

CHAPTER I

INTRODUCTION

I.1. Background Information

The definition of family business is a business in which one or more members of one or more families have a significant ownership interest and significant commitments toward the business' overall well being. A good understanding of business and family would be required in order to survive in transferring of ownership. Family business is generating a significant proportion of economic activity in many countries in the world, and majority of these enterprises are approaching the point where the will of business owners most likely be making serious decisions regarding their long term future. To be one of the few family businesses that survive in transferring of ownership requires a good understanding of your business and your family. There are four basic reasons why family firms often fail to transfer the business from generation to generation successfully:

- Lack of viability of the business,
- Lack of planning,
- Little desire on the part of the owner to transfer the firm,
- Reluctance of offspring to join the firm.

One of the obstacles that impede the succession plan is because the leader is thinking that the succession is related with death. While their children have their own anxiety by face the situation without their parents and they have to

struggle with their own ability. Some children have their own anxiety about the conflict that they faced after their parents died. Succession refers to the transfer of the management and/or the control of a business. A succession plan will ease the founding or current concern of generation about transferring the firm. It outlines how succession will occur and how to know when the successor is ready. Many founders do not want to let go of the company because they are afraid the successors are not well prepared, or they are afraid to be jobless.

The effective succession planning has to be plan earlier with involving the family members. It is better if there are many people from the next generation to join and being a member in the family business, people who join to be family members can take a part in their family business by knowing, learning, adapting or if the next generations are able to cooperate with the system they add it with some innovations that might be created, those innovations is to make the company going better.

Describing more about succession in family business, their spirit, knowledge and relay race stick are really transferred from first generation to the next generations. Why this is so important?

First, Continuity is very important to be planned, so there will be no prince Charles syndrome (the age of Prince Charles is more than 50 years and he still as the prince and his mother is over 70 and still act as the queen. Suppose Queen Elizabeth pass away at the age 100, does Prince Charles have to wait for 30 years again to be the king?). Second, if the first generation has passed away, it is expected that the company will still exist in the next generation. Third, to keep the

harmony of the family.

Based on this founding, the researcher interested to know deeper about the family business especially understand more about succession planning in the family business, to do that the researcher need some data directly from the company. The research will be done in one of the family-owned business in Indonesia named Bakpia Patuk 75.

Bakpia Patuk 75 is a business that sells a variety of snack foods that is becomes the special foods from Yogyakarta city. The most popular one is Bakpia, it has various flavors such as green beans, black beans, chocolate, cheese, etc. The first Bakpia Patuk 75 store is located in AIP II KS. Tubun Street No.75 or often called as Patuk Street Number 75. Bakpia Patuk 75 store was built in 1948 with the founder named Liem Bok Sing. Bakpia Patuk 75 has 5 stores in some places around Yogyakarta, which located in AIP II KS. Tubun Street No. 83 Tubun, H.O.S Cokroaminoto Streets No. 119 B, Magelang Street KM 4,5 (in front of TVRI Building), Laksda Adisucipto Street KM 8 No.59.

After the founder of Bakpia has passed away, nowadays, Bakpia Patuk 75 now handled by the second generation, where have a duty as a mentor and help to guide the third generation. Hopefully the next generation of this family business can developed their business into a better way and even gets more profit without losing a small number of their customer's loyalty. The researcher wants to identify more about how the Bakpia Patuk 75 is able to struggle and hold out with the other competitors in Yogyakarta by keeping their existence. The researcher also wants to know how the second generation of Bakpia Patuk 75 do their

regeneration and handle the business with looking forward on the process by passing the relay race stick and the trustworthiness of the next person who able to handle that family business. Now Bakpia Patuk 75 is in the two generation to third generation.

I.2. Problem Definition

Based on the background information which already given above, the problem that formulated in this research are:

1. What are the strategies of succession planning that has been done by Bakpia Patuk 75?
2. What are the obstacles of the succession planning in the Bakpia Patuk 75?

I.3. Scope of the Research

- This Resource is only held in Bakpia Patuk 75 in Yogyakarta.
- The family business strategy to regenerate their business, so the next generation are able to keep and develop the business on their way based on the path that already given by the previous generation.
- The Respondent in this research are:
 1. Mrs. Lo Tien Nio (Yenny) as the second generation
 2. Christine, Lily and Ellie Margaretha as the third generations.

I.4. Main Objectives

The main objectives of making this project are:

- To investigate the strategies of succession planning that has been done by Bakpia Patuk 75 as one of the first creator of Bakpia's making and one of the family-owned businesses.
- To investigate the obstacles of the succession planning in the Bakpia Patuk 75.

I.5. Benefit of The Study

There are many benefits from this thesis, such as:

1. For the business players:

This study can give some reviews for the business players in order to implementing succession planning in the family, especially for transition to second and third generation which is importance for the longevity about the firm.

2. For the readers:

This research of succession planning will give more information about how succession is done in the family-owned business

3. For the researcher:

This study can give broaden knowledge and more experience about reality that happen in family-owned business by implementing the basic concept and theory of succession.

I.6. Research Methodology

Based on the problems identifications, research objectives and theoretical framework, we can create research methodology:

- Type of Research

These resources are using descriptive qualitative research, which have a source from deep interview and analysis.

- Data Source

⇒ Primary data which done by interviewing the respondents. Interview is one of the data collection methods to get the information needed directly from the source. Observation, the researcher is observing and recording directly to the observed object, in order to obtain the appropriate and accurate data.

Historical company collection data method.

⇒ Secondary data which are collecting the data from on textbooks, article, website and journal.

II. Writing Structure

This thesis is divided into 5 chapters

1. Chapter I: Introduction

This Chapter describes the background information of the research, problem definition, the objectives of the research, benefits of the study, and writing structure.

2. Chapter II: Theoretical Background

This Chapter describes the theoretically background that has relevant to

this research. Some theory will be taken as the based to support this thesis.

3. Chapter III: Research Methodology

This Chapter describes the research methodology that consists of company profile, the time and place the research, type of research, data collection and data analysis.

4. Chapter IV: Data Analysis

This Chapter consists about the data analysis that had been collected in during the research.

5. Chapter V: Discussion and Conclusion

This Chapter describe about the final conclusion from the data analysis and discussion. By doing this research, the researcher hope that the result of the data analysis and discussion can be useful for all parties that interested on this research or for further research.