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## The Influence of Successful Succession on the Progress of Family Business at PD Ayam Putra Kawalu

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### ABSTRACT

*A company's progress is the goal of its founding, and the transfer of power can influence one form of sustainability. Successful succession is essential to ensure the progress of the family business. This research examines the influence of successful sequence on the better progress of family business companies. The object of this research is a chicken trading company in the Tasikmalaya area, PD Ayam Putra Kawalu, which has branches. This research uses quantitative and descriptive-verification approaches to collect and analyze data. Quantitative data were obtained from questionnaire surveys and interviews with family business owners, including branches and successors. The sample is a family business with a branch company that has experienced succession. The results from the hypothesis show a positive relationship between successful sequence on the progress of the family business and producing leaders who will contribute to the progress of the family business. The findings of this research will contribute to understanding the challenges and opportunities for successful family business succession that will provide progress for the company.*

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## 1. INTRODUCTION

In this research, an analysis of the influence of succession success on the progress of the PD Ayam Putra Kawalu family business will be carried out. In Indonesia, Panglaykim (1984) mentioned several family companies that failed to get past the second generation, for example, Rahman Tamin, Dasaad Musin Concern, Dezon Shop Group, and groups operating in the field of batik and kretek cigarettes. This group of companies did not continue its business because it experienced a split in the second generation. On the other hand, the Jayakarta Group (Kompas, 28/8/2003), Nyonya Meneer (TokohIndonesia.Com, 2006), and PT Hanjaya Mandala Sampoerna (Murwani, 2005) are family companies in Indonesia that can go through the third and fourth generations. Lily and Praptiningsih said that a family business has a very big role and contributes to economic growth in a country. In this way, a thriving family business will help the welfare of society. According to Kamener and Putri (2017), family businesses play a role in improving the country's economy and are a driving force for the growth and development of national industry. Due to the anxiety of the owner of a family business company, it was not explained that there was any progress after the success made by his family. Therefore succession is carried out to maintain the company's business, therefore, succession planning is very important to ensure the success of any

business, in identifying and developing talent that will fill important roles in the future or in times of crisis. A strong succession plan can identify and structure the right positions for leadership. Usually, businesses will prepare short, medium, and long - term success plans. Succession planning should also be part of a structured business continuity plan. Succession planning should be a consideration not only for high-level senior managerial roles.

Like PD Ayam Putra Kawalu, it is a family business involved in slaughtering chickens and other poultry, which was founded in 1992 and has been running for 31 years. At the beginning of this business start-up, PD Ayam Putra Kawalu was led by a 45-year-old head of the family. At the start of the start-up period, the owner of this business had five children, namely four girls and one boy. And no one has a family yet. There are several places to carry out operational activities, such as cutting in the Cikurubuk Linggajaya area and marketing at the Cikurubuk primary market.

This family business has carried out a succession process from the first generation to the second generation, producing several impacts from this success. Succession was carried out to a daughter of the first owner in 1998. Like family businesses in general, PD Ayam Putra Kawalu did not directly hand over ownership and management to the child, but in several stages, intended to give responsibility to the child so that he could lead the family business. As Tuharjo (2011) said, careful planning is necessary to convince family members that benefits are gained. This research aims to find out whether success influences the progress of the PD Ayam Putra Kawalu family business. According to (Sharma et al. 2001), it can be defined as an action, event and development that causes the handover of business management control from one family member to another.

Succession in a family business has essential benefits for business continuity and family continuity. First, success can ensure the continuity of the family business from generation to generation so that the company can continue to run and develop. Second, success can provide stable and continuously developing leadership so that the business can run more effectively and efficiently. Third, succession can bring new ideas and innovation into the family business so that the company can continue to develop and compete in the market. Fourth, the sequence can increase the involvement of family members in the industry, thereby strengthening family relationships and commitment to the company. Fifth, the line can give customers confidence that the family business will continue to run and provide good service. However, success also requires maturity and mental preparedness from the next generation of the family business. Therefore, before achieving success, it is necessary to prepare and learn about the industry you are involved in and family business management so that the family business can survive and develop in the future. Tulita and Wehartatiy (2016) said that maintaining the family business is a significant factor and can be done by carrying out regeneration or succession well. This research examines the progress of a family business in the presence of a reasonable decline in line. With series, the company can continue from generation to generation. Carrying out succession planning is very important for the sustainability of family companies, according to Kamener and Putri (2017). The influence of successful succession has an impact on the progress of the PD Ayam Putra Kawalu family business because the line transition will prolong the company's running time. In carrying out the succession process, there needs to be a process for determining it.

This research has several objectives consisting of general goals and specific objectives. This research aims to discover some of the influences of successful succession on the progress of the PD Ayam Putra Kawalu family business. According to Septiani and Mustamu (2014), the sequence is necessary because someone can't control or own a company forever. This research will be conducted to determine the influence of successful succession, which will have an impact on the PD Ayam Putra Kawalu family business. As stated by Septiani and Mustamu (2014), in family companies, the priority is that the company can develop and that good relationships between family members can work together and achieve success. And the second objective is to describe a picture of the progress of succession results in the family business.

## **2. RESEARCH METHOD**

The research method used in this research is a quantitative method with a descriptive verification approach, namely by describing a problem in an actual, systematic and accurate manner regarding the findings of facts in the field and using statistics to test the hypothesis resulting from descriptive research. In this case, the study conducted a direct field survey with a collective data process carried out by directly interviewing the business owner, family members involved in the succession and business employees and conducting field observations related to distributing questionnaires regarding this research using research instruments, as well as quantitative or statistical data. This statement is given to the family by asking several questions to validate and test the hypothesis that has been determined by collecting data. The object of this research is PD Ayam Putra Kawalu by conducting a sample of families who will be candidates to continue the family business with an age requirement of over 17 years. The questionnaire results were studied to see the sustainability of the succession and progress of the PD Ayam Putra Kawalu family business. The research method used in this research is a quantitative method with a descriptive verification approach, namely by describing a problem in an actual, systematic and accurate manner regarding the findings of facts in the field and using statistics to test the hypothesis

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Scale and Interpretation Numbers The instrument in this research is a questionnaire. A questionnaire is an efficient data collection technique if the researcher knows the variables to be measured and knows what to expect from the respondent so he can see the respondent's attitudes and perceptions. In this research, a Likert scale is used, which can be used to measure the attitudes, opinions and perceptions of a person or group of people about social phenomena. Using a Likert scale, variables can be measured and described into indicator variables, which will later become a starting point for determining the instrument for the question. The results of the questions to which the respondent will respond will be processed to conclude whether the respondent strongly agrees, agrees, entirely agrees, disagrees, or strongly disagrees with the statement.

### **3. RESULT AND DISCUSSIONS**

#### **Succession Process at PD Ayam Putra Kawalu**

Apart from the criteria, the company will carry out observation activities of succession candidates in running the business. Usually, a succession candidate will help carry out the procedural flow of the succession process by visiting the company. This is also included in determining the succession selection, and the company owner can observe the performance of the succession candidate. The final stage in the succession process is selecting people who will be the successors of PD Ayam Putra Kawalu, namely people who are good at their work, painstaking and meet the criteria determined by the owner of PD Ayam Putra Kawalu. This stage is carried out maturely and does not cause jealousy from other parties. By having a correct and transformational succession process, the party who is the successor candidate who is not chosen will feel encouraged. That person will have chosen another option because it is not fashionable or mature enough to be given the authority to take responsibility.

#### **Succession Success in PD Ayam Putra Kawalu**

PD Ayam Putra Kawalu always provides the best service to all customers, especially regular ones, to create customer loyalty. This has quite an influence on the consistency of orders from customers. Loyal customers will get extra service than regular customers, namely by prioritizing in terms of service. This is done for several underlying reasons, namely to get periodic customer satisfaction so that they remain consistent in purchasing. A customer who has the potential to become a regular customer to meet the raw material needs of his business. As with PD Ayam Putra Kawalu's regular customers, there are those to fulfil various business needs: trading porridge, soto, rice stalls, fried chicken and others. A typical characteristic of family businesses, in general, is that one of them is implementing a family system, such as in PD Ayam Putra Kawalu. When the payment process is carried out at the end, that is by choosing a place in the house of one of the two parties. This will also certainly impact business cooperation relations to support consistent good relations between the two. Like other friendly gatherings, the transaction process is also sometimes accompanied by each member's family. PD Ayam Putra Kawalu usually carries out this moment for loyal customers who are both family business owners. According to PD Ayam Putra Kawalu, this is a process of introducing other family members, especially family members who have the potential to continue the family business. Introducing these family members also has a long-term goal: to support the continuity of cooperation between family businesses from generation to generation.

During the management period of the second generation, PD Ayam Putra Kawalu has started to increase online marketing, including marketing on the social media Facebook, to make it easier for consumers to interact or order via the WhatsApp number listed and followed by the delivery process by PD Ayam Putra Kawalu with certain agreements such as adding shipping costs or having a minimum order limit to get free shipping costs.

PD Ayam Putra Kawalu indicated that there had been improvements in overall business management. Based on this statement, there is an improvement in financial governance in this family business. However, as is customary in family businesses in general, sometimes the inflow and outflow of money in this business cannot be guaranteed accurate. Usually, several things that are separate from a definite recording in the book allow money to be taken. Good business management involves proper financial record-keeping. Managing business finances is very important to ensure the business only spends a little on things that have no value (Bivisyani, 2021).

#### **Deskriptive Statistics**

Descriptive variables are intended to provide a concise description of a data set's distribution, spread and central tendency. In this research, descriptive statistical tests were carried out with the following results:

Table 1

	N	Minimum	Maximum	Mean	Std. Deviation
Succession Succes	20	55.00	67.00	60.7500	3.25859
Progress of The Family Business	20	59.00	71.00	64.7000	3.04527
Valid N (listwise)	20				

The statistical descriptive table shows that the variable "Succession Success (X)" has a minimum value of 55.00, a maximum of 67.00, an average of 60.7500, and a standard deviation of 3.25859. Meanwhile, the variable "Family Business Progress (Y)" has a minimum value of 59.00, a maximum of 71.00, an average of 64.7000, and a standard deviation of 3.04527.

#### Variable Entered/Removed<sup>a</sup>

Table 2

Model	Variable Entered	Variable Removed	Method
1	Succession Succes <sup>b</sup>	-	Enter

From this table, it can be concluded that:

1. Independent variable: successions success
2. Dependent variable: progress of family business
3. The method used is the enter method

#### Model Summary

Tabel 3

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.931 <sup>a</sup>	.866	.859	1.14345

From the Model Summary table, it can be concluded that the R Square value is 0.866, meaning that the independent variable "succession success" can describe the value of the dependent variable "family business progress" of 86.6%.

#### ANOVA<sup>a</sup>

Table 4

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	152.665	1	152.665	116.763	.000 <sup>b</sup>
	Residual	23.535	18	1.307		
	Total	176.200	19			

- a. Dependent variable: progress of family business
- b. Predictors: (Constant), progress of the family business at PD Ayam Putra Kawalu

This section is to explain whether there is a natural (significant) influence of the succession success variable (X) on Family Business Progress (Y).

1. Based on the significance value from the coefficient table, a significant deal of  $0.000 < 0.05$  is obtained, so it can be concluded that the succession success variable (X) influences the family business progress variable (Y).
2. Based on the f value: it is known that the calculated f value is  $116,763 > f$  table .... so it can be concluded that the family success variable (X) influences the family business progress variable (Y)

#### Coefficients

Tabel 5

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(constant)	11.854	4.897		2.421	.026
	Successions Success	.870	.081	.931	10.806	.000

In the coefficients table, column B in constant (a) is 11.854. Meanwhile, the value of succession success (b) is 0.870. So, the regression model equation can be written as follows:

$$Y = a + bx \text{ or } 11,854 + 0,870X$$

The regression equation above shows that the constant value (a) is 11.854 while the weight (b/regression coefficient) is 0.870. So, the equation of the relationship between the succession success variable and the progress variable of the PD Ayam Putra Kawalu family business can be concluded as follows:

- a. The constant value is 11.854, meaning that if there is no successful succession ( $X$  value = 0), the progress of the PD Ayam Putra Kawalu family business will be 0.689.
- b. The regression coefficient value of parental encouragement is 0.870, meaning that if the parental encouragement variable ( $X$ ) increases by 1% and the constant (a) is 0 (zero), then the progress of the PD Ayam Putra Kawalu family business increases by 0.689. The regression coefficient is buoyant, so the direction of influence of variable  $X$  on variable  $Y$  is positive.

#### 4. CONCLUSION AND RECOMMENDATION

The success of PD Ayam Putra Kawalu's succession process can be seen through various factors, including increasing income, expanding business reach, customer satisfaction, more organized business management, and a positive impact on business success. This is characterized by an increase in revenue from year to year after the succession process from the first to the second generation. This has been born since there was planning for succession because, like in family businesses, when you want to carry out a line, it must be accompanied by motivation to increase income each period. Not only in terms of revenue for the PD Ayam Putra Kawalu family business, but this has also triggered an increase in the number of employees who help in several operational activities, which is quite a sign that this business needs more energy to meet order targets.

Improving performance and good customer service will undoubtedly help increase the progress of a business. It is hoped that this family business will continue to develop and progress because it has a solid motivation to improve family welfare. One of the goals of this family business is to expand the company's reach so that it is affordable in various regions and can be managed by other family members. Based on the background of this family business owner, namely the large number of family members he has, PD Ayam Putra Kawalu has slowly started to spread its wings by opening slaughterhouses in different areas, namely in the Linggajaya area. With strong motivation and high self-confidence, this new place is managed by the second generation, who was initially trusted to work in the first place. The previous location was the first to be continued and managed by his brother. This is also based on the problems in this business, namely the limited freedom to carry out operational activities in the market. So, large-scale chicken slaughtering activities for customers are carried out at the second slaughtering place, which has a larger area than the first. With this land expansion, operations in the first place can focus more on serving small-scale orders and consumers in the market as usual. Based on the research, family business succession positively impacts business progress. PD Ayam Purta Kawalu succeeded in the second generation by demonstrating increased income, business expansion, customer satisfaction, more organized business management, online marketing, contribution to community activities, and improved financial governance. A correct and transparent succession process can ensure the continuity of the family business.

Suggestions for tremendous success in the Family Business company owned by PD Ayam Putra Kawalu are to prepare the second generation to move to the 3rd generation for succession. Succession preparations can be done as early as possible so that no one feels burdened when suddenly given responsibility. And there is learning about knowledge so that future succession candidates will be better prepared if the succession transition is sudden. Also, the selection must be appropriate according to the criteria so that it can produce leaders who are ready and responsible so that they can provide progress to the PD Ayam Putra Kawalu family business and add branches and more customers.

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