

Family Business Analysis of Furniture Company in South Malang

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Abstract: *Recently, a study about family business is developing very rapidly. This article is written to give various thinking of family business development from the prevailing family business development. This article gives different variety in family business development since the company discussed in the present study is owned by original "Javanese ethnic" in South Malang, East Java, Indonesia. The present study uses qualitative descriptive method by doing interview and direct observation. The finding in the present study is about business management and business regeneration, as follows; (1) selection of the family business location, prioritize values of togetherness with family members and other relatives, and consider the profit and potency of the company to be developed, (2) business competition, choose "nriman" means, voluntary and has a very strong determination to become the number one company in the area, (3) technology utilization. It depends on the competence of the human resources. The higher the competence of human resources, the higher technology used is also higher, (4) concept of debt. According to CV. Andi, debt is something we need to avoid. CV Naim assumes that a businessman should have a debt, (5) business regeneration, prioritize passion of their children to work rather than the sustainability of their business.*

Keywords: *Family Business, Business Management, Business Regeneration.*

I. Introduction

The present study examines several topics deeply, which are the selection of family business location; business competition; technology utilization; concept of debt; and business regeneration in that family company. Interest to study family business is increasing rapidly in the last two decades. It is shown by many studies about family business. Poza (2010) says that eighty percent of the developing business all over the world is family business, which makes family business is interesting to be studied.

The difference between conventional company and family company is on the relationship between the leader (boss) and the employees. According to Donnelley (2002), a company is considered as family business if at least there is an involvement of two generations in a company. Their existence influences the company regulation. It doesn't happen to conventional company or non-family company. If someone has a business and build a company but doesn't involve the next generation, it cannot be considered as family business. The role and influence of a generation and other generation in a company should be clear, so that company is considered as family business. Sometime, in a company, there is a family which father and children work are working. As they work in that company and only position as administrative staff and don't give much influence to the company, it cannot be called as a family business. In order to be considered as family business, the father and children or relatives should be positioned in the influential position or give the important influence to that company.

Nowadays, there are so many family companies, starting from small scale to large scale. From those family companies, not all of them can survive in business life. There are so many family companies which cannot continue the business to the next generation, and finally those companies are bankrupt or owned by other owners. Actually, that is not expected by the owners because they started the businesses with long vision, so those companies should be developed from time to time.

Poza (2010) says that in the approach of "system theory", family business is illustrated as three main components which build a set of related system. Those three components are: owner, management and family. Those three companies are related one with another. It can be seen as this picture.

The first part indicates the family members who are active in the company management and part of the stockholders, the second part indicates the family members who are stockholders, the third number indicates non-family stockholders who are active in the company management, the fourth indicates family members who are active in company management but do not have any stock, the fifth part indicates non-family stockholders and out of the company management, the sixth part indicates family members who do not have any stock and are not active in the company management, and the seventh part indicates management who are the family members and do not have any stock.

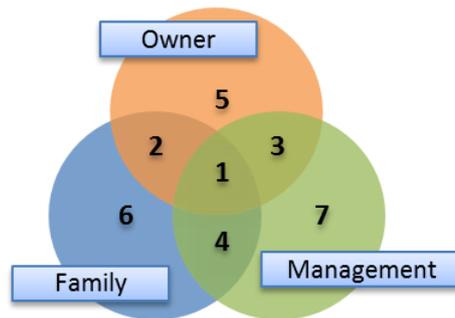


Fig. 1 System Theory (Poza, 2010)

On the both companies which are studied in this article, CV. Andi Furniture and CV Naim Furniture, there is involvement of the first to the seventh part in both companies even though those two small companies have less than forty employees. Based on the explanation above, the focus of the present study is to examine: (1) the selection of the family business location; (2) business competition in family business; (3) technology development in family business; (4) concept of debt in family business; (5) business regeneration process in family business.

II. Research Method

The present study uses descriptive qualitative method by doing interview and direct observation. The location of the present study is in South Malang, East Java, Indonesia. That location is chosen because there are many original Javanese ethnic and only some comers in that location. The selection data resource and the research subject are focused on two family businesses, CV Andi Furniture and CV Naim Furniture. Family companies discussed in the present study are two family companies in furniture.

III. Finding

The result of the present study is limited to several topics: first, the selection of family business location; second, business competition; third, technology utilization; fourth, concept of debt; and fifth, business regeneration. Those five topics will be discussed deeper in the discussion below.

There are two family businesses discussed in this research, those two businesses has been running for more than forty years. The first one is family business owned by CV Andi Furniture, this family business is located at the suburb of Gondanglegi sub-district since more than 40 years ago. While the family business owned by CV Naim Furniture also has existed from more than forty years. At the beginning, this business was located in the downtown but they relocated their company to the same area with CV Andi Furniture (AN) since more than twenty years ago.

The owner of CV Andi Furniture is CV Andi, he has 3 children, 1 son and 2 daughters. His last education is elementary school, while the last education of his children is senior high school. The first child's name is Ali. Ali's wife is a housewife; her last education is senior high school. The second child's name is Anis, Anis works as a housewife. Her husband is a driver who has a truck to work. His last education is senior high school, and he works as mechanic. CV Andi, Ali, Anis and Anik have houses which near each other. In working, CV Andi is helped by his son, Ali, while Anik and Anis is prepare the logistics or lunch for the employees of CV Andi.

The owner of CV Naim Furniture is CV Naim, he has 3 children as well, a son and 2 daughters. CV Naim did not graduate from elementary school. He just finished at fifth grade. The first child's name is Atus. She is a woman whose last education is Bachelor of Marketing. Her husband is a Bachelor of Management. He works in a big company which works on banking. The second child's name is Gufron, he is a man who is Bachelor of architecture. His wife is Bachelor of Psychology. The last child of CV Naim is a woman who is still studying in the last semester in accounting department. In working, CV Naim involves directly his first and second child. The last child is not much involved because she is still studying now, while his first daughter's husband and his second son's wife are not involved directly in furniture business of CV Naim. However, his first daughter's husband and his second son's wife have important role in CV Naim Furniture.

3.1 Selection of Family Business Location

The location chosen to build business in those two family businesses is similar. The location of those two family businesses is near; it's only two hundred meters. The near location becomes a threat from both family companies. They have to prepare a different strategy to survive. It will be discussed in the next chapter. The family business owned by CV Andi is located in the strategic place. It is far from the center of the town but it is located in the edge the road connecting two sub-districts, which are Turen sub-district and Gondanglegi

sub-district. The traffic in that road is very crowded because there are so many people have activity in those two sub-districts. When CV Andi was asked about the reason why they chose the location, he said “soale omahku nok kene, dulurku kabeh omah e yo nok sandinge omahku kene”, meaning that they build the company in that location because their houses are there and their relative’s houses are also there. From the explanation above, we can conclude that the house they stay in was older and built first than the location of the company. In their opinion, togetherness is more important than everything. They do not care about the location of the company.

The location of CV Naim is chosen with full of consideration because they chose the place which is not far from CV Andi. They think that the location is strategic. The location which is far from the downtown makes it become cheaper. This place starts developing day by day; so many new houses are built in this location. It is the biggest consideration of family business owned by CV Naim.

3.2 Business Competition

Every company has a different strategy to face the business competition. When CV Andi was asked about competitor, CV Andi said “nggak perlu wedi karo saingan, rejeki wes onok sing ngatur”. It means that we don’t need to be afraid of competitors, there is one who decides our income, meaning that Allah has managed the fortune of everyone in this world. Local tradition or local wisdom is still followed in Javanese’s family business. They believe that the existence of competitors will not harm their business.

When CV Naim was asked about the same question about competitor, they said that competitors are our enemies, we shouldn’t underestimate competitors. We have to be better than our competitors. They give more attention to competitors, so their business can survive. Therefore, family business owned by CV Naim is the “market leader” in furniture industry in this location. Thomas & Mueller (2000) predicts that people with culture that emphasizes the achievement will produce better businessmen rather than the culture that does not emphasize on the achievement. If we see this context, then CV Naim has higher achievement value than CV Andi

3.3 Technology Utilization

CV Andi does not maximize technology in production process. It might be caused by several reasons; have limited capital, most of the human resources from the leader to the employees only graduated from Senior High School, and there is no one who knows about internet.

CV Naim gives different answer of the question about technology utilization. He said that technology is very important to be developed. Technology will make employees work efficiently. With the newest technology they can produce the newest product. They will work hard to give new technology even though it is not always done. They will do anything to get new technology they need. If they do not have enough capital, they will try to get it.

Technology in production process is the important part for the owner of family business. According to CV Naim, technology is the great weapon to defeat their competitors. With advanced technology, they will be able to produce better product rather than the competitors’, which make their company is liked by costumers.

3.4 Concept of Debt

Both of CV Andi and CV Naim give the same answer when they were asked about debt. The answer is, yes our company have a debt. Although both of them have debt, they have a difference on this part.

CV Andi said that “lek iso urip iqu gak duwe utang, duwe utang nggarai gak iso turu nglipus” it means that, we avoid debt as much as we can, debt will only make us cannot sleep well. They choose to have a peaceful life with little income rather than have a big income but have a big debt as well.

As CV Naim was asked about the same question, they said that debt is something common in a business. We will not be able to be developed without a debt. They also said that debt makes them more diligent to work. For them, big debt reflects their big asset as well. Therefore, in their opinion, there is nothing to be worried about debt.

3.5 Business Regeneration

When they were asked a question about the next generation, the Javanese family business owner said, there are not so many things they do to prepare the next generation. They just told their children “le kowe oleh kerjo opo ae, seng penting kowe seneng lan jujur karo penggaweanmu”. It means that my children, you can work anything, the most important thing is you like your job and be honest to your job. While Akbar (2007) states that in one’s development process, he/she does not only internalize the norms in community, but also the norms in the environment. We can see here that parents never force their children to continue the family business. Parents only provide social environment in form of business environment in their company. By involving children to participate in the company, the children will be interested in furniture. According to the result, CV Andi Furniture prioritizes their children’s like to the job rather than the sustainability of the family

business. As taking a strategic or big decision, family company tends to need longer time rather than non-family company, Moss (2014). In family company, the employees have bigger sense of belonging than non-family company. It makes every decision they take will be considered in more detail because if the company take the wrong decision, the effect will be felt by all of the family members. In conventional company, they will think rationally without involving their feelings as taking a decision. If the decision taken causes failure, the one who will fail is not their company. They can work in another company if their company is bankrupt.

In the family business owned by CV Andi, the leader (father) gives freedom to his children, whether they want to continue the family business or not. Even though their father gives freedom to his children, their eagerness to continue the family business is big. Reason

The goal of every family business is to strengthen the family business to survive defeat the competitors and continue to the next generation, Ward (1997). Continue the family business in the next generation is very hard to do. There are so many obstacles they facing.

IV. Discussion

From the explanation of both family businesses CV Andi and CV Naim, we can see that they have different consideration of location selection. CV Andi chooses business location in that place because they consider more on the togetherness values, which is the local wisdom owned by CV Andi or original Javanese. Nowadays, there are not so many family businesses which still keep those values. CV Andi said “mangan gak mangan asal kumpul” meaning that it does not matter whether we eat or not, the most important thing is the togetherness. Family business owned by CV Naim chose to build his company in that location because they consider more on the strategic place. They assume that it will be more beneficial to build a company in that location because CV Naim emphasize on the profit and the development potential.

According to Zimmerer (2005), when we face a complex and global competition, creativity has a role to create a competitiveness which is very important to the company. In the competition part, CV Andi is more relax to face it because they think that one’s luck will not get exchanged. Therefore, they are more relaxed in facing the competitors. According to Heflin (2005) anyone who wants to be successful in business has to prepare the strategic and good business plan first. It will be strategic when we run and control the business. CV Naim also does that action in running the family business. They do not only prepare a good plan, but they also give much attention toward their competitors. They give much attention toward their competitors, development. Each of their products has to be better than the competitors’ in that area. CV Naim wants to be the market leader in that area.

Being the market leader is not easy. CV Naim maximizes the technology of their family business. If the financial is limited and they are difficult to bring new technology, the debt alternative will be chosen. While in the family business owned by CV Andi, they do not give much attention on technology. Technology and the equipments used are simple.

There are two different views in the present study in the debt section. CV avoids debt very much. They are searching for a peaceful life. Although CV Andi avoids debt very much, they still have a debt but in a little amount. They said that they would pay it soon. CV Naim view is more open minded, debt is not a big deal for them because debt is parallel with their asset. The bigger their debt, the bigger their asset is. CV Andi successfully minimizes their debt and pay their debt as soon as possible. According to CV Andi, a live without any debt is a big success. While according to CV Naim, the big debt reflects the big asset, which is their proud.

Family business owned by CV Andi does not give much attention to the education of the next generation. When the leader was asked about education for the next generation, he said “gawe opo sekolah duwur-duwur, ngene ae wis cukup, percuma sekolah duwur lek akhlak e bobrok”. It means that we do not need to get high education. It is enough. High education will be useless if the attitude and behavior is bad. According to Baharuddin(2007), the establishment and development of a child’s personality and attitude is influenced by family first, the next influence is from friends, neighbors, village/city environment and the special influence from school. From the explanation above, actually the emphasis is not on the useless of high education, but CV Andi assumes that moral education is more important than high education. The intercommunication of CV Andi’s child is protected well. When the children of CV Andi were students, they have to “read Koran” or study religious belief deeper in non-formal education institution after they school. Wahyono (2001) states that, daily behavior of parents, and also communication intensity between children and parents give important role to the children’s education in a family. Although CV Naim didn’t graduate from elementary school, with good communication intensity they can make their children have higher education.

V. Conclusion

CV Andi and CV Naim both are original Javanese ethnic but the local wisdom on both of them is different. CV Andi still upholds the local wisdom, while CS Naim starts to adapt from the business development. Support of the resources owned by CV Naim is better than CV Andi, so their thinking changes as

well. They start to leave the local wisdom. That difference influences the business behavior seen from: (1) The business family location selection. Value of togetherness is seen in the family business owned by CV Andi. CV Naim more considers on the profit. (2) Business competition. The cultural value of Javanese about the behavior to “accept/sincere” in facing a threat is clearly seen in family business owned by CV Andi. (3) Technology utilization is related closely to the business owner’s vision and the competences of human resources in those two family businesses. (4) Concept of debt, it can be concluded that CV Andi avoids debt as much as they can, while CV Naim is different. (5) Business regeneration. Both of CV Andi and CV Naim prioritize (passion/interest) of their children rather than force their children to continue their business.

The idea and the thinking of the owner of those two companies influence their business behavior. The local wisdom of Javanese which is still followed by family business owned by CV Andi influence their business behavior. The business behavior of CV Andi is very different with the business behavior of family business owned by CV Naim. It might happen because the local wisdom of Javanese starts to fade in the family business owned by CV Naim. Their thinking is developing parallel with the level of education of CV Naim’s children.

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