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THE SUCCESSION PROCESS AND TIMING IN TRANSFERRING BUSINESS OWNERSHIP AMONG CHINESE IN SURABAYA IN THE GLOBALIZATION ERA

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ABSTRACT

This research is investigating the succession process among the Chinese community in Surabaya, especially how it is happening and when it is time to hand over the business. The Chinese are well-known for their hard work and business minds. Therefore, many scholars are interested to study their entrepreneurial spirits and their managerial skills. Yet, the scholars are very seldom concentrating on the cultural background of the Chinese business minds, especially the overseas Chinese. In Surabaya, the Chinese are the backbones of the business activities, with business ownership transferred over generations. Using the descriptive qualitative approach, this research focuses on digging information using in-depth interviews from qualified respondents. The thinking of Taoism is used to study the cultural background of the Chinese businessmen. The findings of this research fall into two succession processes: (1) some successors start to get involved in the business as early as their childhood, and (2) some successors are sent to obtain a formal, as high as possible, education degree before they are involved in their family business. The time when the parents hand over the business is varied among respondents.

Key words: succession process, succession timing, Chinese overseas, Taoism, family business

1. INTRODUCTION

The Chinese have conducted their businesses for generations in Surabaya, Indonesia. Salmon, Claudine (2009) noted that the Chinese business activities in Surabaya could be traced back as far as the 15th century, when the first Chinese settlers flourished and controlled the port cities of Java, such as Tuban and Gresik (p. 23). Today, these Chinese emigrants, and their descendants, have become the backbones in business throughout much of Southeast Asia, including Surabaya, Indonesia (Williamson, 2004, p. 36). Their activities permeate every business level, from small house shops through medium-size firms, to business empires with billions of U.S. dollar of sales, such as Sinar Mas and Ciputra.

Doing business in Surabaya, these Chinese emigrants brought their original business culture to the new land and put their culture into practice for generations. Believing the virtues of traditional philosophy, the Chinese had succeeded in running their business. Many scholars are paying attention to such phenomena, and they wrote books on incorporating the Chinese traditional values into modern management practices. A Indonesian conglomerate and scholar, Mochtar Riady (2008) for example, writes a book on Sūnzi's 孙子 war strategies for modern business management (p. 23). Yet, the study on intergeneration Chinese business succession processes in Surabaya particularly and Indonesia generally is seldom conducted.

Many previous researches on family businesses were conducted in Western culture setting. Dascher and Jens (1999) wrote an article entitled *Family Business Succession Planning* explaining the succession on American family businesses. They discovered that 30 percent of American businesses could sustain until the second generation, but only 10 percent could survive to the third generation. Failure occurred because the next generations had their own desire and interest in different careers from their parents (p. 2). Dascher and Jens did not investigate the succession process, but examined the difficulties arising from the succession processes.

Another research by Cucculelli and Micucci (2008) entitled *Family Succession and Firm Performance: Evidence from Italian Family Firms* was examining the performance of the company after the succession. The study found that the leadership succession process had decreased the company profits very significantly. This was due to the disputes between the successor and the managing director. The respondents for the study were Italians who traditionally trusted the leadership of the company in the hand of family member regardless their professional abilities. The Italian seldom brought expertise from outside the family to manage their family business.

Related to succession, which is associated with the delivery of a company's leadership to the future generation, Goldsmith (2002) made a remark that there is likely a top manager of a company who leads for an indefinite period of time (p. 3). With this attitude, many top managers of the family business neglect to prepare the next generation to replace them in running the business. If the present top manager is not preparing the successor in advance, he will hinder the success of the company's management in the future. Conversely, if a manager is

able to guide the next generation of companies with good management and is able to pinpoint the exact time replace the old manager, he will contribute to the success of the family business in the future.

Wahjono, S. I. (2009) wrote that a lot of companies are not ready yet when the first generation should step down from the top management. Such occurrence happened in the case of the family firm "Surabaya Post", one of the leading national newspapers in Surabaya. The founders were reluctant to abdicate from the top management although the successors have already earned a doctorate in economics. With no prior field trainings and business instincts, the successors were not able to save the company from bankruptcy when they suddenly replaced the top management. In 2002, the newspaper was declared out of business.

Therefore, the succession process and timing in family business are very important for the sustainability of the business itself. Considering these factors, this research proposes to investigate two problem statements: (1) how the succession process happens in the Chinese family business and (2) when will the succession take place in the Chinese family business.

2. LITERATURE REVIEW

This study uses two literature reviews relevant to the succession of family business and the concept of Taoism among Chinese in Surabaya.

2.1. The succession process for a family business

The biggest challenge for a leader is to know the right time to let someone else to replace his position (Liebowitz, 2011, p. 79). In a family business setting, the preparation usually begins by sending the heir to the other company to work, with the goal of developing personal potential, exercising patience, and later acquiring useful experience and skills for his own family business. For the last stage, the prospective heir assists the top management of his own company, in this case the father, to learn first hand how to incorporate the application of cultural values, ideas, and business knowledge in the family business (Liebowitz, 2011, 83-87). After obtaining valuable lessons other companies, the prospective heir will get involved in the family business from the lowest level to the highest, so he learns to recognize all business processes that take place in his company (Fock, 2009, p. 47).

2.2 The concept of Taoism

The concept of Taoism was initially proposed by Lǎozǐ 老子. According to Zhào, Qiáng (2003), Lǎozǐ 老子 and Kǒngzǐ 孔子 are two famous people during the *Chūnqiū* 春秋 era (770 BC-476 BC). Lǎozǐ 老子 said that "dao 道" is a realistic conception that is comprehensive which is not bounded and cannot be expressed in words. "Dào 道" is something that is unchanged, but experiencing constant modification, so it becomes a unity from the whole changing process. "Dào 道" includes the concept of self denial and is very explicit.

Lǎozǐ 老子 asserted that human morality should be "no exaggeration or *Bùyíng* 不盈", "no hostility or *Bùzhēng* 不争", and "doing something naturally or *Wúwéi ér wúbùwéi* 无为而无不为" (Zhāng, Dàinián. & Fāng, Kèlì. 2010, p. 247-248; Chéng, Yùzhēn, 1998, p. 75-76). Cài, Yuánpéi (2000) confirms the differences between the concept of Confucianism and Taoism. He mentions that the concept of Confucianism is using the "ordinances" to regulate the government and society, while the concept of Taoism is using "no confrontation" to affect people's way of thinking to pacify the country. Both concepts were proposed to regulate the past government during the chaotic situation and wars (p. 24). Taoism does not agree with the rules that are too strict and detailed, in fact, strict regulations provoke rebellions. Therefore, Lǎozǐ 老子 advocates "*Wúwéi ér zhì* 无为而治", which means "ruling by doing nothing, let everything runs according to the natural process and no compulsion" (Wú, Zéshùn, 2003, 69).

3. RESEARCH METHOD

In examining the phenomenon of Chinese business, the data are obtained from interviews and interactions with the respondents. The most suitable method is descriptive qualitative. This is consistent with the statement expressed by Creswell, John W. (2003) that the data collection requires closer relationship with the respondents so that the data can be expanded (p. 181). To gather the data, the respondents were invited to join the interview and the interview was conducted either at their office or house. Regarding the number of respondents, this research did not determine in advance, but by necessity of the research. For validity of the data, this research uses fifteen respondents. This is also in accordance with Thomas, R. Murray (2003, 1).

Data obtained from the interviews are recorded and transcribed into the question and answer form. Then they are sorted according to the research question purposes. Data analysis is conducted concurrently with the interview process in order to get the systematic and coherent analysis.

4. FINDINGS

The findings of the study are based on the data obtained from the interviews and analyzed according to the literature reviews on the proper succession process and the Taoism concept. The data presentation is divided into two discussions.

4.1 Chinese business ownership succession process in Surabaya

Table 1 displays the summary of the interviews with 15 respondents concerning the succession process.

Table 1. The ownership succession process among Chinese family business

Respondent	Types of business	Succession process
1	Steel factory	He started to get involved in the family business since he was in elementary school. During the school break, he helped the father do simple office chores. After he graduated from a university, he fully devoted his time for the family business.
2	Soy sauce factory	Her mother owned the business, but she encouraged the respondent to get a degree in apothecary. When her mother's health started to deteriorate, the respondent helped running the business because she was the only child in the family.
3	Detergent factory	The respondent was encouraged to study abroad until he got a master's degree in the field related to his family business. After obtaining the degree, he jumped to the factory in the management level.
4	Cardboard box wholesaler	After he graduated from a high school, he was encouraged to take a degree in business management, but did not manage to get the degree. So, he started to get involved in the family business.
5	Hotel business	The respondent learned the hotel business of his father since he was in the elementary school. It happened by coincidence because he liked to play around the property which was near his own house. Occasionally, his father asked him to look after the front office when the employees took lunch break.
6	Tiles and ceramic retailer	He learned the business of his family by a coincidence because his father took him to the shop after school. He did his homework and spent his free time in the shop. Growing up, his father gave him more responsibility to look after the shop while the father was away.
7	Fabric and cloth retailer	Since his elementary school time, his father always took him to the shop to spend his free time there. Gradually, the father taught him the business and gave him more responsibility to manage the shop.
8	Printing company	Since he was twelve, his father ordered him to go to the factory. Morning before school and evening after school, he had to help print the customer's order. Later on, he got more responsibilities from his father to run the business under his supervision.
9	Electric appliances retailer	His father never seriously invited his son to the shop. Since he was the only child, he took the initiative to help his father when he was in high school. His own will, he went to the shop and help look after the shop. Gradually, his father gave him more responsibilities to take care the shop.
10	Traditional herbal clinic	He was not interested in the family business. However, after he graduated from a university, he went to his father's clinic. His father taught him to run the clinic.
11	Travel agency	Since his high school, the respondent had to go to his father's travel agency to help the father run the business. His father forced him to work in the early age to train his mentality so that he could be a diligent hard worker.
12	Machinery retailer	In the beginning, the respondent was not attracted to his father's business. Since his father was getting older, he assisted his father doing the business after he graduated from a university. He started to like the business after he got involved. A long the process, his father taught him how to manage the business.
13	Steel construction distributor	He jumped into the business after he graduated from a university in the USA. His degree had nothing to do with the family business. Later, when he returned to Surabaya after obtaining the degree, he saw the opportunity to grow the family business. So he dived into the family business, and his father assisted him to get the idea how to manage the business.
14	Photo studio	He continued the family business after he graduated from a university. At first, he wanted to work for an IT company, but he never got accepted. Then, his father asked him to do business with him. His father taught the business after he got involved in the studio.
15	Shoe factory	The respondent dropped out from a university, so the father asked him to work for the family business. His father taught him the business after he joined the factory where he started working from the entry level.

4.2. Timing for the succession implementation

The exact time when the parents hand over the business is varied among respondents. Interviews from the fifteen respondents reveal that they receive the succession baton after they graduate from either high school or university. At least, they are eighteen years old or older.

The interviews also reveal that the parents assist their successors to get a smoother transition. The parents keep on helping and teaching about the business regardless the successor's level of education. Some respondents also say that they still need the expertise and experience of their father in doing the business. Some parents are still mentoring the successors by supervising the employees, purchasing the inventory, and controlling the warehouses. For sure, in this research, the timing for the succession is implemented while all the parents of the respondents are still alive.

5. DISCUSSION

Data in Table 1 reveal that the succession process can be divided into two groups. The first group is those who get involved in the business since their elementary school age. The successors (respondents 1, 5, 6, 7, 8, 9) are not aware that they are immersed to the business surrounding by their fathers. Their presence in the business property is already a part of the succession process, and naturally they will absorb the business process that they observe daily. Some respondents (1, 5, 6, 7, 8) do not realize that the fathers set up the process while they are still young. One respondent (9) actively go to the store to help his father while his father does not initiate anything about the family business.

Looking at this succession phenomena, there is a correlation between the parents' life concept with the thinking of Lǎozǐ 老子 (Zhāng & Fāng, 2010; Chéng, 1998; Càì, 2000). The parents do not use the coercion or force, so the future successors are comfortable to learn from the surrounding playground about their parents' business activities. As illustrated by Tsai Chih Chung (1999), "everything that one does must happen naturally; for

that reason, a storm does not last the whole morning, and a downpour does not last the whole day" (p. 105). Look at the background of the related respondents, their parents are still embracing the Chinese traditional values and virtues that are reflected by their life and business philosophy. In other words, the concept of Taoism is still relevant among the Chinese in Surabaya during the era of globalization era.

Then, the second group is those who get involved the business after they graduate from school and university with no prior experience in their childhood. A unique phenomenon happens with respondent (2), because of her mother's health deteriorated, she continues her mother's factory even though she has her own business, a pharmacy. As the only child, she learns her family business after she obtains a degree in pharmacy, then, she manages her own business and her family business. The parents of respondents (3) and (13) encourage them to get a master's degree before they engage in the family business. Respondents (10), (11), (12), and (14) obtain a university degree before they get involved with the family business. Respondent (4) does not pursue college because of his intelligence; therefore his father assists him to business right after he graduates from a high school. Respondent (15) also does not get a university degree because he drops out from the university, therefore his father asks him to get involved with the family business.

When comparing the first group and the second group, it appears that the succession process by involving the respondent naturally since childhood is less considerable than by sending the respondent to obtain a higher education. The respondents' parents prefer to send their children to get a formal education first rather than learning from a direct employment. Therefore, it can be assumed that in an era of globalization, formal higher education plays an important role in shaping the business mind of the successors than a natural process.

All respondents also explain that they are not sent by their parents to work from the grassroots level to other companies. Only one respondent (respondent 15) starts the process from the grassroots of his father's factory. All successors are involved in their parents' business property in the management levels when they enter the business. Also, the parents are still around the property mentoring them on how to manage the business, but slowly subsiding by giving more responsibility to the successor. While the parents are still alive, they are actively involved in the business, although the top management is already in the hand of the successors. The successor will completely take over the business when the parents are in poor health condition (in the case of respondent 4) or they pass away (in the case of respondent 15).

6. CONCLUSION

There are two categories of succession processes that can be found in the study of the respondents. The first category involves a process in which the successors receive the process while they were still in the elementary or high school. The involvement of these children is not serious, just playing around the business property or helping the parents during the school holidays or working on one of the shops. The process is in accordance with the concept of Taoism in which everything should be in natural process, rather than coercion or a strict ordinance as proposed by Confucius. This phenomenon proves that the concept of Taoism is still unconsciously practiced by some Chinese businessmen in Surabaya. The second category involves a process in which the successors receive no guidance from their parents. After they graduate from school or university, they go directly to their family business without prior experience about the business.

This research also discovers that all parents have determined who the successor for their business is while the successors are still very young. This suggests that the parents of the respondents are able to overcome the biggest challenge for a leader succession as proposed by Liebowitz (2011, p. 79) because they know who will replace them and when it will happen. From all respondents of this study, there is no succession process in which the successor is sent to start his process from the grassroots level in other company. All of them are involved directly in their parents' business after they finish their schools. Therefore, the Chinese succession process in Surabaya is not in accordance with the concept expressed by Liebowitz (2011, p. 83). Also, the finding of this research is not fully supporting the statement of Fock (2009) in which the future successor starts working from the lowest level to the highest level in his family business. There is only one respondent who started his involvement in the family business from the lowest level to the highest in order to know all the business process.

About the proper succession time, it is found that all parents of the respondents decide to let their successor to take part completely in their business after they graduate from school or university. It is also found that the parents are still actively assisting the respondents with the management. The parents support them by doing less important chores while monitoring the successors managing the business. Discussions between parents and successors are still a part of the process. All processes are taking place while the parents are still alive. The parents will completely subside from the business when they cannot work completely or they pass away.

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