Abstract: The purpose of this research is to study the impact of family conflict and socioemotional wealth toward the intention to stay in the family business. Furthermore, the study was also to test the moderating effect of socioemotional wealth on the impact of family conflict toward the intention to stay. This research was conducted quantitatively at the individual level. Samples were taken purposively from junior generation working in a family business which is a member of the Indonesia Chamber of Commerce - Surabaya Branch. The data were collected cross-sectionally, and the sum of the proper sample was 96. The data were analyzed with PLS-SEM using SmartPLS3.00. The result of this study shows that family conflict has a negative impact on intention to stay. Socioemotional wealth has a positive impact on the intention to stay. Furthermore, socioemotional wealth has a positive moderating impact on the effect of family conflict toward intention to stay. This study might be useful for a family business owner to consider the development of socioemotional wealth to smooth succession process and to maintain the intention to stay while conflict emerges. The suggestion for further research is to extend to cultural impact at the individual level or personal traits toward intention to stay on the family business.

Keywords: Family Business, Family Conflict, Intention to Stay, Socioemotional


In Indonesia, family businesses build 95% of overall business companies. (Razook, 2016) The amount is amplified by the fact that family business contributes 60% to the Indonesian economy. (Pasopati and Audriene, 2016). However, the significant number is overshadowed by the fact that 70% family business in the world only survive one generation, (Groysberg, 2014) or only exist within the career span of its founders, (Sharma and Salvato, 2013), which shows that the reason of the low survival rate is to be blamed on the failure of succession process. (Alderson, 2015) In Indonesia, only 13% of family business claims to have “robust, formalized and communicated” succession plan, and the rest can be said to have no plan, less formality, and even don’t know (Indonesia Report, 2018).

Succession to the next generation is important to maintain the family business. (Miller and Le
The impact of family conflict toward intention to stay in the family business:...

Breton-Miller, 2005; Sharma and Salvato, 2013) The junior generation is expected to start a career inside their family business formally after finishing their studies. (Zellweger et al, 2010; Gersick et al., 1997) Despite the expectancy that the process might run smoothly, family conflict might have the possibility to contribute to the disruption of succession. (Alderson, 2015) The existence of conflict within a family is unavoidable, and its presence in a family business is predictable. (Hoy and Sharma, 2010) Within the study of family business itself, conflict can be potentially damaging. (McKee et al., 2014)

Some studies in a non-family business context show that work-family conflict which means conflict with family at home and colleagues or supervisor in the workspace might hinder satisfaction and performance in professional life. Thus, it might impact burnout, high turnover, and intention to stay in a recent job. (Liao et al., 2018; Singh et al., 2018) In a family business study, the relation between family conflict and job satisfaction - with owner’s as sample - show inconsistent result. (Boles, 1996; Kwan et al., 2012; Paskewitz and Beck, 2017) Furthermore, study aimed towards younger generation exploring their attitude isn’t exposed yet. Meanwhile, the apparent possibility of conflict to negatively impact the family business needs mitigation as early as possible to keep the positive emotional boundary among owners. The positive emotion itself is expected to result in satisfaction, especially if shared among a group or in this research is a member of a family business. (Brundin and Hartel, 2014) In a family business study, emotions are also considered as wealth as finance does. It’s manifested in the term of socio-emotional wealth. An organizational-level study in Spanish family business companies shows that family businesses consider taking financial risk to preserve socioemotional wealth. (Gomez-Mejia et al., 2007)

Thus, the contribution of this study is to fill the theoretical and empirical gap in relation to family conflict, socioemotional wealth, and intention to stay in a family business field at the individual level. Considering the relation of family conflict and intention to stay within a junior generation in a family business have not been explored yet, this research might fill the gap by empirically testing the relation in junior generation cohort which already works within their family business. This research is the extension of the study of the relationship between conflict and intention to stay in a non-family business company. Furthermore, it extends previous research to the cohort in the family business which is not the ruling owner, but junior or successor generation that works in their family business. Despite the many previous research showing the impact of socioemotional wealth toward intention to stay in the business at organizational level, the role of socioemotional wealth as a moderator in the relation between family conflict and intention to stay at individual level is not exposed broadly, especially since the previous researches were focused to the owners as respondents. Previous research applying socioemotional wealth as moderator is to the relation between dark traits of the family member working as supervisors and employee’s job performance. (McLarty and Holt, 2019) Thus, despite the role of this research as an extension to the previous research, its purpose is also to fill the gap by empirically testing socioemotional wealth as a moderator between family conflict and intention to stay in the junior generation working in a family business. Moreover, the study was conducted under the influence of prospect theory and social learning theory. The prospect theory is seen as a base of judgment that shapes the intention of the respondent, and social learning is seen as the consideration using socioemotional wealth as a value or attitude to maintain the positive boundary of family business members.

This study might contribute as an extension into the theoretical study of family conflict, moderating effect of socioemotional wealth, and intention to stay in the family business context. Furthermore, for shareholders within the family business, this study might give practical insight into the role of socioemotional wealth as a value and attitude of the family business. The development of socioemotional wealth might be considered as early as possible as the glue that keeps family running the business together, and especially it might give benefit while conflict breaks out or to minimize the negative aspect of the conflict.
LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Prospect Theory, Social Learning, and Social Cognition Theory

Prospect theory was developed by Kahneman and Tversky (1979) proposing “that value is assigned to gains and losses rather than to final assets and in which probability is replaced by decision weights”. (Kahneman and Tversky, 1979, p. 263) In a family business study, the theory was adapted by Gomez-Mejia et al. (2007) resulting in the two weights that form the decision-making in the family business at an organizational level. Despite the financial weight, family businesses found to have other weight which named socioemotional wealth. (Gomez-Mejia et al., 2007) Meanwhile, as a weight which is considered as value and asset in the process of decision making, the development of socioemotional wealth in the family business might be nurturant as a process of social learning in the family. Thus, using Bandura’s (1971, 1989) Social Learning Theory and Social Cognition Theory, the process of development of socioemotional wealth might be influenced by social interaction among the member of the family, especially in this research in the context of a family business. More to be consistent with Prospect Theory, Social Cognition Theory also proposing that individuals make a selection, which behavior tends to result in a more beneficial outcome. (Bandura, 1989)

Intention to Stay

The concept of intention to stay was developed by Price and Mueller (1981) as an intervening variable in the relation between four determinant variables of turnover intention. Following the concept, in this research intention to stay was seen as a contrary to voluntarily leave the organization in turnover intention. (Price and Mueller, 1981)

The empirical study of intention to stay has a significant effect on turnover intention. (Price and Mueller, 1981) As a mediating variable, intention to stay is significantly negative in mediating the relation between job satisfaction and turnover intention. (Youcef et al., 2016) Furthermore, intention to stay found to significantly positive in mediating the impact of servant leadership toward job satisfaction. (Harris et al., 2016) Meanwhile, in a family business context, job satisfaction as a result of family embeddedness found to have a significantly negative effect on turnover intention. (Khanin et al., 2012)

Family Conflict

In this research, the concept of family conflict is following the definition by Jehn and Berdensky (2003), which is a disagreement acknowledged by the parties involved. Within the study of Family Business, the conflict is categorized as cognitive, process, and relational conflict. (Kellermanns and Eddleston, 2004) This research is only focused on cognitive conflict and process conflict. These two types are recognized not to involve negative emotions. The disagreement in cognitive conflict is in the long-term strategy or strategic project. Meanwhile, process conflict is more about task division. (Eddleston et al., 2008). Furthermore, the other category which has a negative effect is relational conflict, which makes the work situation difficult. (Jehn and Berdensky, 2003; Kellermanns and Eddleston, 2007) Family firms themselves prone to conflict because of the characteristics that make it different from non-family business. Family businesses are controlled by a family with more potential problem sources by generational differences involved. (Kellerman and Eddleston, 2004) Even if the conflict or difference is said to have a positive impact, the potential of it turning into negative is greater in family businesses. (McKee et al., 2014)

Research in family business usually studies the impact of conflict on the performance and is more focused on the ownership and governance aspects. Moreover, even if in the context of non-family-business the impact of work-family conflict toward job satisfaction and other variables related is very popu-
lar, (Pieper et al., 2013) the state of work satisfaction of the junior generation or successors (Long and Chrisman, 2014) is rarely probed empirically in the study of family business. Research conducted on business owners shows that conflict has a significant negative impact on job satisfaction and a significant positive impact on the propensity to search for another work. (Boles, 1996) Meanwhile, another study found that the owner’s family-work conflict is not related to their job satisfaction. (Kwan et al., 2012) Furthermore, a study conducted by Paskewitz and Beck (2017) to the family farmers found that family conflict might result in negative non-significant job satisfaction. Inconsistency in the findings, the focus to the owners as the subject to be studied, and the other cohort – which is junior or successor generation - that is still unexplored, open the opportunity that will be studied in this research as an expansion of previous research. Therefore, it can be hypothesized as follows:

H₁ The family conflict has a significant negative impact on intention to stay in the family business.

Socioemotional Wealth

In this research, the meaning of socioemotional wealth follows the definition set by Gomez-Mejia et al. (2007), which is an effective non-financial inheritance in family businesses. Socioemotional wealth is a motivation behind family business behavior. Thus, they commit to preserving it. (Berone et al., 2014) While facing options between financial gain and socioemotional gain, family business driven by the need to protect the effective endowment might choose the intangible benefit of the socioemotional side. (Gomez-Mejia et al., 2007) Socioemotional wealth consists of five dimensions known as FIBER, (Berrone et al., 2012) which later re-examined, producing three dimensions which are: (Hauck et al., 2016) identification of family members with the firm, emotional attachment of family members, and renewal of family bonds through dynastic succession.

On the individual level, research conducted by Block et al. (2013) concluded that socioemotional wealth positively impacts family member job satisfaction, even if the wages are lower than non-family members. Meanwhile, in non-family business, literature shows the impact of job satisfaction toward intention to stay. (Steers, 1977; Price and Mueller, 1981; Zaghoul et al., 2008; Ghosh et al., 2015) Thus, this research is extending the previous study by examining the impact of socioemotional wealth toward the intention to stay within the junior generation in a family business context. This study might be hypothesized as follows:

H₂ Socioemotional wealth has a significant positive impact on the intention to stay in the family business.

Moreover, McLarty and Holt (2019) research socioemotional wealth as a moderator within dyadic relations between family member supervisors and non-family member employees. The result that socioemotional wealth mitigates the negative impact of dark trait family-member supervisor (narcissistic, psychopath, Machiavellian) toward employee’s job performance. Extending from the previous research of the moderating effect of socioemotional wealth, this study might be hypothesized as follows:

H₃ Socioemotional wealth has a significant positive moderating effect on the impact of family conflict toward the intention to stay in a family business.

Developing socioemotional wealth as motivation in a family business

Furthermore, knowing the motivational aspect of socioemotional wealth in a family business, its bounding effect as an attitude is expectable. Thus, there might be a question in sustaining the socioemotional wealth attitude in the family business. Some research that elaborates the method used in family business to develop attitudes might apply to socioemotional wealth as well.

In a family business, attitude development is part of the study of governance. While in its non-family business counterparts, governance is only a matter of business, in family business governance is a long journey. In family business governance is covering family and business aspects, including binding, voluntary agreement, shared value, and further-
more on the business side: ownership, council, vision and mission formulation, operational management, decision-making, dialog, and a lot more. (Goldbart and DiFuria, 2009; Gersick and Feliu, 2014; Mustakallio et al., 2002) In the long term, the attitude building is focused on multiple ways of communication concerning moral, personal value, and its application to actual life. The process is also mutualistic or influencing and validating one another. Attitudes are also like rituals, need to be instilled and subtly reinforced. (Sorenson, 2014) On the business side, Mustakallio et al. (2002) built two dimensions of family business governance which are relational governance and contractual governance. Relational governance is where the value and attitude developed which can be reached through informal gatherings and formal family meetings. Despite its benefit to open the opportunities for family members to discuss issues, it will also improve the interaction between family members.

![Socio emotional wealth](image)

**Figure 1 Research Model**

**METHOD**

This study was conducted quantitatively. Samples were taken from generation in a family business that was working in but wasn’t taking control as the owner that ruling the company. 250 questionnaires were distributed to member of Indonesian Chamber of Commerce region Surabaya which own the family business. The purpose of the study was explained clearly and the criteria of the respondent were also mentioned in the cover letter. The result was a 103 returned survey, which has to be excluded due to incomplete filling. Finally, 96 samples were considered proper to be tested, which means a 38% response rate.

Measurements used in this research for family conflict were taken from Kellermanns and Eddleston (2007), for socioemotional wealth measurements were taken from Hauck et al. (2016), and for intention to stay measurements were taken from Youcef et al. (2016). All indicators were measured using a 7 Likert (1932) scale from 1 which represents strongly disagree to 7 which represents strongly agree. Since the original language of the measurements was in English, first the statements were interpreted in Bahasa Indonesia by panel of experts in Bahasa Indonesia and terms usually used by family business members in Indonesia. (Boeije and Willis, 2013) Before distributing the questionnaire to the actual samples, the survey was conducted to the control samples (N=70) to make sure that the statements were understood. The control sample was taken from the undergraduate students’ family business community in the private university in Surabaya. The result was, from 7 original indicators of family conflict, 1 has to be excluded. From 9 original indicators of socioemotional wealth, 3 has to be excluded. From 4 original indicators of intention to stay, 1 has to be excluded. The criteria of exclusion were 0.65 minimum loading factor for 70 samples. (Hair, 2014) The final result was 6 indicators for family conflict, 6 indicators for socioemotional wealth, and 3 indicators for intention to stay. Thus, total indicators are 15.

**RESULTS**

Profile respondents in this research are as follows: from 96 samples, 54.2% are 20-29 years of age, 45.8 are 30-39 years of age; 61.5% complet-
The Impact of Family Conflict toward Intention to Stay in the Family Business: ...

ing undergraduate school, 38.5% have a graduate degree; 84.5% are second generations, and 15.5% are third generations in the family business.

Before testing with SmartPLS, (Hair et al., 2011; 2014) the data was tested with Harman’s single factor test to see the presence of common method bias (Podsakof et al., 2003). The test results showed 43.520% as its score, thus less than 50% which means acceptable.

Measurement Model Assessment

Measurement model assessment was conducted with Validity and Reliability testing. Validity testing was done through convergent and discriminant validity tests. Convergent validity was seen through a loading factor and AVE. The overall loading factor had exceeded the critical value, which is 0.7 for all indicators, AVE had exceeded the critical value of 0.5; thus it can be said that the overall indicators were qualified for convergent validity. Table 1 shows the loadings and AVE results of each measurement and variable. A discriminant validity test was done by examining the Fornell-Larcker test. The result shows that all the Square-roots AVE values of constructs were higher than the inter-construct correlation, thus, it can be said that the measurement test met the requirements of discriminant validity. Table 2 shows the result of the Fornell-Larcker test. Reliability was tested with Chronbach’s Alpha and Composite reliability. The overall variables had exceeded the critical value which is 0.7, thus it can also be said that the whole measurement model was qualified, as seen in Table 1.

Table 1  Descriptive Statistics, Validity (Loadings and AVE), Reliability (Chronbach’s Alpha Composite Reliability)

<table>
<thead>
<tr>
<th>Family Conflict</th>
<th>Mean</th>
<th>SD</th>
<th>Loading</th>
<th>AVE</th>
<th>Chronbach’s Alpha</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>CC1</td>
<td>3.9253</td>
<td>0.49728</td>
<td>0.610</td>
<td>0.874</td>
<td></td>
<td>0.903</td>
</tr>
<tr>
<td>CC2</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>CC3</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>PC1</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>PC2</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>PC3</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Socioemotional Wealth</th>
<th>Mean</th>
<th>SD</th>
<th>Loading</th>
<th>AVE</th>
<th>Chronbach’s Alpha</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>E1</td>
<td>5.4948</td>
<td>0.64774</td>
<td>0.667</td>
<td>0.900</td>
<td></td>
<td>0.923</td>
</tr>
<tr>
<td>E2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E3</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>E4</td>
<td></td>
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<td></td>
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<tr>
<td>E5</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Table 1 shows the loadings and AVE results of each measurement and variable.
Laij Victor Effendi

Structural Model Assessment

The first step in assessing a structural model is to test its collinearity. The test result shows values below 5, (Sarstedt et al., 2015) so it can be concluded that there was no collinearity in this model. A Structural model assessment was done by looking at the R2 (predictive power), f2 (predictive effect), and Q2 (predictive relevance). The R2 count result for intention to stay was 0.449. The value of f2 for family conflict on the intention to stay was 0.294, while the value of f2 for socioemotional wealth on intention to stay was 0.203. Next, the value of f2 for the interaction of family conflict and socioemotional wealth on intention to stay was 0.067. The value of Q2 was obtained by blindfolding, the result of the intention to stay value was 0.315. The value was between 0 and 1, thus, the model has predictive relevance and all of the requirements for structural model assessment were met. Furthermore, the significance of outer loadings and path coefficient was measured. The test results were obtained from bootstrapping without changing any parameter of the SmartPLS 3.0. All outer loadings showed significance at p < 0.001. Furthermore, table 3 shows the path coefficient and significance of the hypothesis test. The family conflict had a negative significant effect on intention to stay at p < 0.001, with path coefficient = -0.435, T=5.510, thus Hypothesis 1 is supported. Socioemotional wealth has a positive significant effect on the intention to stay at p < 0.001, with path coefficient = 0.362, T=4.763, thus Hypothesis 2 is supported. The test on the moderating effect of socioemotional wealth (interaction with family conflict) shows a positive significant result on intention to stay at p = 0.023 (p < 0.05), with path coefficient = 0.194, T=2.281, thus Hypothesis 3 is supported.

Table 2 Discriminant Validity (Fornell-Larcker Criterion)

<table>
<thead>
<tr>
<th></th>
<th>Family Conflict</th>
<th>Socio-emotional Wealth</th>
<th>Intention to Stay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Conflict</td>
<td>0.781</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Socioemotional Wealth</td>
<td>-0.412</td>
<td>0.863</td>
<td></td>
</tr>
<tr>
<td>Intention to Stay</td>
<td>-0.574</td>
<td>0.526</td>
<td>0.817</td>
</tr>
</tbody>
</table>

Note: Square-roots AVE value is bold. All figure is bigger than the value below.
The Impact of Family Conflict toward Intention to Stay in the Family Business: ...

DISCUSSION

The findings regarding the negative impact of family conflict to intention to stay in successor generation working in a family business extend the previous proposition and empirical research that said family conflict has a negative impact on job satisfaction. (Pieper et al., 2013; Boles, 1996) Disagreement about task, project, future strategy, job distribution and responsibility, and resource allocation might exacerbate the intention to stay within individuals in the successor generation. Extending from previous research, the conflict harms the intention to stay in a recent job. This proved to be happening also in the family business context. Even if theoretically cognitive and task conflicts are not as harmful as relational conflict, but in the context of a family business, it has the potential to escalate to the negative side. It might deteriorate the willingness to work for the family business.

Furthermore, the finding of this research is also extending previous research that socioemotional wealth has a positive impact on job satisfaction within junior generation in a family business, (Block et al., 2013) and job satisfaction has a positive impact on intention to stay within employees in non-family business. (Steers, 1977; Price and Mueller, 1981; Zaghouel et al, 2008; Ghosh et al., 2013; Candela et al., 2015) Strong sense of belonging, pride of the family business, positive emotional bound and ties, the longing to continue family tradition and legacy, and smooth succession has a positive impact on intention to stay within junior generation in a family business. Extending from previous research, socioemotional wealth as an emotional asset has bounding effects that keep the family business together, even to the next generation.

Moreover, the finding of this research is also extending the previous research that socioemotional wealth is mitigating the impact of dark trait family member supervisory toward job performance of non-family member employees (McLarty and Holt, 2019). Despite the existence of conflict in the family business, socioemotional wealth is proven to keep the junior generation in the family stay. Extending from previous research, this research proves that socioemotional wealth is also a value and attitude of the family member. As a value and attitude, it has the power to mitigate the conflict that might harm the cohesion within the family business.

Overall, this research is confirming the Social Learning Theory developed by Bandura (1971) that individuals tend to behave as a result of social interaction among family. As an extension from the previous research, this research proves that socioemotional wealth is a value and attitude that is a result of socialization to the family member in their lifetime. Furthermore, confirming Prospect Theory (Kahneman and Tversky, 1979) individuals tend to make a decision based on weight, and in a family business, the weight other than financial wealth is socioemotional wealth. (Gomez-mejia et al., 2007) This result is also confirming the Social Cognition Theory in which individuals decide on the option to a more beneficial outcome (Bandura, 1989). Extending from the previous research, this study proves that socioemotional wealth is also considered as an asset to the non-ruling family member. As an emotional asset, socioemotional wealth has the role of a judgment base in the decision, preserving socioemotional wealth is also considered as more beneficial to the non-ruling family member.

### Table 3  Path Coefficient

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Path Coefficient</th>
<th>t-statistics</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Conflict</td>
<td>-0.435</td>
<td>5.510</td>
<td>0.000</td>
</tr>
<tr>
<td>Family Conflict x Socioemotional Wealth</td>
<td>0.194</td>
<td>2.281</td>
<td>0.023</td>
</tr>
<tr>
<td>Socioemotional wealth</td>
<td>0.362</td>
<td>4.763</td>
<td>0.000</td>
</tr>
</tbody>
</table>

$p < 0.05, N= 96, Bootstrap 500$
CONCLUSION

The family conflict had a negative significant effect on intention to stay. Socioemotional wealth has a positive significant effect on the intention to stay. The test on the moderating effect of socioemotional wealth (interaction with family conflict) shows a positive significant result on intention.

IMPLICATION, LIMITATION, AND FUTURE STUDY

The next step is to advise to the shareholder of the family business to put attention in preparing the succession process seriously. Reflecting to the findings of Price Waterhouse Cooper’s research that in Indonesia, only 13% of family business claims to have “robust, formalized, and communicated” succession plan, and the rest have no plan, informal and even unaware, it can be concluded that the family business need to give more focus to the plan.

Regarding the finding that socioemotional wealth plays the role of attitude in directing behavior, the suggestion might follow Goldbart and DiFuria (2009), Gersick and Felth (2014), Mustakallio et al., (2002) to cultivate it within family firms governance. Following the suggestion of Sorenson (2014), values and attitudes should be developed as early as possible by focusing on multiple ways of communication. The topics might include moral, personal value, and its practical aspects. The process itself is mutuallistic, influencing and validating one another. Furthermore, concerning values and attitude is also like a ritual, constantly instilling and subtly reinforcing them is also important. On the business side, following Mustakallio et al. (2002) focus should be on the relational aspect of governance. On this side, value and attitude development might be reached through informal gatherings and formal family meetings, which focused on the interaction between family members.

The limitation of this study is only conducted to the successive generation of a family business who are members of the Indonesia Chamber of Commerce Branch Surabaya. With only a limited number of samples, the result might not apply to other studies. Furthermore, the limitation of this study might open further study in the sense of extending the variables. Some variables that might be interesting to study are on the behavioral side like the decision to leave, to put other moderating variables like personal traits and cultural value.

REFERENCES


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