Family Orientation and Internationalization of Family Business: A case study

Maria F. Cindy Hutomo, Suyanto Suyanto
Faculty of Business and Economics
University of Surabaya
Surabaya, Indonesia

Aluisius Hery Pratono
Centre for Business and Industrial Studies
University of Surabaya
Surabaya, Indonesia
herypra@staff.ubaya.ac.id

Abstract—This study attempts to examine the concept of family orientation by addressing the question of how individual family members relate to the family business in international business context. This study adopts inductive research approach to understand the phenomenon of family business by asking the research participant to articulate their internal feelings. The results extend the works on entrepreneurial family orientation in international process, which consists five dimensions, such as tradition, trust, loyalty, stability, and interdependency.

Keywords—family business; family orientation; social capital

I. INTRODUCTION

This companies and businesses, whether they are small, medium, or big enterprises, play an important role in determining the economic condition in a country. Without those enterprises, the country's economy will be unable to survive. Family business contribution both in the economy and social factors cannot go unnoticed, since it is one of the essential players in those fields [1]. A family business is when one or two family members putting resources (financial, human or social capital) into one or more businesses and engaging in those businesses as well [2].

Family and business tend to be viewed as separate entities, thus researchers frequently investigating them in the different faculties [3]. However, both of them actually are in fact highly related to each other. As it is already stated in the name, “family business”, thus family members hold an important role to maintain the existence of their “family business”. The nature of family business still remains unanswered. The family members themselves often go unnoticed in the family business context. A family business is built by family member(s). Before the business itself is established, the family existed first [4].

This study seeks to discuss the concept of family orientation by addressing the question of how individual family members relate to the family business. This study extends the previous works on entrepreneurial family orientation. Family orientation has five dimensions, such as tradition, trust, loyalty, stability, and interdependency.

Standard economic model implied that people always make decision based on rational thought and preferences; the preferences are stable and coherent [5], rules of the game and price are the only social determinants considered [6], utilize all the accessible data, and take action that boosts their objective function [7]. In this model, ability does not restrain people to think over problems. Their self-control and attention also unbounded them and able to execute any plans they prepare for themselves without any cost. Internal barriers do not become a hurdle in accomplishing their goals. Each problem is being thought thoroughly and contemplative decision regarding each problem is made, thus every decision made is being contemplated thoroughly, calculated perfectly and executed easily.

Due to those aspects mentioned before, which social context is not affecting the standard economic model, decision making social determinants are left out [6]. However, psychology, which explores human judgment and behavior, is able to show vital evidence in contrast of traditional economic description regarding humans [5] and psychology finds out that those assumptions mentioned before are insufficient as well as unsatisfying to describe human behavior [7]. On the contrary to the previous model, those dimensions mentioned above are bounding the individuals.

Psychology contributes to the increasing of economics’ explanatory power with more realistic and psychological perspective, which is called behavioral economics [8]. In addition, he also stated that human behavior affected by some aspects, such as circumstances, situations, society’s impact, time, emotional perspective, and in the meantime how their decisions are made [9]. This approach fundamentally departs from the standard assumptions regarding the essence of human catalyst [10].

Behavioral economics bears in mind the human rationality's fluctuation, which can be finite by an emotional factor, spirit, individuals' inability to estimate different possibility, and spirit [11]. It investigates human limitations and complications displayed in the markets with the combination of psychology and economics [12]. Behavioral economists believe that scared of making failure is able to influence people to give up some
benefits in order for them to avert the small risk of feeling that they have failed [11].

Behavioral economics was born with heavy reliance on evidence, which is generated by experiments. In the beginning stage of behavioral economics, experiments played an essential role since it was immensely helpful to distinguish behavioral explanations from standard economics [13]. However recently, behavioral economists already embraced economists' full ranged methods in which the most prominent and relied on by recent studies on behavioral economics is field data. Behavioral economists characterize themselves, not based on the research methods they use, but more to their utilization of psychological perspectives to economics.

A business and a family unit are running side by side together as a parallel organization called family business [14]. The distinctiveness of family firm reflected in their culture and dynamics, which make them different from a non-family firm in terms of the process, decision and actions [15]. Shared symbols and meanings become the cornerstone of cohesion and consensus in an organization, which is created by the collective reproduction of societal culture into cultural control. Cultural consensus among company's key actors also becomes the legitimate source of authority within a family business aside from the owner’s values. The key to defining the differentiation of family business and non-family business is the involvement of the family itself [16]. Therefore, there are 3 characteristics that could determine whether a firm is family firm or non-family firm [17]:

- The majority “voice” belongs to the founder or the one that acquired the company (or couple, parents, child, or the heir).
- At least there is one family member within the management or company’s administration.
- For a public company, the founder or the one that acquired the company (or the family member) has 25% rights to the company through capital investment and there is at least one family member at the board.

Firms become more family-oriented as they get older [12]. Family orientation concept reflecting the ways individuals perceive, relate to and value family. In family orientation, there are five key dimensions, which are tradition, stability, loyalty, trust, and interdependency [4]. Each of those concepts mentioned above is essential to family business, but the true value that makes a family business different than from those non-family businesses is how the family members integrate those five concepts [14].

Tradition is an underlying aspect of family orientation and the main characteristic of the family system [4]. Traditions are passed on within families through sharing family histories repetitively and ancestors' contributions are recognized. Rituals and routines also part of family tradition. Instrumental goals are attained using family routines. Rituals are essential to maintaining a family relationship. Thus, the emotional support provided by rituals and other tradition is more likely to be valued by individuals who have strong family orientation, rather than those with low family orientation. Role identification, rituals, routines, shared history, shared meaning, and family legacy are the character of tradition [14]. Family tradition does not only play a pivotal role in the intention to start a new business but also to risk-taking propensity [18]. Children of a business family may grow up in the tradition of business and acquire skill by being on the track with their families [19].

Trust is main element of social capital, which is reflected by an eagerness to meet expectations, confidences sharing, backing each other, and act with a system that recognized fairness. Fulfilled obligations will create a sense of safety within a family. Individuals that trust each other within the family tend to have strong family orientation since cohesion and security are provided in the family system. Trust is essential to promote selling capability, which affects firm performance [20].

A loss of trust causing cohesion and support needed to keep interdependency of emotional system break [4]. Safety, security, protection, fairness, reciprocity, and trustworthiness are the characteristics of trust [14]. It becomes a general mechanism for informal cooperation that able to substitute the need to use formal control of the actions and interaction in a transacting organization [21].

The trust made individuals become selfless, which lead to strengthening their desire to cooperate together. Trust can become an advantage that owned by a family business over a non-family business, which comes from the family members themselves. Personal time, energy and emotional support become the human capital [22]. Trust and selflessness in family allow them to give support in form of willingly to supply money for the family business, although it may decrease the amount of family’s income that derived from the family business [23].

A sense of duty, obligation, indebtedness, and commitment along with the priority of togetherness are the characteristics of loyalty [14]. Loyalty is likely to be experienced by individuals that have strong family orientation, which have a sense of commitment and duty. Filial loyalty is expected from the children. Maintaining the family and loyalty are expected from family members as a social group. Loyalty displayed in the family is the strongest level, however, in a lesser condition, loyalty showed in common tasks, value and interests [4]. It is one of the substantial fundamentals that unite relationship [13].

Permanency in a family is related to stability. Any condition and aspect within a family that capable of ensuring the family's legacy permanency in the future is a form of stability [4]. Pressure will be wielded, and sanctions will be imposed if there is a family member who tries to separate his or herself from the family in order that the family will become normal again. Strong family orientation individuals are attracted by sanction for insignificant behavior and boundaries. Family stability and family cohesion are essential to the family welfare system, which becomes long-standing challenges to deal with substance abuse [24].

Build by emotional ties, interdependency may result in family closeness and until to what extent family members are willing to support and count on each other. Family members
are relying on each other that one may fulfill basic needs and accomplish goals. Family members level of interdependency commonly different compared to other social structures. The social network may help the family to build their social network structure [25]. Furthermore, there is an interdependency called physical interdependency.

Housing, money or other physical resources are shared with family members. Not only resources but also effort is shared. A family has an unrestricted version of physical interdependency. In some cases, the materialism attitude contributes to participation [26]. Babies or those who have the least capability to give contribution will not be expected to return the resources that already received. Caregiving is resource intensive and adult members have multiple interdependencies, compromised independence can make members experienced sadness, and mortality made salient [27].

II. METHOD
This study adopts inductive research approach for some reasons. First, the research seeks to understand the phenomenon of family business. Secondly, as the research explores the payoff of family business as an internal issue of humans by asking them to articulate their internal feelings. Ethical judgments spring from qualitative factors, which also highlight consequences and social consensus. Then, this approach constitutes three steps, namely observation, pattern, tentative explanation, and proposed assumption for diaspora strategy. To identify pattern, the paper summarizes the literature reviews. Then the paper takes into account the proposed assumption for the advanced diaspora strategy.

III. FINDINGS
A. The Company
The company is a home industry type of company that producing sweet soy sauce. Mr. Hien established this company on August 5th, 1937 with municipal permit no. 1280/R/KMS/1937. The founder established a sweet soy sauce company because at that time, there was a high demand in sweet soy sauce in the founder’s living area, which was Sidonipah. Furthermore, sweet soy sauce producer was still rare at that time.

In the early years, Kecap Jeruk Pecel Tulen Company only sold their sweet soy sauce product in Surabaya. Eight years after the establishment, Kecap Jeruk Pecel Tulen Company expanding market area to Sidoarjo and Gresik. In 1968, Hwan Hong Piek inherited the company as well as became the director. For the year 1968 until 1982, the market area reached all over Java. However, Hwan Hong Pien passed away in 1982, therefore in 1983 his brother, Hwan Hong Piek took the lead until 1989.

Since 1989, the director position has been held by Mr. FMR with Mr. HLW as the vice director and Mr. HLT as the head of production. In 1992, Kecap Jeruk Pecel Tulen Company registered in Depkes RI no. MD 145413001249 and SP: 278/13.01/92. Under the lead of Mr. FRM, the market area is reaching Ambon and Merauke. Moreover, this sweet soy sauce had been exported to Saudi Arabia.

Choosing the right location for a company is one of the essentials that determine the success and continuity of the business because location will be affecting some factors within the company, such as production cost, labor, marketing area, transport, and as well as waste disposal. Kecap Jeruk Pecel Tulen Company is located at Jalan Sidonipah II/3-5, Surabaya. This location is chosen due to some considerations. The first one is raw material. The main raw materials are mostly bought from outside Surabaya, but additional ingredients can easily access because the location is close to Pabean Market.

The second consideration is market area. Near the company area, there are some big and small markets that make Sidonipah a potential area for marketing the product. The third one is resource. The availability of electricity and water in the company area makes the distribution and production can work well. The fourth one is means of communication. Telephone, facsimile, Internet connection, and other forms of communication tools are available make it easier to order raw material or know the market demand. The fifth one is transportation. The company is located in a very strategic location. It is located exactly in the edge of roadway make it easier for big vehicles to move in and out. The last one is labor. The location is near the settlements, therefore labors supply are easy to meet.

Each of the position has its own job description that need to be fulfilled in order to keep the company running well. Director is the one who responsible in determining the company policy whether it is internal or external, approving the letters of agreement with the parties concerned (government, supplier, distributor), appointing a representative to help running the company’s activities, asking responsibility from all divisions. Vice Director responsibilities are helping the director to run the company, helping the director in order to determine company’s policy, acting as replacement if the director cannot attend. Administration Division is the one who responsible in noting all of the daily order from customers that happened within the company and making invoices. Production Division is the one who supervising every activity done by employees that directly involve with production process, responsible of the production continuity and supervising the product whether it is already meet the standard or not. Marketing Division is responsible for selling the company’s products and looking for new market areas. Employees are responsible for doing day-to-day activities within the company as well as responsible of the job they done and obeying order from above and responsible of the order given.

B. Production
The company used to advertise in cinemas and radio. In 1977, they advertised at some cinemas in Surabaya, which were Bima, Arjuna and Jaya. The advertisement was in the form of slide show. In cinema: around 1977 at Bima Cinema, Arjuna, and Jaya. The advertisement is a slide show. Approximately in 1986, they advertised in radio. The radio was belong to a friend the vice director. Back then, the radio helped to promote the sweet soy sauce and the company paid some bills. However, when the theater was closed and the radio transmitter has been transferred and the radio is no longer the vice director’s friend’s, the company does not advertise
The production process is still traditional but a machine has slowly replaced it. Not immediately replaced all of the traditional tools with machines because it might be causing a fatal error and it can ruin the production activity, thereby the company replaced it 1 by 1. What has been replaced the machine is after the cooking process. So filtering already used machine, pulled into pipes for charging, specified expiration date, packing for cardboard, and welding plastic refill. There used to be people coming to offer machines and show the demo of how to use the machines. Many of them offered foreign made machine with the price is hundreds of millions. Machine that made in Indonesia was chosen because it is the same as the foreign-made, but more affordable.

The company gets the raw material from various place, e.g. sugar (brown sugar) coconut from Banyuwangi, Lampung, Madura (siwalan sugar), Blitar, Purwokerto. Take from different places because if the production needs more sugar, then the company can take from another supplier. In the past, the company took the brown sugar from a traditional market in Surabaya which were Ngamplungan and Kertopaten. One day, Kertopaten and Ngamplungan found a difficulty supplying the brown sugar. Then, the brown sugar supplier from Ngamplungan and Kertopaten gave their own suppliers number to the company, thereby the company can order directly from the original supplier. It is already allowed because they are afraid of not being able to meet the demand of sugar from the company or if sometimes the delivery was late.

Soybean is acquired from mbalung, Jember (same situation with sugar). The starch is from Kudus and salt from Surabaya. The spices (laos, sere, pekak, kincam, fennel, garlic) are obtained from Pabean. Sugar prices are often up and down. The price can be different per order. The price of sugar usually rises for about Rp 100-200. It does not really give a dramatic effect to the price of soy sauce. However, if it continues to rise and cannot be control anymore, the price of soy sauce has to be raised.

C. The Family

The difference between the second generations to the third is packaging innovation. It is used to be just a glass bottle now there are plastic bottle and refill. Usually all process using traditional tool and now replaced some of them with machine. For marketing is still the same.

The tradition value within this family can be considered favorable. The third generation shared family history, from how the company was established and all the hard work put into making this company bigger, to their children, the fourth generation. Transferring knowledge about family history is an essential matter in order to remind the later generation of where they are coming from.

Another important value in the tradition dimension is family rituals. Family rituals are various social activities, such as family gathering, family holiday, birthday party, engagement party, wedding ceremonial, etc. Attending rituals could be a bridge for a big family to see and communicate with each other. The third generation of the Kecap Jeruk Pecel Tulen family still actively engaged in those family activities. When they meet each other, there was neither awkward nor stiff situation in every occasion. They get along very well and they can even have an enjoyable conversation with the fourth generation.

The ritual is not only existing in the family, but also in the company with the Kecap Jeruk Pecel Tulen’s employees. Before the director unable to travel far due to health matter, the company used to have holiday together with the employees once a year. Usually, the holiday took place at Tretes, Batu, or Malang. Among the employees themselves, they also like to spend time together outside the working hour.

“[…] When Mr. FMR still health we had tour from the company once a year to Malang, Selektu, Songgoriti, Sengkaling, but since the condition of Mr. FMR was decreasing, there was no tour anymore since four years ago. However, before that, the tour was every year” Mrs. SN (Employee)

There are many ways to maintain trust within a family, especially a family that involve in business. Running the

anymore since then. Until now, the company never advertises again, however people still know about the existence of this sweet soy sauce. The sweet soy sauce are sent to NTT, NTB, Kalimantan, Papua, and in other small areas. In Surabaya, Kecap Jeruk Pecel enters almost all stores, such as Giant, Superindo, Chicco, Carrefour, Hypermart, etc. However, Indomaret and Alfamart did not.

The sweet soy sauce used to be exported to Saudi Arabia from 1970s until 1999. There is still an intention to export again to Saudi Arabia, however the company is no longer have the connection. The company does not run its own export activity, but there was a person acted as a middleman who took the products directly from the factory and then sold them in Arab. There used to be a lot of pilgrimages from Indonesia in Saudi Arabia brought sweet soy sauce and Arabian knew that item would be salable. So it is sold exclusively for Haji Indonesia, so the people who take the pilgrimage do not need to bring back from Indonesia. The Arabian man who took this soy sauce first lived in Surabaya took this soy sauce to be brought and sold in Arab. Then this person moved to Jakarta. From Jakarta still bought from the factory several times, but after his death, his son did not continue to sell soy sauce in Arab so the export also stopped.

In total there were 47 people working in the company, 35 women and 12 men. Women workers were more than the men because the tasks are more suitable for women, such as washing bottles, bottle filling, labeling, packing for crates. The men’s jobs are only for lifting heavy things and driving. The recruitment process is based on family ties. For example, if the mother is already old or sick then she can recommend her child to substitute her work in company or from recommendation of family working in company. There is no specific condition, such as the level of education should be at least what or certain skills. The new worker will be trained. The wages for women workers are Rp 100,000,00 per day. While the men have different wages from one another because the men wages are determined based on how long he have been working for the company. The reason for these wages differentiation is because the men’s works are heavier then the women.

For marketing is still the same.
company openly is one of the ways. By running the company openly, it creates transparency, thus increasing the sense of trust in the family business. Family members who want to know more about what currently happen in the company can ask directly to the family involved in management. Sometimes, if there is a problem or something that need to be discussed together with the family, the issue will be discussed with the other family members who are not directly involved in the company. Therefore, family members’ voices other than those who are not in the management are still be heard and considered. Family members are not being cut and prohibited to give advice for the family business. Mutual understanding and maintain communication among family members are also important to maintain trust in a family business.

“...the company is running openly if they want to ask, they can ask, so for example everything we discuss together, we ask the other family members who do not work directly here if there are problems that need to be decide together. However, general matters usually just being taken care of with those who are working directly in the company” (Mr. H, the Vice director)

Loyalty is something precious that cannot be gain instantly and need to be built. A loyalty is an important part in doing family business. Loyalty means working, cooperating together with the family and supporting each other. Those who are not involved in the company can show their loyalty by trusting those who are running the company. Furthermore, loyalty can be shown in a form of help too. For instance, Mr. HLN, he offers the sweet soy sauce to direct seller, for example street food seller. Other than that, he help to market the product to store, like Chico Supermarket and also market the product to Bima, NTB. He is also giving ideas, for example adding new packaging (plastic bottle and refill) was his idea and also he was the one who give idea about changing from traditional to semi-machine.

“...help in the marketing and also giving ideas, such as the changing from glass bottle into plastic bottle and refill and now they are already available” (Mr. HLN, Youngest child from Hwan Hong Piek).

Stability within a family business is very important to be preserved. If the family itself is unstable, how a business can operate well. To protect stability, communication among family members must be maintained. Selfishness and envy feelings must not get in the way. Understanding and give in to each other.

“do not envy each other and fight with each other, so we have to understand each other, if not it can be troublesome.” (Head of Production Division)

“We have to give in to each other and have a good communication, do not be selfish, so the family can remain whole.” Mr. HLW, Vice Director

The employees also maintaining stability by supporting each other and if there is any problem, they must commit to try to solve the problem together, kind to each other, and trust each other. To maintain the stability, tolerance with each other, whether the boss and employee, is important. If there is a problem, it is better to discuss together to find the solution.

“support each other and commit to solve problem together. Being nice among friends and employees. There are no envy feelings, must trust each other, blend in and there are no hate feelings.” (Mrs. SN, employee).

Relying support from one another is a form of interdependency. Family in Kecap Jeruk Pecel Tulen is supportive to each other. Family support each other in the family business in forms of energy, mind to this company. Those who are not involved in the company also giving their support by giving advice about new marketing or product ideas.

“yes (supporting each other) One is in form of energy, also mind, and support in this job. (Family members who do not work directly) also giving support about new product, marketing, maybe there are some discussion from outside, we consider.” Mr. HLW, Vice director

Employee’s interdependency is physical. They rely to the company in economic way. Their salary is from the company and the salary needed to fulfill their family’s needs.

“... Economically (interdependency), I work here because I need salary too. That salary is to fulfill family’s needs, children, for ourselves.” (Mrs. SN, Employee)

IV. DISCUSSION

Previously, Lumpkin, Martin, and Vaughn, stated that tradition is the main aspect of family orientation and passed down through generation with sharing family history repetitively and recognizing ancestors’ contributions [4]. The data found from the field are supported by the theory above. The shared history reminds the later generation about their predecessors’ hardship and struggle behind the company they already knew right now, since the history was found inspirational and motivational, thus encouraging individual family member to retell family business history to future children. Individuals with high family orientation will value more emotional support provided by rituals and routines. The highlight the rituals are not the events, but more to the people within those events and togetherness [3].

It appears that that tradition leads to stability. Furthermore, they suggest that aspects in family life that ensuring the family’s permanency are a form of stability. Stability is not only being maintained with giving sanction, as it was stated in previous study, but also through constant communication. In addition, gathering and respecting each other are also essential in keeping the family business stable. By joining family gathering and communicate constantly, it can bring the family members closer. Lack of communication may give negative impact, like miscommunication that could lead to instability within a family and it could be destructive [4].

Loyalty can be formed by feeling of indebtedness, sense of duty, commitment for maintaining togetherness, and obligation [15]. Feeling of indebtedness and sense of duty can be found in the children, while feeling of comfort is found within the employees. They fully aware that they grow up, able to consume good food every day, get a good education, fulfill family needs etc., are because the family business becomes the family’s source of income. Sense of belonging also contributes
in a person motivation to become loyal. Loyalty can be shown in how much a family member willing to help the family business. Previously shared history triggered a person’s will to help even though he does not work directly in the family business. Ancestors’ hard work in establishing the company made a family member feels unwilling to see all those hard work and struggle become nothing in the end, thus decide to help. For a family business that producing a product, family members show loyalty by not using another brand.

Trust recognized fairness, sharing confidential information, provide sense of safety, substituting formal control, and an advantage gained from family business [4]. Running the family business openly by exposing confidential information to the family members creates transparency and transparency creates trust in family business. Trust towards employee can be shown by substituting formal control, do not need to hand in formal written notice when they do not attend work and just need to call or tell a friend. Trust in family business is maintained through constant communication because by communicating frequently, family members can get to know each other, thus the feeling of trust will grow. Trust can also be a form of support. By trusting those who are working for the company, the family members that work directly in the family business can give their fully best [20].

Interdependency, based on emotional ties, may resulted in family closeness and until to what extend family members are willing to support, and count on each other [4]. Family business is able to survive until now due to support given by family members. The supports are given by helping with the marketing and selling the product. Physical interdependency is shown among children and employees. They aware that they grow up with the company’s money as a source of income and employee’s physical interdependency is their salary [28].

V. CONCLUSION

This article contributes the extended concept of entrepreneurial orientation by examining the role of family orientation at the international trade context. Using an interpretive-inductive research method, this study argue that family orientation plays a pivotal role to foster organizational sustainability by enhancing their international networks based on trust.

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