

# CHAPTER I

## INTRODUCTION

### **I.1. Background Information**

Family business is generating a significant proportion of the economic activity in many countries, 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 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.

The primary cause for failure, however, is the lack of succession planning. With the right plans, the business will remain healthy in most cases.

Succession refers to the transfer of the management and/or the control of a business. Ownership succession focuses on who will own the business, when and how that happen.

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. Successor often sense this reluctance and plan an alternative career. However if the successor see a plan in place that outlines the succession process, they may be more suitable to continue in the family business.

Why it is importance?

- ✓ 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?)
- ✓ If the first generation has passed away, it is expected that the company will still exist in the next generation.
- ✓ To keep the harmony of the family.

In another interesting study published in Family Business Review, Malone found that good succession planning was positively related to strategic planning. An interpretation may be that the family that plans together stays together and vice versa.

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 to look for some data directly from the company who done the family business.

The research will be done in one of the family-owned business in Indonesia named Sampurna Photo Studio.

Sampurna is a business that works on printing production, photostudio, photocopy, and provide all photography tools. Sampurna has more than 40 branches in different areas until now, for example: Yogyakarta, Purwokerto, Majenang, Purbalingga, etc.

Now Sampurna is in the second generation and come into the third generation. The sons of the founder form two PT (limited liability) at Solo which are:

1. PT. Panca Surya Sejati → Sejati photo
2. PT. Panca Sampurna Surya Sejati → Sampurna photo & Modern photo.

Sampurna is divided into two PT (limited liability) to make easier the calculation of the balance sheet. These two PT are managed together by the sons of the founder.

The third generations have been prepared to continue the business of Sampurna. The second generations help the third generation as the successor to manage the business well. One of the strategies used by Sampurna to prepare the successor to run the business is by having a system that the husband involves their wife and children into the business with salary system, so the wife and the children are paid.

## **I.2. Problem Definition**

Based on the background explanation, the problem statements are:

1. What are the strategies of succession planning that has been done by Sampurna Photo Studio?
2. What are the obstacles of the succession planning in the Sampurna Photo Studio?

## **I.3. Limitation of Research**

In order to focus on a specific problem, the researcher makes some limitation on the study, the limitations are:

1. The research will be held only in the Sampurna photo as one of the family business.
2. The respondents are:
  - ✓ The founder of Sampurna Photo Studio.
  - ✓ The second generation (offspring) of Sampurna Photo Studio.

## **I.4. Main Objectives**

The objectives of the final project are:

1. To investigate the strategies of succession planning that has been done by Sampurna Photo Studio as one of the family-owned business.

2. To investigate the obstacles of the succession planning in the Sampurna Photo Studio.

### **I.5. Expected Benefits of the Study**

Hopefully there will be some benefits for all parties who are interested on the topic, especially for the business players, the readers and also for the author of this thesis:

1. For the business players:

This study could give review for the business players in implementing succession planning in the family business.

2. For the readers:

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

3. For the author:

This study could add experience and broaden knowledge of the writer by implementing the basic concept and theory about strategies of succession especially in the family business which is obtained during the lectures and during the study.

## **I.6. Research Design**

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

1. Type of the research:

The research use qualitative research, referring to the deep interviews and analysis

2. Sources of the data:

Primary data are done by interviewing the respondents. Interview is one of the data collection tools to get the information needed directly from the source.

Secondary data are collecting the data from the text books, articles, websites and journals.

## **II. WRITING STUCTURE**

This thesis is divided into 5 chapters

1. Chapter I: Introduction

This chapter describes the background 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 theoretical background relevant to this research. Any theory that will be used to support this thesis will be based on the theory.

## 3. Chapter III: Research Design

This chapter describes the research design which consist of the company profile, the time and place of the research, type of research, data collection and data analysis

## 4. Chapter IV: Data Analysis

This chapter explains about the data analysis that had been collected in the research.

## 5. Chapter V: Discussion and Conclusion

Describe the final conclusion that the researcher get from the data analysis and the discussion. Hopefully this result will be useful for all parties that are interested on this research or for further research.