variance Accounted For) value is used to evaluate the type of mediation relationship. Here is the formula for the VAF value:

$$VAF = \frac{\text{Indirect Effect}}{\text{Total Effect}} \times 100\%$$

Hypotheses	Conclusion	Result
H1	**	Accepted
H2	*	Accepted
H3	**	Accepted

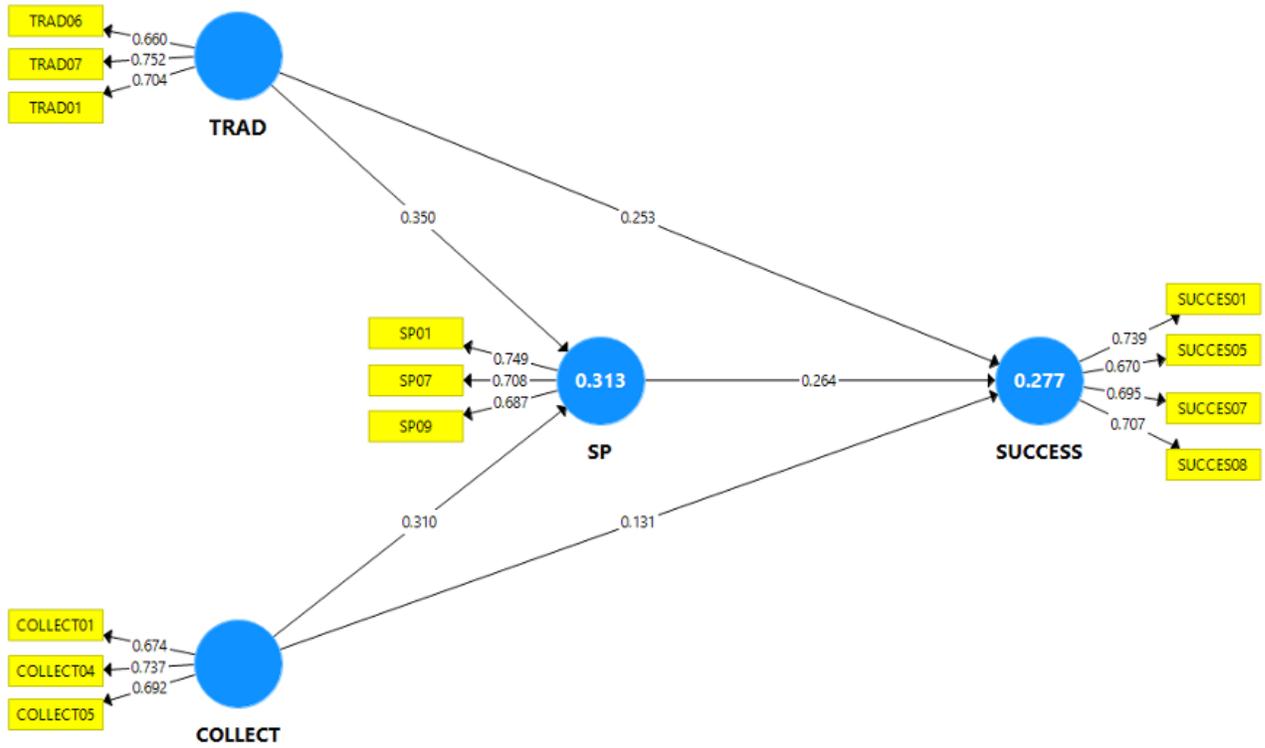
H4	**	Accepted
H5	**	Accepted
H6	**	Accepted
H7	**	Accepted

Table 4.11 Hypotheses Conclusion Result

Hypotheses	Relation	Equation
H1	Succession Planning → Succession	Y(Succession)=0.26(Succession Planning)
H2	Collectivism → Succession	Y(Succession)=0.31(Collectivism)
H3	Collectivism → Succession Planning	Y(Succession Planning)=0.31(Collectivism)
H4	Tradition → Succession Planning	Y(Succession Planning)=0.35(Tradition)
H5	Tradition → Succession	Y(Succession)=0.25(Tradition)
H6	Tradition → Succession Planning → Succession	Y(Succession) = 0.25(Tradition) + 0.09(Tradition*Succession Planning)
H7	Collectivism → Succession Planning → Succession	Y(Succession) = 0.13(Collectivism) + 0.08(Collectivism*Succession Planning)

Table 4.12 Equation Result

Figure 4.1 LISREL Output Chart for SEM Model (standard loading)



CHAPTER 5

DISCUSSION & CONCLUSION

5.1. Conclusion

The study found that most family businesses in the collected data encompass 6-10 members, and actively, 3-5 members are implicated in quotidian operations, while the others just acquiesce in a passive mode, the examination unearthed. All responsibilities indicate management, even half of the passive members are enmeshed in that. A whirlwind evaluation of the convention, teamwork, and blueprints for the future revealed substantial support for discord. But at this juncture, the proclamation submitted is signifying that concepts from the realm of social science do possess some believability, but just within a 10% error allowance. And, the quantum of impact reported just happens to reside within this threshold of perceptible error, so it's genuinely quantifiably bona fide. In the instance of Indonesia, these outsiders divergent from the family group might be initiating a bewildering scenario, with not-so-pellucid concepts up for grabs concerning helpful heritages and resolutions for managing discord. Then, the proxy-documentation achievement rate is 75%, not 25% as the report infers. When you congregate the reports from each comprehensive chapter, the overarching narrative is of interconnectedness and significance, such as contriving for the forthcoming family configuration, labouring cohesively in a family, and the rootedness in the antecedent layer or Tradition. In order for individuals to converse and design effectively for the future, the report even emphasizes the requirement of interaction, be it through obtaining formal

education elsewhere or accumulating work experience, all outside their closest interior circles.

Hypothesis 1: Succession Planning has a significant positive impact on Succession.

The inspection results demonstrably affirm Hypothesis 1. The implementation of operative succession design strategies is a tangible reality. This demonstrably influences the succession process, notably within the ambit of family-owned enterprises. The formulation and meticulous consideration of a well-defined line of succession is paramount for the perpetuity of family businesses. This comprehensive approach facilitates a seamless transition of leadership and proprietorship from one generation to the next. The research unequivocally underscores the significance of proactive planning as a pivotal element in ensuring operational continuity. Moreover, the findings irrefutably establish the essentiality of such planning in sustaining and perpetuating family businesses uninterruptedly over an extended timeframe.

Hypothesis 2 : Collectivism has a significant positive impact on Succession.

The exploration postulates a favorable relationship between achieving success and maintaining oversight of lineage in the familial enterprise. The primary emphasis rests on unity and shared principles, which serves as an indicator of collectivism. This revelation proves to be significant. Solidarity amidst family members and commercial intertwinement is paramount. This revelation implies that fostering a sense of continuity and a sentiment of unity can elevate the mindset of the kinship, originating from a collectivistic perspective. The supposition is that, akin to a clan of individuals spanning diverse generations, effective transmission of responsibilities and leadership

can facilitate the preservation of the commercial heritage across successive generations of kinship. The association between this and the consequence is not readily apparent, as it is less tangible and carries somewhat ambiguous ramifications. It is challenging to ascertain with absolute certainty, though there may exist certain commonalities in the cognitive process and interaction dynamics, which can constitute an arsenal of unity in thought, aiding in the transition of leadership roles when the family business embarks upon a new chapter of management by the subsequent age cohort. The concepts possess a degree of fluidity.

Hypothesis 3: Collectivism has a significant positive impact on Succession Planning.

Postulation discovers verification in inquiry on group-mindedness and inheritance preparation in familial ventures. A concentration on group-mindedness incites teamwork among family individuals in judgment-shaping and energizes an unconfined vision, gazing toward an effective and radiant commercial enterprise hereafter. Essential synchronization is additionally supported, as it acquires the individuals more adjusted, directing them deeper to successful inheritance procedures that are more supportable. This addresses various partners with divergent desires and specifications successfully in those procedures. Transmission and collaboration are prioritized. An illustration of a generously esteemed enterprise that struggled with inheritance procedure is the universal commercial space. Absence of association among the familial individuals was a fundamental cause driving behind it. Reluctance to share communal visions droved toward an inadequacy of an integrated front. These extensive elements appear to be coupled to the idea of group-mindedness and

inheritance preparation in familial ventures, though the combination is not completely smooth.

Hypothesis 4: Tradition has a significant positive impact on Succession Planning.

A striking connection resonates, unfolding between enterprises established in family backgrounds and a commitment to custom concerning the planning of lineage. Custom, this encompassing being formed of a civilization's principles, standards, and echoes of historical record, not only enlightens but also wields its force on the process of planning lineage. Ingrained with customary practices and the upkeep of such belief structures, these family-directed entities -- businesses as they are -- hold within them a varied tapestry of inheritance. It is this very inheritance which concurrently moulds and directs the intricate efforts in the undertaking of lineage planning. And the enduring fact: a gentle shift happens -- a transition with seamless qualities arises, an offspring budding from the trunk of that more mature tree. This transition is not only smooth but also deferential in nature, deferential towards the family inheritance and its legacy.

Hypothesis 5: Tradition has a significant positive impact on Succession.

The findings confirm that Tradition influences the overall success of the succession process within family businesses. By embracing and upholding traditional values, customs, and practices, family enterprises can instill a sense of continuity, identity, and purpose in the succession journey. This alignment with tradition not only strengthens familial bonds and cohesion but also enhances the resilience and longevity of the business across

generations, ensuring a successful and sustainable transition of leadership and ownership.

Hypothesis 6: Succession Planning mediates the relationship between Tradition and Succession.

The exploration from the work demonstrates that, according to Hypothesis 6, the intervening function of Succession Planning in Tradition's impact within the Family Business should not be disregarded. Legacy and Succession form a connection, marking a passageway from earlier times, built through instances of conventional practices, beliefs, and values made part of this planning process known as succession. Succession Planning is now seen as a process that ascends through an unbroken axis, with these conventional values becoming tactics that can be acted upon. These tactics also help to mitigate the ownership and leadership passage to new hands, a process that carries along the legacies and heritages of the family business and deems them in high regard.

Hypothesis 7: Succession Planning mediates the relationship between Collectivism and Succession.

Findings from the study, they validate the role of Succession Planning as mediator, this happening in the family business context of Succession and Collectivism. Collectivism, the existence of having shared values, unity and cooperation within a family, influence, shapes the developmental pattern of execution and development related strategy in planning succession. Becomes a Conventional Conduit, Succession Planning: it helps to finalise integrating of colossus family expectations and values into inheritance scheming. Making certain alignment and agreement within family members: so imperative. The

effectiveness, therefore its' enhancing. The sustainability connected also enhanced. By adding this mediation process into the undertaking of succession. Properly and smoothly undertaken hence an incentive. Inheritance is executed smoothly. As an outcome, the enterprise of family reflecting continuity within the collective Generational Post Leading. There's identity resting into the hands; reflection this also a vision. This discovery is not fully linear. But a line of reflection is marginally represented.

5.2. Objective and Importance

Succession planning and its significance, in Indonesian family-owned enterprises, were put under the microscope, focusing on two key aspects; tradition and collectivism. The primary objectives of the study were:

Objective 1: to identify the factor which are important for the how Succession Planning influences Collectivism, Tradition and outcomes in Indonesian family businesses.

Objective 2: to identify the factor of Succession Planning and their effect on family business post succession.

Crucially, research the highlighting of dynamics in succession planning within Indonesia's unique cultural context, significant roles of collectivism and tradition are played. The identifying of essential factors by the study, these factors include their impacts on family businesses, valuable insights they provide for effective succession strategies which in turn, business stability and growth are promoted over generations. Preventing potential conflicts, performance enhancement and future security of family businesses in Indonesia are being ensured by a smooth succession process. Information on family business succession in Indonesia is still scarce, lacking in fact.

However, how does Indonesia's collectivist culture influence family business succession, thus ensuring sustainability for the coming generation, for instance? Yet another point to consider is conflict resolution during succession period was, it must be planned carefully; it can have remarkable influences on the entire business's performance. Should the management is uninformed chaos can ensue, A ripple effect leading to confusion and uncertainty as well among managerial ranks about the business's direction.

5.3. Theoretical Implication

Reflecting on the pure essence of existence in regard to being shaped by conventions of adaptation, the deep question emerges: does it withstand the threshold of escalating influences through time? No straight path, though. Inheritance; some may refer to it as an organization of a figure, a solitary figure controlling the adjustments. Yet, how varied these change-taming techniques are! Answers seem countless through extensive listings. But is there gravity? Through these, one may catch a glimpse of coherence in essential components. Yes, an understanding into the organization of families within the intricate businesses of Indonesia, paving the means towards a comprehension of succession processes. Maybe, such conclusions could establish a foundation, a trailblazing one, for succeeding investigations. Talking about explorations that venture past the borders of countries, towards an endeavor emboldened by multi-locale assessments. However, Collectivism are correlated to the family parenting style can be affected to the conflict resolution harmony in the family businesses, as the other correlated factor the next generation's passionate factors. Family-related operational sustainability leaps between locations as far-flung as Poland, maybe the warmth of Malaysia, even extending to yet further east - resonating a connection to locations like the UAE or Saudi Arabia. But the means these thoughts burst open - these shouldn't obey a strict linearity. They may inspire the creation of

new frameworks for future investigations. A connection to the once-buried past expertise, maybe - only perhaps though - emerges from such insights. Theoretical implications for family businesses encompass exploring concepts such as agency theory, stewardship theory, and socioemotional wealth perspective to understand the dynamics of family-owned enterprises. These theories provide insights into governance structures, decision-making processes, and the interplay between family dynamics and business operations. By applying theoretical frameworks, researchers and practitioners can gain a deeper understanding of the unique challenges and opportunities faced by family businesses. Additionally, examining the impact of family involvement, succession planning, and socio-cultural factors within the theoretical context can contribute to advancing knowledge in the field of family business studies.

5.4. Practical Implication

Harnessing future research with the study's findings could propel the family business succession's evolution. The influences of Tradition, Collectivism, and Succession Planning- such a critical aspect. Not to be underestimated but these findings, they're also a toolkit of sorts for the facilitating smoother transitions, conversely sparking awareness. A disruptive, let's call it, intervention if you will. Now, these insights businessmen that also consult family businesses- yes, luminating, revealing knowledge about the family's behavioral dynamics. Flawed as they might be the succession plans, as there's often little seamless about this transitions in the business context nonetheless spinning data, extracting knowledge that might just offer solutions to the problems that lay bare in transition process. And synthesis from this, We should leverage this knowledge- symbolical data treasure we excavate as miners. Thus, added to the portfolio of the business owner tool to create sound succession plans that stand in harmony with Indonesia's considerably

more collective culture. Furthermore, Hofstede's dimensions, a thought perhaps before finishing the endless loop till enlightenment.

5.5. Limitation and Future Suggestion

Temporal constraints engendered a limitation on this inquiry. This has resulted in a diminutive sample size of only 200 respondents and circumscribes exploration. Impelled forward by establishing an exploratory division, the study has scant revelations to unveil concerning successors and their enactment of succession. Consequently, the comprehensive portrait of succession in this scenario is obscure. A lucid opportunity remains for prospective investigation to fathom the effectiveness of collectivism principles in conjunction with succession planning in familial enterprises. Notably, attention should be assiduously concentrated on legal conformity and appropriate remuneration practices, encompassing the drawbacks posed by each role delineation set forth by established legal frameworks in each position.

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