DEVELOPMENT OF LEADERSHIP BASED ON VALUE ON FAMILY COMPANY TO SUSTAIN THE BUSINESS SUCCESS FROM GENERATION TO GENERATION

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Abstract: One of the family business challenges is how to sustain the business success from generation to generation. PT Sandimas Intimitra made a strategic decision to develop values-based leadership when the founder decided to retire and the second generation took over the leadership roles of business. This paper based on three research questions: (1) at what level is the leadership capacity of the current managers, (2) what kinds of values are relevant to be cultivated for the whole organization (3) what are the initiative programs to be developed for cultivating the values role for the whole organization?. This study used a mixed method approach, which is a combination of quantitative and qualitative approaches. A qualitative approach was used to answer the question “what kind of values are relevant to be cultivated?”. The qualitative approach used the 5D cycles of appreciative inquiry. While the quantitative approach used descriptive statistics to answer: “at what level is the leadership capacity of the current management board” and “what are the initiative programs to be developed for cultivating the values role for the whole organization” The conclusion of this research are: (1) PT Sandimas Intimitra need to increase the leadership capacity of the current managers, (2) there are seven values that are relevant to the new vision and mission to be cultivated, namely: integrity, responsibility, sense of belonging, learning, creative, consistent and quality, (3) the management of PT Sandimas Intimitra prosecuted for more serious role as a role model, promoter, and protector of the seven values especially creative, quality and consistent values.

Keyword: values based leadership, family business, and appreciative inquiry

Family firms play a large role in many economic sectors in different countries whether in developed countries or in developing countries. Based on data from the Family Firm Institute, the family company managed to create about 70% to 90% of the world’s Gross Domestic Product. Let’s say in the United States about 80% -90% of companies in northern America is a family company. Family firms in the United States provide 62% of employment for the workforce. Even some of the leading companies such as Ford Motor, Wal-Mart, Hilton and Marriott are also family companies. Meanwhile, in the Middle East, 75% of the private sector is controlled by companies of the 5000 richest families who can absorb 70% of the workforce and control over 90% of trading activity (Susanto and Susanto, 2014).
There is also a company categorized as a family company if it has one or more of the following characteristics: (1) the company is owned by the majority by a certain family, (2) the company is managed by a certain family, (3) the company is controlled and directed by and for certain families, (4) the company becomes a particular family identity, (5) the company is led by several generations of a certain family, and (6) the pattern of corporate succession is aimed only at certain family circles (De Massis, 2012).

Gimeno, et al. (2010), revealed that the family company has at least five major challenges: (1) Overlapping Roles. The occurrence of overlapping roles in ownership, family, and management. So often interpersonal conflicts tend to ignore business interests and better accommodate family interests, (2) Succession Planning. There are difficulties in carrying over generations. Often encountered by future generations do not have enough interest to continue the leadership of the family company. Or the next generation does not have enough capacity and character required, (3) Family Constitution. There is a complexity of interpersonal relationships within the company. There is an interesting attraction between the drive to keep family harmony and desire to spur business performance, (4) Family Governance. There is difficulty in getting a unanimous decision on organizational governance, (5) Communication. It is not easy to create an open, direct, and clear pattern of inter-employee communication in business management activities.

More specifically, about 70% of the family companies went bankrupt or sold before the second generation took over, and only 10% were able to survive until the third generation. Even that can continue until the fourth generation is no more than 3-5% (Stalk and Folley, 2012). While Gimeno, et al. (2010), explained that only 70% of family companies succeeded in transferring leadership to the second generation. Only 15% of family companies make it to the third generation. Tjiptono (2013) suggests many family companies that died along with the age of the founder. This is due to excessive corporate dependence on the very founders and the lack of regeneration or leadership succession mechanisms. According to Tjiptono (2013) although succession is crucial to the family enterprise, there are still many business people, especially in Indonesia, who view the issue of regeneration as something taboo is discussed formally, openly and systematically; until finally, the company is really in trouble when the next generation to continue the leadership. Especially in a family company, the determination of a successor characterized by a conflict of interest, vision differences, and lack of commitment to the family business can lead to the sale or closure of the company. More complicated if it had anything to do with inheritance. Not infrequently there are family members, especially those who are financially weak, who just hope that the company will soon be sold so that its inheritance can be quickly distributed.

To face these challenges, Fishman (2009) recommends nine important things that a family company must do: (1) creating and communicating the company’s vision, (2) employing and dismissing family-member employees; (3) paying close attention to compensation for family-member employees; objective family-member successor, (5) developing family-member successors, (6) aligning corporate culture with corporate vision and mission, (7) paying attention to the dual role challenges of partner business partners, (8) recruiting, retaining and inspiring non-family member employees, (9) transition ownership to family members.

LITERATURE REVIEW

This paper relies on two main theories of leadership theory and the theory of values. Based on these two theories, this paper discusses the development of values-based leadership or values-based leadership in family companies that transition the leadership of the founder to his two daughters.

Leadership Theory - Simply put Robbins and Judge (2013) defines leadership as the ability to influence a group to achieve a particular vision or set of goals. This is in line with opinion Yukl (2010) which suggests that most definitions of leadership reflect the assumption that in leadership there are attempts to influence planned-intentional influence on people in the form of guidance, facilitation structures for various activities and relationships within a
group or organization. While Osborne (2014) pay more attention to one’s ability to create an environment where everyone understands what the contribution is expected of them and feels fully committed to doing remarkable work. More compact again Yammarino (2013) asserts that leadership is a process of multi-level interaction (personal, pair, group, collective) between leaders and followers occurring in certain situations in which a leader (superior, supervisor) and followers (subordinates, team members) share a particular purpose (vision, mission) and jointly make it happen (goal, goal, task) with pleasure without compulsion.

Refer to the definition of the above mentioned scientists (Robbins and Judge, 2013; Yukl, 2010; Osborne, 2014; Yammarino, 2013; Grint et al., 2016), this paper defines leadership in three dimensions of influence ability to influence, the concern to others, and future orientation. Based on these three dimensions, the concept of Leadership Capability is developed in eight levels or levels. Where a person has the highest Leadership Capability (level 8) are those with high influence, high concern for others and future oriented. While one has the lowest Leadership Capability (level 1) are those who have the ability to influence the weak (low influence), more dominant think self-concern and thinking oriented to the future (current oriented). Eight levels of Leadership Capability as shown in Figure-1.

The Theory of Values - Lavigna (2013) argues that values are a set of important ideas or principles that serve as criteria for individuals, groups or organizations to make decisions or priorities in their personal or business lives. While Kuron et al. (2015) argue that the values (work value) are a clue or indicator of what is considered important or desirable by individuals for life especially their work. Even farther Krause (2015) divides the values into two main groups: (1) organizational values - which guide all citizens of the organization in making day-to-day decisions, and (2) individual values - in the form of a set of standards by which individuals make decisions, evaluating others, explaining or taking action and also assessing what is valuable, important or preferable for a particular behavior, choice or action.

Referring to the initial value theory of the work (Schwartz, 1992) as well as reviews of hundreds of studies on values that are universal, Krause(2015) managed to inventory 19 kinds of individual values both in personal, group and universal scope that is (1) self-direction-thought, (2) self-direction-action, (3) stimulation, (4) hedonism, (5) achievement, (6) power-dominance, (7) power-resources, (8) face saving, (9) security-personal, (10) security-societal, (11) tradition, (1) conformity-rules, (13) conformity-interpersonal, (14) humility, (15) benevolence-dependability, (16) benevolence-caring, (17) universalism-concern, (18) universalism-nature, and (19) universalism-tolerance.

Values-Based Leadership - Crumpton (2011) suggests that there has been an evolution in leadership theory. In the first generation, leadership theory is more focused on “who is the leader” characterized by theories about the characteristics of leaders and charismatic leadership. In the second generation of leadership, theories focus more on “what the leader does?” Which is characterized by leadership behavioral theory. Then in the third generation, leadership theory focuses more on “under what conditions can leadership be effective?” Characterized by contingency and situational leadership theory. Then in the fourth generation, leadership theory focuses more on “how does the leader think, judge, and act?” Characterized by transactional-transformational leadership, servant leadership, and authentic leadership. Today the theory of leadership has entered the fifth generation of spiritual leadership.

The concept of values-based leadership, when viewed in the context of the evolution of leadership theory, is a concept of the fourth generation of authentic leadership. Where according to Robbins and Judge (2013) authentic leaders are leaders who know themselves well, have full conviction of values and they act on those values either openly or covertly so as to gain the full confidence of the followers.

**RESEARCH METHODS**

This research is a case study at PT Sandimas Intimitra (SIM) a family company which is a leading sliding and blinds manufacturer in Indonesia.
Their products are used in offices, hotels, luxury homes in major cities in Indonesia. SIM established since 1980 and founded by Mr. Bruno an architect graduated from Parahyangan University, Bandung. He and his friends started this business starting from their first factory in Klender, East Jakarta. Several times the company experienced a fall-out in getting started, running and managing the SIM. Currently, Mr. Bruno plans to engage more in religious-social activities. He gave the company leadership control to his two daughters, Mrs. Jean and Mrs. Fin, who graduated from leading universities in Australia. Some of Mr. Bruno’s family and colleagues are involved in managing this business. Mr. Bruno wants the company to continue growing and growing under the leadership of the second generation.

This study aims to answer three research questions: (1) “how is the current leadership capacity of the SIM management ranks?”. Is the leadership capacity of the management ranks currently at a high level or still at a low level? Thus, by knowing the current conditions, it can be a consideration for more effective leadership development programs in line with the changes and business challenges faced by the MIS in the future, (2) “what are the relevant values fostered in the SIM?” In line with the transition leading to the second generation, it is also important to make efforts to redefine what the vision and mission of the company in the future. The first generation has built a solid business foundation so that SIM becomes the leading provider of sliding wall or partition and blinds in Indonesia. Is there an ambition to make the company bigger? What new vision and mission should be defined? In addition, what are the relevant values to support the execution of the mission and the realization of the future vision of the SIM, (3) “what values-based leadership are relevant to run on the SIM?” After understanding the current leadership capacity and values, which will be cultivated, then the next question is what should be run by the ranks of management? Through the current leadership of what values need to be strengthened? The role of leadership as an example of values or fanciers of values or the preservation of values?

This research uses mixed method approach that is a combination of quantitative research and qualitative research. Descriptive quantitative research is used to answer the question (1) “what is the current leadership capacity of the SIM management ranks?”. And the question (3) “value-based leadership-what is the relevant value developed in the SIM?”. While qualitative research is used to answer the question (2) is “what values are relevant developed in the SIM?”. The qualitative research uses the appreciative inquiry approach.

Data Collection - Quantitative Research is carried out by a census-based written survey of the entire management of MIS, the second generation of top management (2 persons), all managers as middle management (9) and all supervisors as Pratama management (52 people). A survey using Leadership Capacity Quiz and Quiznaire Description of Work Behavior. Leadership Capacity to measure a person’s leadership level based on three dimensions of influence, concern for others (the concern to others) and future oriented. Leadership Capacity uses 15 statements and produces eight leadership levels as shown in Figure 1.

Figure 1 Leadership Capability

While Description of Work Behavior to measure how often the behavior of daily work. The work behavior of individuals, groups or organizations already aligned or not with the seven values. The Work Behavior description uses 63 statements, where each value is outlined in three key behaviors and each key behavior is 3 statements. Both Lead-
ership Capacity and Work Behavior Descriptions both use the Likert scale with 5 responses consisting of: “never”, “rarely”, “sometimes”, “often” or “always”.

Meanwhile, qualitative research using appreciative inquiry approach. According to Stavros, Godwin, Cooperrider, and Wiley (2012) appreciative inquiry is a positive approach to encourage organizational changes by utilizing images of the best possible future that are articulated and visualized by people or stakeholders who have a major impact on the human systems of the organization. Appreciative Inquiry (Cooperrider, Whitnye, and Stavros, 2008; Schlombs, Howard, Delong, and Lieberman, 2015; Yuliani, Adnan, Pierce Colfer, and Indriatmoko, 2014) in this study involving founders (1 person), second generation (2 persons), and all managers (23 people). They were gathered together for one day to run the 5D Appreciative Inquiry cycle of Defining, Dream, Design, Destiny, and Discovery as shown in Figure 2. They were placed in 4 mixed groups and each group consisted of 7-8 people. Each group performs 5D process simultaneously. Then they presented the results of the group discussion to the whole class. The results of this whole class discussion then refined his grammar so that the seven main values chosen to be developed in the SIM.

Results and Discussion

Based on the results of a descriptive statistical analysis in the form of the percentage of the response of management ranks to the statements contained in the Leadership Capability Quiz and Work Behavior Description obtained the following results:

Profile of SIM Management Ranks - Management ranks have professions as follows: 70% male sex, 63% are aged less than 40 years, only 67% have high school education both general vocational, 27% have less than three years, 38% has a working period ranging from 3 years to 10 years, and 35% have a working period of more than 10 years. While based on the position on the organizational structure, the second generation as the top management 3%, the managers both senior and still junior as middle management by 14% and supervisors as 83% pratama management.

Figure 2 5D Cycle Appreciative Inquiry

Figure 3 Profile of Influence, Concern, and Orientation

Leadership Capacity of the SIM Management Team - Based on the three dimensions of leadership capacity, the SIM management ranks have the following profiles: 75% have low impact ability, 51% tend to care for others rather than themselves, and 62% tend to be oriented now or short term rather than being oriented far into the future. As shown in Figure 3. It shows that the current management of the MIS has a great opportunity to develop skills in terms of influencing others especially (teamwork) and the ability to think ahead through strategic planning both within the scope of work teams and corporate organizations.

Table 1 describes the overall leadership capacity of the management of MIS based on positions.
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Within the organizational structure. The average leadership capacity is at level 3 (3.14). Whereas when traced by level, the leadership capacity of top management and middle management is on average level 5 (ie 5 and 5.33). While the average pratama management level is at level 3 (3.14). This suggests that leadership capabilities of the management ranks need to be further developed especially in terms of conceptual, strategic, and future-oriented thinking skills. Specifically for pratama management, it is important to improve the ability to influence others, especially to the work team.

Relevant Values for the Future of Driving License - Excavation of any relevant values to be developed in SIM is done through Appreciative Inquiry method for one full day located in Bogor followed by the founder (first generation), top management (second generation) and middle management. The total number of participants was 26 and divided into four and two groups. There are also activities and results from each Appreciative Inquiry cycle described in Table 2.

At the beginning of the stages of defining, the founders provide direction in the form of hope and desire for growth and progress of the company in the future. The founder did not want the company to quit or even disband after he was no longer active in the business management of the company. There are four expectations of the founders: a larger corporate vision-mission, all employees must go forward often with company advancement, support operating systems that meet customer needs and stakeholder expectations, and the formation of powerful corporate leaders.

Next, go into the Dream stage of the management ranks are divided into four groups of 6 - 7 people. They were given the task of visualizing the future. Ideal conditions like what is wanted to materialize in the company in the future. They discussed it in groups then the results of the discussion were poured in the form of posters. After that, each group presented the poster to all participants.

Then proceed to the Design stage where all participants are divided into two groups. Based on the results of previous posters, each group was asked to formulate a new vision and mission statement for the company. The proposed vision and mission statement of each group is presented and discussed by the entire management line so that it is formulated and agreed upon a new vision and mission statement for the company.

After that progresses to the Destiny stage, where the management ranks are subdivided into two different groups from the previous one. Each group gets the task of identifying what values are relevant to be developed so that the company succeeds in achieving its vision and effectively carrying out its new corporate mission. Then the proposed values of each group were discussed by the management ranks and selected seven relevant values to be developed.

Finally entering the Discovery stage. By appealing to the seven agreed values, the management ranks are divided into seven groups. Each group gets the

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<tr>
<th>Table 1</th>
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<tr>
<td>Capacity</td>
<td>Level</td>
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<tr>
<td>Leadership</td>
<td>1</td>
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<td>Top Management</td>
<td>2</td>
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<td>Middle Management</td>
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<td>Pratama Management</td>
<td>52</td>
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<td>frequency</td>
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task of defining one agreed value, finding the three key behaviors associated with that value, and explaining the three behaviors expected to be performed at the workplace of each key behavior. Each group describes the results of the discussion. Then discussed by the whole range of management agreed as a guide to the behavior of new values for the company. There is also a complete description of the stages, activities and discussion results of the 5D Appreciative Inquiry cycle can be read in Table 2 on the following page.

Through the 5D Appreciative Inquiry cycle, SIM has successfully formulated a new vision and mission of the company: Company Vision: “Becoming the Most Trusted and Largest Organization in Providing Interior Solutions for Every Luxury Home, Office and Starred Hotel in Asia Pacific”. Corporate Mission: “We are here to: (1) Provide solutions to every customer concerns and related stakeholders, (2) Demonstrate commitment to the formation of professional human resources, (3) commit to fulfilling market needs, (4) which is optimal for the owner, and (4) care about the interests of the community and the surrounding environment”. Also successfully identify and formulate the values along with a description of expected work behavior. (2) The values in the context of the work team are Learners and Creatives, and (3) the values in the organizational context are Quality and Consistent.

There are also the key definitions and behaviors of the seven agreed values as follows: (1) Integrity is to behave and behave honestly, to show consistently the only word with deeds, both at the personal level and at the company level. Core Behavior: Be honest, give priority to the interests of the company above the personal interest, and be yourself, (2) Responsible is to demonstrate attitudes and behaviors that are accountable in every process of work, duties, and responsibilities. Core Behavior: Responsible for every task and job accountability, taking the initiative and working diligently, (3) Possessing is always showing a caring attitude towards the various situations in the company both positive and negative and making efforts to produce some-
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thing better. Core behavior: self-involvement, contributing to value making, and thinking as ‘owner’, (4) Learners are showing open and flexible attitude. Able to draw lessons (learning) from every situation that occurs, both positive and negative to bring out and produce something better related to the development of self-quality and related to the progress of the company. Core Behavior: Open minded, taking learning, and continuous improvement, (5) Creative is always looking, digging, finding, combining, combining ideas, ways, and processes to produce better results. Core behavior: curious, open to something new, and thinking “out of the box,” (6) Quality is ensuring the best outcomes and processes in every task and job done. Core Behavior: process excellence, check and re-check of a process and the result always based on agreed parameters or standards and (7) Consistent is showing the determination and stability in action. Giant and persistent to achieve results and final goals. Core Behavior: Acting with full calculation, persistent and focused.

Current Corporate Values Implementation - Using the definitions of the seven relevant values, the three core behaviors of each value and the three expected work behavior descriptions of each core behavior, the researcher developed a Work Behavior Description questionnaire consisting of 63 statements and using Likert scale with 5 responses consisting of: “never”, “rarely”, “sometimes”, “often” or “always”. Quizener is distributed to all SIM management ranges from top management, middle management and total Pratama management totaling 63 people. There is also a complete outcome of the response of the management ranks to the current application of work behavior in line with the seven new corporate values listed in Figure 4.

Working behaviors related to values in an individual context are more likely to be applied in day-to-day work activities than values in the context of work teams (Learners and Creatives) or in the organizational context (Quality and Consistency). The average score of applying Integrity, Responsibility and Possession values is greater than 4.2. While the application of values in the organizational context (Quality and Consistency) falls below score 4.1.

In the concept of values-based leadership, a leader deals with values with at least three roles: (1) leaders as role models of values - before instructing followers to trust and execute values, leaders must trust and live values (2) the leader as an advocate of values - continuously in various occasions always encourages followers to trust and apply values as a force and an opportunity to advance, and (3) the leader as a guard values - provides opportunities and facilities on the followers’ initiative in carrying out values and negatively affects behavior or initiatives that conflict with corporate values. The management of the MIS must be willing and able to play the role of role model, advocate and preserver especially in some key behaviors as shown in Figure 4, namely: Courage (Integrity value), Responsiveness (Responsibility), Self-Engagement (Pain Value Have), Apply Knowledge (Learners value), Add Value (Creative value), Continuous Improvement (Quality score), and Hold Principle (Consistent value).

LIMITATION

This study limits the discussion to only one variable that is values-based leadership. Not discussing other related systems such as strategic planning systems, human resource management systems, employee performance appraisal systems, and career development systems. This study also does not discuss the application of values as part of corporate culture. Where according to Schein (2010) values are only one part of the corporate culture. There is still element of basic assumption (basic assumption) and cultural artifact.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

The conclusion of this research are: (1) PT Sandimas Intimitra need to increase the leadership capacity of the current managers, (2) there are seven values that are relevant to the new vision and mission to be cultivated, namely: integrity, responsibility, sense of belonging, learning, creative, consistent and quality. (3) the management of PT Sandimas Intimitra prosecuted for more serious role as a role model, promoter, and protector of the seven values especially creative, quality and consistent values.
Recommendation

This is a descriptive case study, involving only one company and conducted only at one point in time. So that in the future can be done replication research on several companies from different industries and done several times in different years. Can also be developed further to examine the relationship of causality between several variables. For example the influence of leadership capability on the application of corporate values and performance.

REFERENCES


