The effects of integrity, entrepreneurship, knowledge, leadership to succession in first generation family business

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ABSTRACT: Family businesses have important contributed in Indonesia, this survey is supported by PWC of 95% of companies in Indonesia are family companies. Several researcher has underlie the reasons why family companies fail to maintain the long-term business, but the most problem discuss in family business failure is survive is the lack of succession planning, because of family relationship. This research aim was studied about the effect of integrity, entrepreneurship, knowledge, leadership to succession for first generation business and examine previous research from Wijaya & Wijaya (2018) in mini theory of succession planning. A field questionnaire survey was adopted using a structured questionnaire with closed questions and 5-point Likert response scale and sampling procedure was taken as much 138 sample with purposive sampling method. Collected data was processed using SmartPLS02 including inner and outer test to measured the hypothesis stated

Keywords: integrity, entrepreneurship, knowledge, leadership, succession

1 INTRODUCTION

Family businesses have important contributed in Indonesia, this survey is supported by PWC almost 95% of companies in Indonesia are family companies. Not only in Indonesia, even the biggest contribution to each country is inseparable from the role of the family business, surveys from several researchers have presented. Ward (2008) collected 80% economics in Europe have been contributed by family business; Poza (2010) family business have contributed 98% economics at North America; and 90% in South America, but the most problem discuss in family business failure is survive in long term business Leithwood, Jantzi, and Steinbach (1999); (Crowther et al. 2002); and how to maintain the long-term business. Several researcher also have conducted the reason why family business being failed: Lansberg (1988); White et al. (2004) seen lack of succession planning was failed to bridge the transition between generation one and the next generation and prepare skilled and trained successors. Another finding from researcher have the basis of assessment for choosing the successor such as Cohen (2010) has explored in-depth interview by leader to seen the leadership spirit in integrity work as a basis to choosing the successor, and other findings from Vecchio (2003); Kets de veits (2010) conducted a survey of leadership that had an entrepreneurial spirit to successor candidate, as well as adequate knowledge for the individual. This result is in accordance with the findings from Wijaya and Wijaya (2017) in all of the results of observations to large, medium and small scale shop owners to see that the owners will give their thrones to employees who have high leadership skills.

Grassi and Giamarcos (2009) state sucesion in change or development of a community through certain stages. Ward (2008) succession is an intergenerational or multigenerational change in a business

According to Cohen et al. (2010) integrity is: "Quality has principles that are related to actions, values, methods, measures, principles, expectations and various things produced. O'Toole (1996) say as follows: Integrity has at least two meanings that are relevant to discussions about leadership. This is synonymous with truth, honesty, and moral behavior. In addition, leaders need a type of integrity that must be done with "selfishness" with the integration of one's personality (using the language of psychologists). Integrity in this sense refers to the nature of wholeness or completeness that is greatly
admired. Having integrity means being able to maintain the structure and maintain its integrity.

Ha1: Integrity has significance affect on leadership

According to Venkataraman (1997) Entrepreneurship as a scientific field seeks to understand how opportunities to become real and Hebert and Link (1989) in Filion (2008) Entrepreneurship is someone who specializes in taking responsibility for and making judgmental decisions that affect location, form, and use of goods, resources or institutions.

Ha2: Entrepreneurship has significance affect on leadership

Davenport and Prusak (1998) define knowledge as "a mixture of experience, values, contextual information and intuition that provides a structure for evaluating and combining raw experiences and information”. Whereas according to Hunt (2003), knowledge is defined as beliefs that are considered right and justified. Furthermore, Marfo et al (2012) knowledge can, in general, be defined as ownership or communication in various ways (memorizing, art, skills, etc.) information or data that is processed in such a way that the processed data / information is useful.

Ha3: Knowledge has significance affect on Leadership

Northouse (2007) defines leadership as an individual process affecting a group of individuals to achieve goals, this is in accordance with the definition of Sharma (2013) Leadership is the process by which someone influences others to achieve a goal and mobilizes the organization by making it more cohesive and coherent

Ha4: Leadership has significance affect on Succession

Research framework in this research was illustrate below based on hypothesis mentioned.

2 RESEARCH METHODS

A field questionnaire survey was adopted to collect data of 138 samples using a structured questionnaire with closed questions and 5-point Likert response scale. The sampling procedure was taken by purposive sampling method, a tool for taking samples with certain criteria. The Criteria of the selected respondents is first generation CEO in family business.

3 RESULTS AND DISCUSSIONS

Data had been analyzed with SmartPLS03 to described outer model test including validity and reliability test, and inner model involving the coefficient of determination test and significance of path coefficients test.

3.1 Outer Model

Outer model involves examining individual indicator reliabilities to reach construct’s composite of measures as well as the measures’s convergent and discriminant validity.

3.2 Validity Test

Validity test in PLS using convergent validity and discriminant validity

Figure 1. Research Framework

Figure 2. Path Coefficient Test

Figure 3. Convergent Validity Test
The convergent validity test evaluation carried out by using convergent validity which is as the used measurement (outer) models. The amount of loading factor is 0.5 for each variable in the model. AVE and communality is meet the criteria (Ghozali, 2014).

The validity test evaluation carried out by using discriminant validity which is as the used measurement (outer) models. The result is higher correlations indicate the common variance and inter correlation of the model construct are not high (Ghozali, 2014).

3.4 Inner Model

Evaluation for inner model involving coefficient determination test and estimating the path coefficient.

The results are: Leadership had been affect by integrity,knowledge, and leadership by 59.99%, the rest of 40.01% influenced by other variables not examined in this study. Succession had been affected by leadership by 96.58% the rest of 3.42% influenced by other variables not examined in this study.

3.3 Reliability Test

Validity test in PLS using convergent validity and discriminant validity

The reliability test can be extracted from composite reliability with PLS calculations. The value of a variable is reliable if the composite reliability value > 0.70 and the result of all the items have been met in a rule of thumb (Ghozali, 2014).

4 CONCLUSIONS

Based on the results, then the following conclusion is integrity can be assessment to choosing the motivated employee to successor candidate. Another variable is entrepenuership hasn’t effect on leadership because leadership spirit not only growth by entrepenuership mentality. Knowlegrer variable
has significant affect on leadership, according to respondent they feel leadership can be measured by knowledge.

Leadership affected significant on sucession. This finding can be measured the successor cadinate can be evaluated by leadership, as stated from sharma (2013) Leadership can influences others to achieve a goal and mobilizes the organization can. We also suggested to another researcher to find the other variables in succession research to conduct in-dept interview with CEO in second geneartiton family business, as stated from Fairholm (2001), the first generation focuses on "who is the leader," the second generation focuses on "what leaders do," the third generation focuses on "where leadership takes place," and the fourth generation focuses on "what leaders think, value or do".

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