

ANALYZING UNIQUE RESOURCES OF FAMILY BUSINESS AS STRATEGY TO MAINTAIN AND DEVELOP BUSINESS IN CV SETIA BUDI JAYA BANDUNG

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Abstract. The role of family business has been able to contribute to the economy and entrepreneurial world. However, family business is hard to maintain especially when the ownership and control is carried out by family members across generations. In order to respond, this research has the objective to analyze the unique resources and attribute of family business in order to maintain and develop the business as resources are the foundation for determining the company's long-term strategy. This study specifically analyzed in CV Setia Budi Jaya as one of family business in Indonesia. These unique resources and attribute of family business was developed by Sirmon and Hitt that consist of human capital, social capital, patient financial capital, survivability capital, and governance structure and cost. Data were later analyzed using descriptive and qualitative techniques with semi-structured interview. The descriptive analysis used to describe the characteristics of the variables.

Keyword: Family Business; Unique Resource; Human Capital; Social Capital; Financial Capital; Survivability Capital; Governance Structure

INTRODUCTION

Based on empirical facts, going into a business seems easy to conduct but it is difficult to survive (Geroski, 1995). Tjiptono (2013) stated that ownership and control by family members across generations has an indication that business continuity in the context of a family business is crucial. Poza (2010) also revealed that maintaining unity and realistic assessment of business and career opportunities between family members and shareholders will be very difficult when there are family members from the second generation become owners while the others do not. In accordance with that, CV Setia Budi Jaya is a family business controlled by across generation and not all family members from the second generation become owners. Therefore, an analysis of the strategies with the positive and negative sides carried out in each unique resources by CV Setia Budi Jaya as a family business to remain exist is important so that it can survive and develop. This research used qualitative approach with semi-structured interview and observation. Then the data analyzed by descriptive technique with the result is CV Setia Budi Jaya has unique resources in human capital, social capital, survivability capital, and governance structure as a family business. Whereas there is no identified patient financial capital, as the strategy applied to that component is similar with the non-family business in general.

LITERATURE REVIEW

Family Business: Family business is a business that is owned and / or managed by a number of people who have family relationships, both husband and wife and their offspring, including brotherhood relations (Simanjuntak, 2010). There are also some definitions of family business that can be identified as follows: family business is a firm operated by family members, the business which is owned and run by one or two family members, and the business will be passed from the founder to the next generation of the family to be managed and controlled (Brockhaus, 2004).

Resources: According to Wheelen and Hunger (2006), resources interpreted as organizational assets which are the basic building blocks of the organization.

Unique Resources: According to Sirmon and Hitt (2003), the integration of family and business creates several salient and unique characteristics which focuses on five components that can distinguish family firms from non-family firms, consisting of human capital, social capital, survival capital, patient capital, and governance structures. They build simple definition of four unique resources and a unique attribute of family business complete with the positive and negative aspects of each component that can be seen in table 1.

Table 1. Comparison of Unique Resource and Attribute of Family Business in CV Setia Budi Jaya

Resource	Definition	Family Firms		Nonfamily Firms
		Positive	Negative	
Human Capital	Acquired knowledge, skills, and capabilities	Extraordinary commitment; warm, friendly, and intimate	Difficult to attract and retain highly qualified	Not characterized by the positives, but have

	of a person	relationships; potential for deep firm-specific tacit knowledge	managers; path dependencies	fewer limitations
Social Capital	Resources embedded in network, accessed through relationships	Components embedded in family; legitimacy with constituencies enhanced; development of human capital	Limited number of networks accessed; often excluded from elite networks (i.e., Fortune 500 CEOs)	Networks can be more diverse; maybe opportunistic in accessing and leveraging; sometimes used for managers' benefit—agency costs
Patient Financial Capital	Invested financial capital without threat of liquidation	Generational outlook; not accountable to strict short-term results; effective management of capital; allows pursuit of creative and innovative strategies	Nonfamily investors excluded; limited to availability of family's financial capital	Largely do not have the benefits or limitations
Survivability Capital	Pooled personal resources family members loan, contribute, and share with business	Helps sustain the business during poor economic times or redevelopment of the business; safety net	Not all family firms have it	Do not enjoy due to lack of commitment by employees and stakeholders
Governance Structure & Cost	Costs associated with control of firm; examples include incentives, monitoring, and controls	Family owned and operated firms' structures, trust, and family bonds reduce governance costs	Some family firms may not have an effective structure, trust, and strong family bonds, thereby producing greater governance costs	Professional management and capital diversification often increase governance costs

Source: Sirmon and Hitt (2003)

METHODOLOGY

This research used qualitative approach which has the objective to achieve an in-depth understanding of a situation (Cooper & Schindler, 2013). Data was collected based on semi-structured interviews and observation. Semi-structured interview involves prepared questions guided by themes that are consistently and systematically identified and interspersed with probes designed to elicit more elaborate responses (Qu & Dumay, 2011). The interview conducted individually based on purposive sampling as to gather data in the form of experiences and attitudes which will reflect the full scope of the issue under study. Then the data was analyzed using descriptive technique to describe the characteristics of the variables of interest in situation (Sekaran & Bougi, 2016). For validity and reliability on qualitative research, source triangulation was used in relation to the research problems examined by the researcher.

FINDINGS AND ARGUMENT

The findings of research analyzed based on every resources and attribute as follows:

Human Capital

Knowledge, skills, and capabilities of employees especially for those who are family members are not acquired from their formal education only, but there are some leverages by transfer of knowledge from previous generations. President director, general manager, and five out of six divisions in this company are headed by family members that consist of head of marketing division, head of finance division, head of fabric inventory division, head of product inventory division, and human resource division. In accordance with that, there are also requirements for family members who will serve as the manager and division head. First, they must be graduated at least bachelor degree for formal education and prioritized according to the major that have been taken. Moreover, they must have working experience in this family firm and in other companies to develop their skills after gaining knowledge. Working at another company is useful as character building and creating a good perspective. Then each of family members who served as manager or division head has capabilities as innate transfer or talents which are also become a consideration to be adjusted to the division they manage. The determination of job position in this firm prioritizes family members in important parts such as the division head on the basis of trust, as trust is a very important value in this firm. Trusts are not built for free, as the business manager realizes that family members can also be a trigger for conflict. In accordance with

that, the managers can see based on their own experiences about the character of people to be recruited. Thus, it becomes a simplicity for managers because they already know and recognize their character while being family. However, there is a lack of human capital competency that hampered the implementation of new system which is computerized system. This implementation is currently needed by second generation to prove the benefits of this system that has not yet approved by the first generation as an indication of path dependency.

Social Capital

Social capital has three dimensions which in family business as components embedded in family. These three dimensions of social capital are as follows:

- **Structural Dimension**
The work and family relationship between parent and children or among family members is able to build more relationships not only as a co-worker but as a family. Therefore, there is information as well as knowledge given from parents to children or among family members in relation with the job that can be transferred after hours in a more intimate relationship. Thus, it can generate the development of human capital.
- **Relational Dimension**
This firm highly upholds the trust factor where the one of involvement reason of family members in this business is based on trust. As a result, family member who joined in this business as a trustworthy person are more willing to do their best and make efforts to maintain the business.
- **Cognitive Dimension**
There are shared values and perspectives to achieve the vision that are generally accordance for all employees with special treatments for family members as they live together, with the highly emphasized value in this business are consist of persistence, discipline, and be honest. All of these values aimed to achieve the main goal to maintain and develop the company.

These connections can be a strategy transferred among family members that became a social capital in order to establish effective relationships with suppliers by paying on time to get better deals, approach customers by making interesting communication, and support organizations that is a bank by discipline in paying debts and well communication to get better deals and for passive partner is by being discipline in revenue sharing and make a good reputation. However, this firm is indicated to have a limited network if it is adjusted to the theory as high positions in the firm are almost all held by the family member, where information that flows is mostly limited to the family itself which is in a relationship of work and family.

Patent Financial Capital

The initial capital of CV Setia Budi Jaya was gained from personal finances which then increased by gaining external financial capital consist of bank loan, from people as personal with a clear contract and interest payment, and from passive partner as this firm is limited partnership. As there is no limited availability of family's financial capital, so there is no invested financial capital without threat of liquidation. Although this firm does not have any support income within family to avoid the threat of liquidation, this firm tries to manage capital effectively with certain creative and innovative strategies, consist of discipline payment to supplier to get better deals; manage inventory by taken seriously in stock number determination; makes some options of payment system for customer which is directed to shorten the period of receivables; and collect information from another companies about customer reputation when going to expand. Moreover, family members strengthen product development by allocating more net profit to retained earnings.

Survivability Capital

Employees who work in their own family business can create a deeper sense of belonging. These family members are aware that the companies they manage at this time have been fought by their parents so as the successors, they perceive to be responsible for continuing in earnest. Therefore, they will not refuse and willing to carry out more to maintain and develop this company.

Governance Structure and Cost

There is no cost associated with the control of firm as management is done by the family members on the basis of trust in family ties which all of them want to maintain and develop this company. In addition, there is also no agency system used to control the privileges of family members which can give rise to altruism. This decision was taken as there has never been an altruism indicated to be detrimental to this company. There were no significant problems but deficiencies were identified in the absence of written regulations as a standard for controlling.

The following table provide the highlight of positive and negative sides on each strategies to develop unique resources

implemented by CV Setia Budi Jaya after being analyzed. The checklist mark (√) shows that the aspect implemented in CV Setia Budi Jaya, otherwise the cross mark (X) shows that the aspect is not found or not in accordance with what is implemented in CV Setia Budi Jaya.

Table 2. Comparison of Unique Resource and Attribute of Family Business in CV Setia Budi Jaya

Resource	Definition	Family Firms			
		Positive		Negative	
Human Capital	Acquired knowledge, skills, and capabilities of a person	Extraordinary commitment	√	Difficult to attract and retain highly qualified managers	√
		Warm, friendly, and intimate relationships	√	Path dependencies	√
		Potential for deep firm-specific tacit knowledge	√		
Social Capital	Resources embedded in network, accessed through relationships	Components embedded in family	√	Limited number of networks accessed	√
		Legitimacy with constituencies enhanced	√	Often excluded from elite networks (i.e., Fortune 500 CEOs)	√
		Development of human capital	√		
Patient Financial Capital	Invested financial capital without threat of liquidation	Generational outlook	√	Nonfamily investors excluded	X
		Not accountable to strict short-term results	√	Limited to availability of family's financial capital	X
		Effective management of capital	√		
		Allows pursuit of creative and innovative strategies	√		
Survivability Capital	Pooled personal family members loan, contribute, and share with business	Helps sustain the business during poor economic times or redevelopment of the business	√	Not all family firms have it	-
		Safety net	√		
Governance Structure & Cost	Costs associated with control of firm; examples include incentives, monitoring, and controls	Family owned and operated firms' structures, trust, and family bonds reduce governance costs	√	Some family firms may not have an effective structure, trust, and strong family bonds, thereby producing greater governance costs	X

CONCLUSIONS

This research found that the trust and sense of belonging are the main basis for implementing all of the strategy, as the involvement's reason of family members to this firm, sharing important information between family members to increase social capital, focus on product development by allocating more net profit to retained earnings in intended to maintaining this business to the next generation. In addition, the family members will not refuse and willing to carry out more to maintain and develop this firm as they have a deeper sense of belonging. Then the agency costs are not needed as they trust each other in maintaining and developing this firm. However, the presence of family members can also bring out the negative sides that can be an emergence of path dependency, lack of human capital competency, and an indication of limited number of networks in this firm. In addition, the absence of written regulations on agency structure as a standard for controlling firm's performance is potentially raises the altruism in this firm in the future.

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