
A LITERATURE REVIEW: SUCCESSION PLANNING IN FAMILY BUSINESSES



Heri Sasminto¹

Universitas Teknologi Yogyakarta, Yogyakarta, Indonesia
herisasminto28@gmail.com

Nur Wening²

Universitas Teknologi Yogyakarta, Yogyakarta, Indonesia
weninguty@gmail.com

Sujoko³

Universitas Teknologi Yogyakarta, Yogyakarta, Indonesia
sujokod3@gmail.com

Abstract

This article presents succession planning that can affect family businesses that are owned and managed by families that have been analyzed and tested regarding family businesses being able to develop and survive to the next generation and identify the main research topics, namely succession planning, and method approaches to understanding succession planning in family businesses. This study uses the SRL (Systematic Literature Review) research type, the results of several studies agree that succession planning must be prepared early. While other studies agree that succession planning is carried out when the prospective generation is mature and has the knowledge to manage and lead a family business, it does not mean that potential successors are not taught about their family business, it's just that their duties are not burdened on potential successors.

Keywords: A Literature Review, Family Business, Succession Planning

INTRODUCTION

Over recent years, family business research has developed and become increasingly rapid (in P. Jaskiewicz and WG Dyer, 2017; C. Salvato, F. Chirico, L. Melin, and D. Seidl, 2019; A. De Massis and E. Rondi, 2020), this is the most important research to understand the impact of generational strategies on family businesses that will be felt in the future. The diversity of all aspects involved in family businesses and their differing performance make family business succession planning a topic worthy of exploration (Abadi et al, 2023). Several previous studies have shown that family business succession planning can increase company continuity. For example, several previous studies regarding family business succession planning will later be used as review material for the author researched (Abdala Ison, 2021; Hafiyah Rikza et al., 2019; Iwanto & Kempa, 2021; Ronaldo Setiawan and Hendro Susanto, 2018; Yonathan & Kempa Panggang, 2018). One of the very interesting reasons to research this is because there are many clashes over interests in the family business which could cause the family business not to last long.

From the results of a survey by The Jakarta Consulting Group, it turns out that not all family companies in Indonesia have prepared successors through succession planning to lead the company. Respondents who had prepared successors through succession planning were 67.8% while the other 32.2% had not or had not prepared it (Yonathan & Kempa Panggang, 2018)

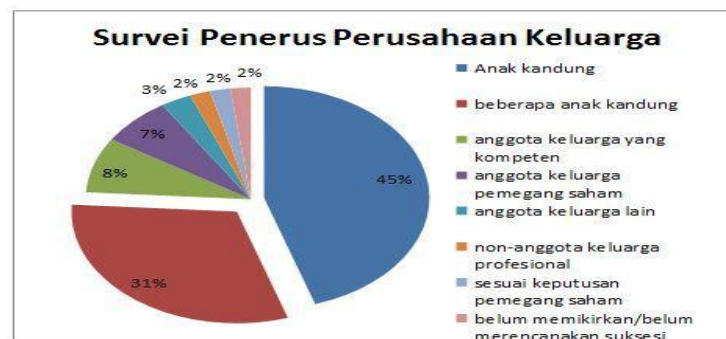


Figure 1.

Family Company Succession Survey

Source: Jakarta Consulting Group

The survey results also show that the priority for the successor to the family company is one biological child (45%) or several biological children (31%). Other criteria are competent family members (8%), shareholder family members (7%), other family members (3%), non-professional family members (2%), following shareholder decisions (2%), and those whom others (2%) have not thought about or even planned for succession (Jakarta Consulting Group, 2014).

Family business is a business model that combines family members in ownership and operation. A family company consists of several people who are connected by blood and marriage to the founder or owner of the business, or who can manage the business (Dwanto et al, 2012). Family businesses represent the most resilient business model in the world. The continued success of a family company from generation to generation depends on the motivation of the next generation who will take over the family business.

In succession planning, succession planning is a structured approach to planning for a leadership position in a family business (Oudah, Jabeen & Dixon, 2018). The results of Oudah & Dixon's research found that early planning, clarity of vision and communication, formal succession planning as well as actions that can be taken and measured are important factors for successful succession in family companies. Relationships between family members include communication, trust, commitment, loyalty, family turmoil, sibling rivalry, jealousy or resentment, conflict, shared values and traditions (Mokhber, 2017). Trust can be formed if there is frequent communication and interaction (Bizri, 2016). Family businesses will be able to compete globally if they can take advantage of the trust between family members that has been instilled even at the start of the business (Mokhber, 2017). According to Ghee et al. (2015), the success of family-owned businesses is built on the foundation of several integrated factors originating from the founder's business management skills, including the establishment of a solid foundation for successors, for the successor transition process. selecting a successor of good quality is something that should not be ruled out. The first generation must establish several criteria in selecting successors, which include adequate education and experience. Apart from that, successors must also receive

training or mentoring from the first generation so that they can properly continue and develop the family company that was founded by the first generation.

As a business that is owned and managed by a family, it is certainly not free from various problems that are sometimes difficult to solve. For example, distrust or distrust between family members, conflicts in decision-making, the issue of the crown prince, and differences in managerial thinking patterns between the first generation and beyond. As a result, many family businesses experienced a decline, even closing due to never-ending internal conflicts (Hafiyah Rikza et al., 2019).

In business terminology, there are two types of family companies. The first is a company owned by the family but managed by professional managers who come from outside the family. The second type of family company is a company that is owned and managed by members of the founding family. In Indonesia, on average, the majority of family companies are of the second type where family members are also the managers. In its journey, it is not uncommon for family companies to metamorphose from the second type of family company to the first type of family company. However, in Indonesia, the percentage is still small and not significant. Companies that are family-owned but managed by professional executives who come from outside the family circle have a competitive advantage when the company aligns aspects of family and business activities so that the company becomes more professional and mutually supportive (Carlock, 2009).

According to data from Pricewaterhouse Coopers (2019), family companies in Indonesia showed very good growth rates in 2018. The survey showed that as many as 35% of family companies experienced double-digit growth, 30% experienced single-digit growth, and only seven percent experienced a decline. sale. This shows the potential growth of family companies in Indonesia. Sinha and Govindaraj (2020) also stated that in 2020 the contribution of family companies in Indonesia to state income will be more than \$ 100 billion (around 10% of GDP).

Even though the achievements of family companies in Indonesia can be said to be very good, this does not mean that building a family company is an easy thing. The

development of a family business cannot be separated from the influence of leadership succession applied by each generation because each generation has different views and ways of thinking to advance and develop the company (Ronaldo Setiawan & Hendro Susanto, 2018). As time goes by, the family business is not always at the peak of glory, sometimes it is at the lowest point. One solution to survive is to carry out regeneration succession planning for leadership in the family business so that it continues to survive.

This literature review will be very interesting for family business owners and their family members as a study of family businesses in different fields to find out the perception of succession planning in various aspects. Looking at the phenomenon and several previous studies, the authors conducted a study of various literature which aims to find out and understand family business succession planning as a condition for achieving success in leading family business in the future for the next generation in the family business.

RESEARCH METHOD

The model used in this research is as follows: This research identifies the main research topic and a methodical approach using SLR (Systematic Literature Review) to understand family business succession planning with a literature study that collects several references relevant to succession planning in family businesses. Several things identified from existing literature include succession planning that occurs in family businesses and solutions to overcome them. This literature study reviews succession planning that occurs in family businesses and provides solutions to overcome problems. The methodology in this research uses a qualitative research methodology, intending to find out the succession planning that occurs in carrying out succession in family businesses through reviewing various literature so that it can become a reference for readers to become a reference for their business/company.

RESULTS AND DISCUSSION

Table 1.
Previous Research

Title & Researchers	Method	Objective	Results
<p><i>Perencanaan Suksesi pada Perusahaan Keluarga: Toko Kaca Mawar</i></p> <p>Harman Iwanto & Sesilya Kempa (2021)</p>	<ul style="list-style-type: none"> • Descriptive qualitative • Interview with the Mawar Glass Shop 	<p>To analyze the succession planning that has been carried out by a small and medium business managed by a family at the Mawar Glass Shop</p>	<p>Based on the results of the researcher's discussion, there are 10 stages in carrying out succession planning:</p> <ol style="list-style-type: none"> 1. Prepare a succession plan 2. Analyze and select high-quality candidates 3. Prepare plans to develop successors 4. Develop and communicate well-defined responsibilities 5. Securing senior level support 6. Develop talent management processes 7. Maintain a high level of communication 8. Measuring performance

			<p>before and after succession</p> <p>9. Capture the company vision</p> <p>10. Assign predecessor responsibilities after the transition</p>
<p><i>Pengaruh Perencanaan Suksesi, Hubungan Antar Keluarga, dan Kepercayaan Terhadap Keberhasilan Suksesi Bisnis di Komunitas Family Business Universitas Ciputra</i></p> <p>M. Ary Abdala Ison (2021)</p>	<ul style="list-style-type: none"> • Descriptive quantitative • Non-probability sampling by distributing questionnaires 	<p>To determine the influence of succession planning, inter-family relationships, and trust on the success of family business succession</p>	<p>Based on the results of the research and discussion previously presented, the following discussion results can be drawn:</p> <ol style="list-style-type: none"> 1. Succession Planning has a significant effect on the success of Family Business Succession. 2. Inter-family relationships have a significant influence on the Success of Family Business Succession. 3. Trust has a significant effect on the success of family

			<p>business succession.</p> <p>The succession planning indicators can be measured through: educational training, successor mentors, knowledge and attitudes of successors, (Ifekwem, 2018)</p>
<p><i>Perencanaan Suksesi dan Business Performance pada Business Family di Rumah Makan Wilayah Kota Jember</i></p> <p>Nandini Hafiyah, Rikza, Maheni Ika Sari, Pawestri Winahayu (2019)</p>	<ul style="list-style-type: none"> • Quantitative • Surveys or interviews and distributing questionnaires. • Purposive sampling 	<p>To find out whether succession planning has been implemented and identify existing business performance in restaurant family businesses in the Jember City area</p>	<ul style="list-style-type: none"> • The research results & discussion show that succession planning has been successful up to the 3rd generation, this is based on having prepared and selected potential successors who can improve business performance, apart from that, relationships between family members must be good, not jealous of each other and trust each other in decisions that

			<p>have been taken by the previous generation.</p> <ul style="list-style-type: none"> • The results of the researcher's discussion show that there are 5 plans in carrying out succession planning, including <ol style="list-style-type: none"> 1. Attitude, 2. Desire, 3. Commitment, 4. Trust, 5. Leadership
<p>Perencanaan Suksesi pada Perusahaan Keluarga di Universitas Ciputra Surabaya</p> <p>Bobie Ronaldo Setiawan & Hendro Susanto (2018)</p>	<ul style="list-style-type: none"> • Qualitative • Interview method • Purposive sampling 	<p>To find out a good succession process, especially in service companies</p>	<p>Based on the results of data analysis, there are four stages in carrying out succession planning, namely:</p> <ol style="list-style-type: none"> 1. Successors must understand the goals of the company, 2. Determining successor contributions. 3. Determine successor criteria and stages 4. Then the final stage is

			preparing the successor.
<p><i>Analisis Perencanaan Suksesi pada CV Baja Putra</i></p> <p>Denny Yonathan & Sesilya Kempa (2018)</p>	<ul style="list-style-type: none"> • Descriptive qualitative • Interview method 	<p>To find out information and an in-depth description of the phenomenon in family companies regarding succession that occurs at CV Baja Putra</p>	<ul style="list-style-type: none"> • Succession planning that has been carried out is evaluating the ownership structure, developing an overview of the expected structure after succession, evaluating the family's wishes and contingency plans, developing a selection process, training and mentoring future successors, carrying out team building activities from the family. • In preparing a potential successor there are 7 stages, namely the pre-business stage, introduction stage, function introduction stage, function implementation stage,

			function development stage, initial replacement stage, and replacement maturity stage.
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From previous research related to succession planning in family businesses, it can be concluded that:

It is very important to prepare succession planning from an early age to ensure the company's continuity in developing and maintaining the company from the first generation. Preparing for succession is not an easy thing, there are many variations in various aspects such as conflict among family members, lack of trust, jealousy, and limited knowledge in terms of education and non-education, which creates differences in thought patterns and a lack of interest among successors in continuing. The family business argued because it was less attractive to the company's field and there were many other factors.

Based on previous research that has been reviewed, they agree that succession planning is very important to prepare. The purpose of preparing succession planning is what makes researchers interested in studying succession planning as a goal for readers of this review to prepare potential successors in running the company so that it continues to survive for generations. until reaching the pinnacle of success.

Family Business

A family business is a business owned and run by their family members. It is becoming one of the most common businesses in the world. Family businesses usually start with one family member starting the business and inviting other members to join. Many people choose to start a family business because they have trust and mutual respect between their family members. However, there are also several obstacles that family businesses may face. First, is the issue of leadership. As the business grows, there may be leadership problems because there may be family members who are less effective leaders. Second,

there is the problem of conflict between family members. When a conflict occurs, this can disrupt business operations and cause failure or even cause the business to close permanently.

Aligning the different goals of one family with another is a challenge for their family business to move towards succession. This challenge sometimes results in the emergence of conflicts between having to prioritize family members or the family business to minimize future risks for their family. Succession planning in a family business is difficult to ignore. Family businesses, both in Indonesia and around the world, will face succession problems. A family business cannot avoid succession problems which ultimately results in the need for succession planning in the family business. Succession is an important moment in the existence of a family business because it is the nature of a business to be transferred from one generation to the next.

One effort to maintain a family business is to prepare succession planning because succession planning provides a guarantee that the family business will continue even though the previous generation no longer controls the business. Succession planning can also minimize family conflict. Succession planning helps avoid family conflicts that usually arise when there is no clear planning for the future of the business.

Succession Planning

Succession planning has been applied in several previous studies with different business fields, but this is not a problem with different business fields because the main thing in this problem is to know succession planning in their family business. The stages of the process in providing a succession planning framework that researchers propose with various variations make it unique for the author to study.

Succession planning in family businesses experienced by company owners in various business fields is still considered to be just a plan without any execution, this is caused by several things. For example, the results of previous research conducted by (Iwanto & Kempa, 2021) The first child does not want to continue the family business because he

does not have the desire to become an entrepreneur and chooses to continue his career in another field. The second child has been involved in family business management since 2018, when his studies were completed and he is planned to be the successor to the family business. The third child will also enter management after he completes his studies. Apart from that, in previous research studied by (Abdala Ison, 2021) the causes are the heirs or successors not being ready to continue the family company, lack of commitment, lack of communication between families, lack of loyalty to the family company, and from the side of the previous generation lack of succession planning and poor inter-family relationships between the founder and successor, as well as weak trust in the founder. to the successor, this is similar to the causes experienced in the research (Hafiyah Rikza et al., 2019). As a business that is owned and controlled by a family, it is certainly not free from various problems that are sometimes difficult to solve. For example, there is distrust or distrust between fellow family members, conflicts in decision-making, the issue of the crown prince (successor to the throne in the company), differences in managerial mindset between the first generation and the next generation, and so on. As a result, it is not uncommon for family businesses to experience decline, and are even forced to close due to prolonged internal family conflicts.

Research conducted by (Iwanto & Kempa, 2021) with the title "Succession Planning in Family Companies: Mawar Glass Shop", short profile Mawar Glass Shop is a small and medium enterprise (UKM) managed by the family, which sells all types of glass and photo frames. Founded by Iwan Wahyu in 1975 and now located at Jalan Diponegoro No. 62 Pasuruan, it shows that succession planning at Toko Kaca Mawar can be said to be indirectly going quite well based on the results of analysis using the 10 components of succession planning from Perrenoud and Sullivan (2016). However, even though the successors from this regeneration can continue the family business even if they are competent or able to lead the company, this will be useless if the owner does not have the desire willingness, and confidence to leave the company. This is because the company's willingness and desire are the first step in succession planning according to Michel and Kammerlander (2015).

According to Michel and Kammerlander (in Iwanto & Kempa, 2021), FBL tends to prefer to be carried out over a long period and does not like to formulate succession plans. So, the Owner will continue to be in touch with the company and there is no such thing as a leadership transition. If this happens, the fear is that the next leader could fail if one day the new generation or the old owner can no longer help. Knowing some of the things mentioned above, it is possible for the owner to always be there to accompany the next generation to provide direction regarding the company's vision and mission and teach them how to run a business so that succession planning can be said to be successful because in the succession planning process to get an ideal successor is not something that easy matters.

Slightly different from previous research by (Ronaldo Setiawan and Hendro Susanto, 2018; and Yonathan & Kempa Panggang, 2018), share owners or generations have carried out succession planning, but they realize that preparing succession planning requires a long time and thorough preparation. As time went by, the previous generation deliberately gave assignments or work that were not too heavy because they were worried that it would be disturbed by the education they were undergoing or the learning process of becoming a successor, but the previous generation hoped that after completing their education, the successor would be ready to accept and run the family company with the knowledge they had acquired. get an education and be able to understand family business companies that will be provided later. If the prospective successor is deemed ready and mature to lead the family company, then the shareholders or the previous generation decide to retire and the prospective successor will lead the company fully in the hope of developing the company and surviving in the long term until the next generation.

Based on the results of previous research, in writing this review it can be said that the shareholders agree with the development of capital for succession planning preparation from an early age by going through the stages of the process that have been arranged because the aim of these stages is none other than to achieve success in family business for generations. Apart from that, it guarantees the continuity of their family business. Succession planning assures that the family business will continue even if the previous

generation no longer controls the business. The stages of succession planning that have been compiled from several previous studies include:

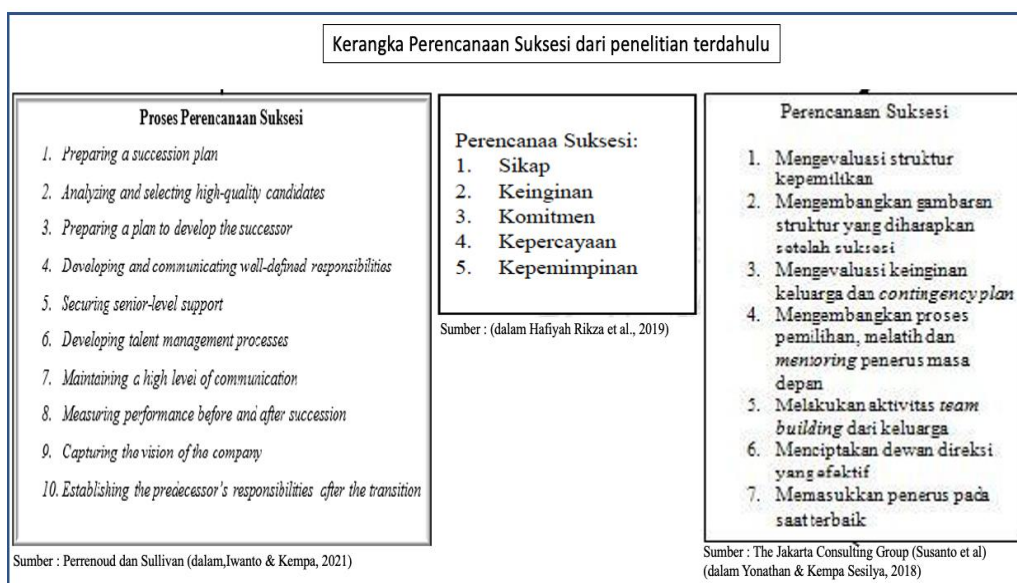


Figure 2.

Succession Planning Framework

Apart from that, succession planning in research (Ronaldo Setiawan and Hendro Susanto, 2018). Based on data analysis, there are four stages of succession, namely understanding the company's goals, determining the contribution of the successor, setting criteria for the successor, and preparing the successor. After reviewing several previous studies, the author is now interested in the research conducted by (Abdala Ison, 2021) entitled "The Influence of Succession Planning, Inter-Family Relations, and Trust on the Success of Business Succession in the Ciputra University Family Business Community", the results show that succession planning includes (1) Succession Planning has a significant effect on the success of Family Business Succession. (2) Inter-family relationships have a significant influence on the Success of Family Business Succession. (3) Trust has a significant effect on the success of family business succession.

CONCLUSION

Based on the results of the literature review, it can be concluded that managing family responsibilities and family-owned businesses is one of the most challenging tasks for family business owners. This succession planning must make the right decisions to identify priorities, strategies, resources, and strengths to help establish balance, as well as communicate these decisions to all interested parties in their family members. Some research agrees that succession planning must be prepared from an early age, while other research agrees that succession planning is carried out when the prospective generation is mature and has the knowledge to manage and lead a family business, this does not mean that the prospective successor is not taught about their family business, just their duties. no burden on potential successors.

While reviewing the literature on Family Business Succession Planning, the author examines the general features of various business fields, it is hoped that in the future he can focus on just one business field so that readers can easily understand insights about family businesses with this comprehensive review. Apart from that, suggestions for further research are expected to carry out more research during the implementation process to reach the point of success in succession planning in their family business up to the change of leadership.

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