

Family Business Succession: Deciding on the Appropriate Successor for the Right Business

A Case Study at Mr. Tony Prayitno's Family Business

Thesis

Submitted to the faculty of the Graduate Program of Management as Partial
Fulfilment for the Degree of Master of Science of Management

Daniel Adi Wibowo

07.90.0003

Graduate Program of Management

Soegijapranata Catholic University

Semarang

2009

STATEMENT OF GENUINE

By this profile :

Name : Daniel Adi Wibowo

Student's I.D. : 07.90.0003

Program : Graduate Program of Management

Degree : Master of Science in Management

Major : Human Resources Management

Declared that this thesis was my own to made and this thesis is not part of plagiarism nor stolen idea. If any inconvinient truth were found on the upcoming moment that this thesis were part of plagiarism or stolen idea, this thesis will be redeemed and declared as failure and will held responsible upon any penalty from Graduate Program of Management Soegijapranata Catholic University

Semarang, March 5th 2009

Daniel Adi Wibowo

PAGE OF APPROVAL

Name : Daniel Adi Wibowo
Student's I.D. : 07.90.0003
Program : Graduate Program of Management
Degree : Master of Science in Management
Major : Human Resources Management
Research Title : Family Business Succession: Deciding on the Appropriate Successor for the Right Business

Advisor I : Thomas Budi Santoso, Ed.D

Advisor II : Rudy Elyadi, SE. MM.

Semarang, Febuary 20th 2009

Approved by,

Advisor I,

Advisor II,

(Thomas Budi Santoso, Ed.D)

(Rudy Elyadi, SE. MM.)

TABLE OF CONTENTS

PAGE OF TITLE	i
STATEMENT OF GENUINE	ii
PAGE OF APPROVAL	iii
TABLE OF CONTENTS	iv
LIST OF FIGURES	vi
ACKNOWLEDGEMENTS	vii
ABSTRACT	ix
CHAPTER	
I. INTRODUCTION	
1.1. Background of the Study.....	1
1.2. Problems and Objectives of the Study	3
II. REVIEW OF RELATED LITERATURE	
2.1. Family Business and Succession Plan	5
2.2. Entrepreneurship	10
2.3. Leadership.....	12
2.4. Recent Case Studies	13
III. RESEARCH METHOD	
3.1. Research Procedure.....	18
3.2. Research Limitation	20
3.3. Research Framework.....	21
3.4. Data And Data Gathering Techniques	25
3.5. Respondents	25
3.6. Research Instrument.....	26
3.7. The Technique Of Analysis	27
IV. RESEARCH RESULTS AND DISCUSSION	
4.1. Research Result.....	30
4.2. Discussion	35

4.3. Research Synthesis..... 56

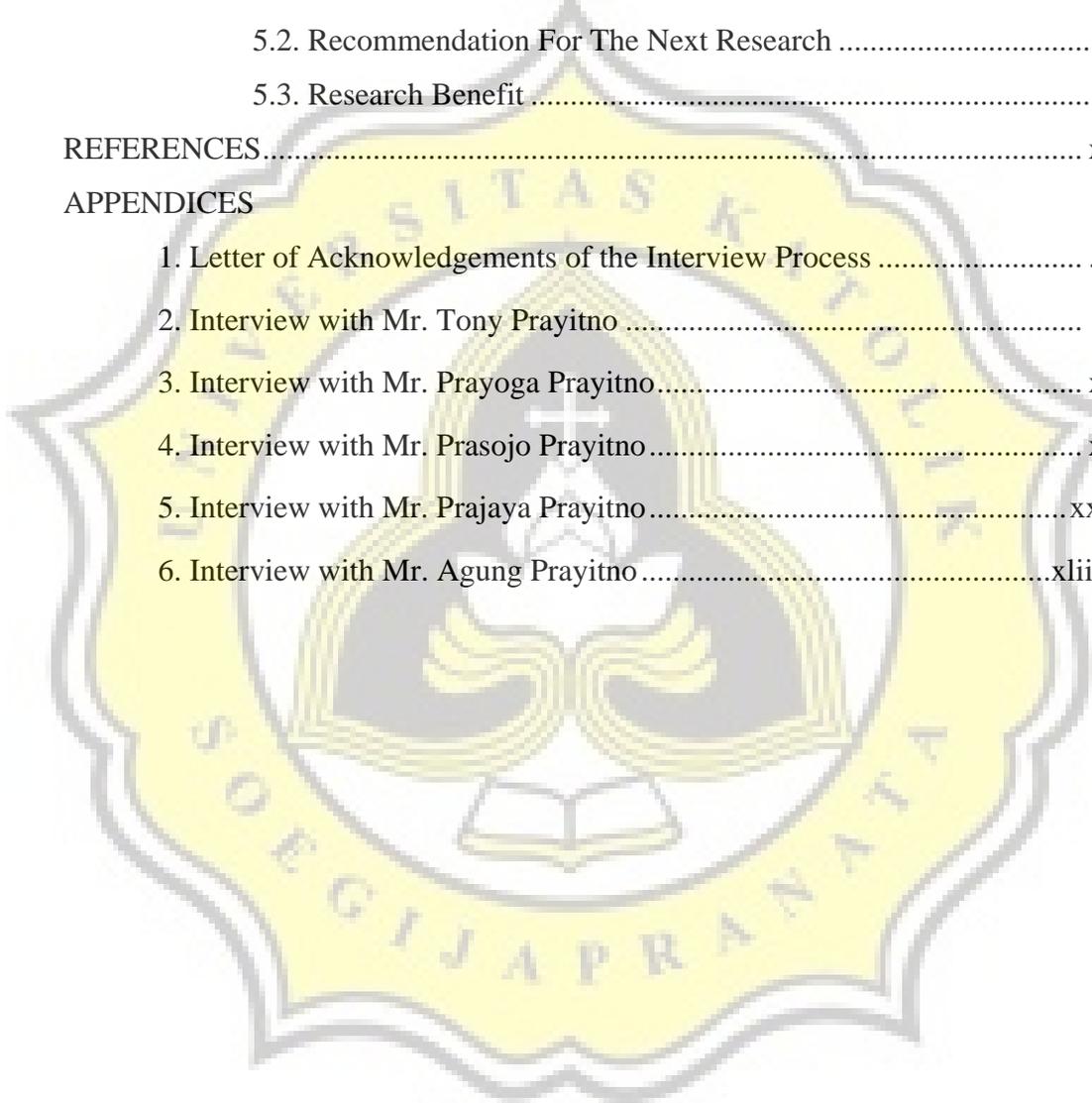
V. CONCLUSION AND SUGGESTIONS FOR FUTURE RESEARCH

5.1. Conclusion 59
5.2. Recommendation For The Next Research 61
5.3. Research Benefit 62

REFERENCES..... x

APPENDICES

1. Letter of Acknowledgements of the Interview Process xv
2. Interview with Mr. Tony Prayitno xvi
3. Interview with Mr. Prayoga Prayitno..... xxvi
4. Interview with Mr. Prasajo Prayitno..... xxx
5. Interview with Mr. Prajaya Prayitno..... xxxvii
6. Interview with Mr. Agung Prayitno.....xliii



LIST OF FIGURES

3.1. Research Framework.....	20
4.1. Research Procedure.....	22



ACKNOWLEDGEMENTS

Without the people who supported me, this research could never have been done. For that, allow me to express my deep and sincere gratitude to all the persons who have given their support to this research. First of all, I express my deepest gratitude to God for the chance to complete my studies at Soegijapranata Catholic University. To my family who always gave their full support to my study periods. To Mr. Thomas Budi Santoso, Ed.D and Mr. Rudy Elyadi, SE. MM. as my advisors who shared their knowledge and time to help me with this research. To the Examination Committee, Prof. Vincent Didiek Wiet Aryanto, Phd. and Mrs. Irmawati, S.E, MSc., who have made this research complete with their recommendations.

Thanks to my colleagues, who shared their time, laughter, and supportive ideas made it possible for me to get through the hardest moments in this research. I wish to express my special gratitude to Mr. Tony Prayitno and his family for the opportunity they gave me to conduct my research within their family. They were always willing to help and share their perspectives and ideas.

My sincere apologies to those who are not mentioned in this research. Although their names are not included here, their support has made it possible for this research to reach its completion. My gratitude and appreciation go to all those who have contributed to this research in any way. To everyone who reads this research:

thank you for sparing your time and attention. Hopefully this research will contribute to science in general and the science of management in particular, by showing a broad point of view which can be useful in human live.



ABSTRACT

The succession plan holds the major key in the long-lasting family business. Difficult decisions to make are: who should be taking care of what exactly and when is the succession supposed to take place. If the owner has only one child, succession does not pose a real problem; but what happens if the owner has more than one child? Who will inherit the business? There are no rules when it comes to this, there are no conditions; it is for the owner to decide.

Having more than one male child and on the other hand having more than one business line within grasp, dividing these among the offspring and deciding on the right person for the right business line could create its own issues. This is the very reason of the writer of this research to study the reasons of a business owner who has more than just two businesses and an offspring of more than two sons. The location of this research is the Semarang area.

Inherited control is particularly questionable in the case of a publicly traded family business. Since the interests of the founding family and those of dispersed shareholders are not always aligned, problems may emerge. On the one hand, not trusting outsiders to maintain the family's values and objectives may cause family firms to avoid hiring professional managers who can foster the growth required by external capital. On the other hand, not trusting family insiders may cause public investors to be cautious of buying company's stocks.