

## THE DOWNFALL OF CHINESE FAMILY BUSINESSES IN EAST JAVA, INDONESIA

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### ABSTRACT

The purpose of writing this article is to uncover the causes of the destruction of Chinese family business in East Java, Indonesia. Using a descriptive qualitative method, it examines the phenomenon of the individual owner of the company. The number of respondents is based on the needs of the data. When the information has reached the saturation point, the search for respondents is stopped. The analysis finds that family businesses in the first, second, third generations can face the downfall because of the causes from within the company and from outside. Factors from the inside company is human traits; such as greedy, selfish, arrogant, cunning, and family disintegrations; such as family disputes over inheritance. Factors from outside the company are natural disasters; market dynamics, and business location.

Key words: Chinese family businesses, East Java, downfall

### 1. INTRODUCTION

The Chinese population constructs about 3% to 4% from the total population of Indonesia (Liào, 2002; Emsan, 2011). Although relatively small in numbers, the Chinese Indonesian are famous for their skills in trading and doing business. They have contributions over 60% of Indonesian monetary activities through their family businesses, such as the family of Hartono with their Jarum cigarette company, the family of Riady with their Lippo real estates and retail shops, and the family of Eka Cipta Widjaja as the owner of Sinar Mas Group (Susanto & Susanto, 2013: 17-19).

According to Hanaco (2011), the Chinese Indonesians choose to become businessmen because business is not limited by location, spaces, and time. Doing business gives many opportunities to improve their life competences and sharpen their business instincts. The business world is also promising opportunities to harvest prosperity and stability in personal life (p. 22). In managing their family business, they often encounter two phenomena, the succession story and the business failure situation. The latter phenomenon often leads to the disintegration of a family.

Among the Chinese community, the business failure is a disgrace to the family, therefore it is kept in secret. This situation is reflected in the Chinese proverb “家丑不可外扬” (*jiāchǒu bùkě wàiyáng*), meaning the family disgrace should be kept in secret). When the business failure affects the family relationship or when the family disintegration causes the business failure, a third party is invited as the mediator to solve the conflict. This third party can be the parents, the uncles, or the respected older family members. Meanwhile, another Chinese proverb also reflects the doom of the family business, “富不过三代” (*fùbùguòsāndài*), meaning wealth does not sustain beyond three generations). Although 80%-90% of the business enterprises can be classified as family businesses, only 70% of them can survive for one generation, 30% for two generations, and 15% for more than three generations (Lee and Li, 2009, p. 294). What are the reasons for the short life span?

This article is going to investigate the downfall of the Chinese family business in relation to the Confucius concept on the family tradition. According to Baker (1979), a big Chinese family has a rigid hierarchy based on generation, age, and sex. An older generation is more superior than younger generations (grandfather, father, and son). An older brother is respected more than the younger brothers. Women should respect men (p. 15-16). This rigid family structure is a guidance for many Chinese family to maintain harmonious and balanced family lives. Breaking this structure may create conflicts among the family member, which also may affect some other relationships, such as business partnerships.

A good example of family disintegrations which are caused by the family business is the case of Jamu Nyonya Meneer, a big factory of traditional Indonesian medicines or jamu which is located in Semarang. According to Sumardono (2007), there are three family conflicts among the successors of the Jamu Nyonya Meneer factory. Founded by Lau Ping Nio in 1919, this factory recently has become one of the biggest traditional

medicine factories in Indonesia under the ownership of Charles Saerang, the grandson of the founder. Along the way, this factory faces three internal conflicts: (1) conflicts among siblings (second generation) which are caused by imbalance management proportion in the factory, (2) conflicts between uncle and nephew (second and third generation) which are caused by succession planning, and (3) conflicts between aunt and nephew (second and third generation) which are caused by the disagreement to sell ownership to outsiders. After such lengthy battles in the courts, all relatives sell their ownership to Charles Saerang (p. 53-54; 76-77; 112).

As successful business legends are already investigated by many researchers, only very few scholars concentrate on the failure stories. The aim of this research is to investigate the main causes of business downfall among Chinese family business in Indonesia. Knowing the causes of business failures can save many other family businesses from similar tragedies. As the information is needed, the sources of the informants are gathered from the Chinese business people around the province of East Java, Indonesia, where family businesses are growing steadily from small enterprises into medium and big ones.

Learning from the history of China, the doom of a Chinese dynasty is not from the outside attacks, but mostly from the rebellion within the kingdom (source). Relating to the historical statement, this article assumes that the major cause is coming from the family itself. Therefore, this article is seeking the answers to the main question: what are the major causes for the downfall of the Chinese family business in Indonesia?

## 2. LITERATURE REVIEW

### 2.1. Chinese Culture on Inheritance

According to Zhāng and Fāng (2010), China adopts patriarchal system since Zhōu(11-256AD) dynasty. Only the first-born son of the legitimate wife has the right to become the successor of the throne. If the king has two wives, the first-born son from the second wife cannot inherit the throne unless the first wife cannot bare a son (p. 44). This policy was made to avoid seizing the throne. Ever since, this policy has been adopted by the common people until recently.

### 2.2. The Chinese Concept on Classic Education

The main point of Chinese education is how to become a better being with good morality. Since a very early age, a man is encouraged to study all kinds of knowledge and to learn good morality. One Chinese parent always emphasizes his children to be diligent in working, courageous in facing problems, and persistent in life (Zhāng and Fāng, 2010: 148).

As observed by Seng (2007), the result of this Chinese education makes one Chinese businessman have the spirit to work hard, which is shown through his working ethos. Most Chinese business people start working while others are still sleeping, and stop working while others are already in bed. They like doing trading as their business because they want to become their own boss without worrying to lose a job. Coming as poor and less-educated immigrants, the first Chinese settlers rely on trading as their job. They believe that trading can make them rich and respected. Therefore, they work very hard to seize the opportunities. The spirit of working hard remains for generations (p. 6-8).

### 2.3. Chinese Family Business

Quoting Karsono and Suprpto (2013), the Chinese family-run business depends on four factors: (a) degree of ownership, (b) management by family members, (c) extent of family involvement, and (d) potential for transfer to the next generation (p. 234). In the family business, the focus of attention goes beyond financial and management control, mostly, into the realm of the dynamic of family roles and obligation within a business organization (Tong, 2009: 19). Family roles often intrude into business decisions, and vice versa, and this can end up in conflict. Family businesses are also inherently fragile because they are held together by a complex web of interrelated social and psychological factors, some of which relate to a sense of obligation, fear, and respect (Tong, 2009: 20). Further, the Chinese family businesses are influenced by bivalent attributes, such as a shared identity, a lifelong common history, emotional involvement and confusion, the private language of relatives, and mutual awareness and privacy, which help explain many unique behavioral characteristics of Chinese family firms (Tong, 2009: 21).

### 2.4. Family Business in Different Generations

Ward (2004) concludes that the most critical issues facing business-owning families are family-based issues more than they are business-based issues. He describes the family business into three stages: (1) when the founder is still in control or the successor is a controlling owner, (2) when a succeeding sibling generation is in charge, and (3) when the cousins, often in the third generation or later, have succeeded to leadership. Each stage collects different issues on both family and business matters (p.6).

During stage 1, as the founder is getting older, he has to prepare his successor, either giving to his own son or inviting an outside professional to manage or selling the business. If his own successor is still too young for business, the founder may propose for help from his sibling to assist the business. There is a potential conflict later on when the family of the sibling does not surrender the business to the right successor. During stage 2, under the sibling ownership, there is a possibility that one of the siblings is not interested to dive in the business and sells the share to other siblings. However, the conflict may arise if one of the siblings sells the share to outsiders. During stage 3, the big family of third generation, or cousins, gets involved in the business. So many ownership, so many possibilities to disarray. When cooperation among families fails, the big families can sell the

share to outsiders or consolidate the share to one family or split the business to each family accordingly or assign one person as the successor while they are not involved directly in the business (Ward, 2004: 31-33).

### 2.5. The Causes of The Downfall For Family Business

Gordon and Nicholson (2008) state that many business owners hope to create legacy for generations to come through their family businesses. With passion and togetherness, parents build the business, provide assistance to their children to find their true identity before entering the real business world, and prepare the successor to continue the legacy. This ideal family may face disintegration during the succession process. The period of leadership transition from one generation to the next can take a very long time, which sometimes causes family conflicts and disintegration. Conflicts between parents and their children are not normal, yet often happen due to different interest and perspective (p. 68-70).

### 2.6. The Influence of Confucianism and Taoism in Chinese Family Business

The Confucian concept of leading a virtuous life and adhering to the performance of one's duties pervades the Chinese mind (Gallo, 2011: 43). The three main Confucian principles - *rén* (仁, humaneness and love of one's fellow men), *yì* (义, morality and uprightness), and *lǐ* (礼, rites and ritual propriety) - are cornerstones for one's life. They are complemented by the five pairs of social roles that are understood by all Chinese people: between father and son, between the ruler and the subject, between the older and the younger, between husband and wife, and between friends (Riady, 2008: 26). While these guidelines are not always followed as closely as they were intended when described by Confucius, they are still considered to indicate the proper way to behave in most social situation (Gallo, 2011: 43).

Daoism, on the other hand, is quite mystical and does not provide the kind of practical instructions that someone finds in Confucianism (Gallo, 2011:46). Dao can be translated as "the way". It refers to the natural flow of things in the world. The most famous Daoism teaching is the concept of *yīn* (阴) and *yáng* (阳) - the balance of opposites (Gallo, 2011: 47).

The contemporary interpretation of the Confucian Daoism concept for business organization is described by Riady (2008) as the self-governed organization (p. 26). This interpretation is confirmed by Wáng (2003), who mentions that in order to control the nation, one has to govern his self by living in discipline, loving others, and behaving properly (Wáng, 2003: 91). Besides, a Chinese leader of any business organization has to act naturally like "flowing water" (顺其自然) and embrace *Dào* (万物/ wàn wù, or the universe), as the Daoism implies that the leader should be low-key in their attitudes and in their desire for position (Chéng, 1998: 75).

## 3. RESEARCH METHOD

The study is designed as a descriptive qualitative research, because the topic examines individual from some family businesses. According to Bungin (2007: 71) and Moleong (2002: 25), some closer relationships between the respondents and the researchers are needed as the topic of family failures and disgraces is often kept as family secrets. To dig out the information, in-depth interviews are conducted as the main methods (Karsono, 2012: 17; Sunarto, 2001: 157).

Total number of respondents based on information needed is 21 respondents. The data has reached saturation with the understanding that the data obtained has some likeness, as suggested by Daymon and Holloway (2008: 188-189). To obtain the respondents, the snowball sampling technique is used to search for respondents who are qualified to answer the problem formulation (Dornyie, 2007: 129; Sugiyono, 2013: 85; Karsono and Suprpto, 2013: 234). The analysis process adheres to the opinion of Miles and Huberman (1992), in which the data analysis is performed while collecting the data (p. 73). The benefit of this process is that whenever there is a gap in the information to answer the research problem formulation, the researcher can interview the respondents again to complete the data.

## 4. FINDINGS

All information gathered from the respondents is summarized in the following table:

Respondent	Types of Business	Generation	Causes of the downfall
(1) Madura	Grocery stores	I	The store was closed because the three children did not want to continue managing the store. The children moved to a big city to work for themselves or in a big corporation.
(2) Jombang	Grocery stores	I	The store was closed because the two children did not want to continue the family business. One moves abroad and works in Singapore, and the other one chooses a profession according to his university degree.
(3) Surabaya	Restaurant	I	The restaurant was demolished as the husband led a tour abroad. The husband did not inform clearly to the wife about his plan, so the wife agreed the contractor to demolish the restaurant. Up on returning, the owner tried to revive the restaurant business, but could not make it.
(4) Surabaya	Travel agency	II	She took care of the other business aspects and trusted her finance manager so she seldom controlled the financial matters. The finance manager run away with the company money, leaving her with debts.
(5) Pandaan	Orchid plantation	II	His uncle died of heart attack and inherited his plantation to him. The nephew's interest was not in orchid, so he closed the plantation and used the land for other businesses.
(6) Surabaya	Cellular phone stores	I	She had to declare bankruptcy over her stores as her two adopted sons corrupt the money for their own sake.

(7) Surabaya	Catering	I	One of the four founders started to gain benefits for her own wallet, which led them to a family disintegration. In the end, the fight affected the joint venture, and the business was discontinued.
(8) Surabaya	Plastic folder factory	I	The family disintegration caused the business downfall, as the eldest brother was not satisfied with the profit sharing. He wanted to have a complete control of ownership over the family business which caused a big fight among seven other families. In the end, the factory was closed due to lengthy disputes in the court.
(9) Surabaya	Plastic recycling factory	II	The factory was suddenly buried under the Lapindo Mud due to the mud catastrophe which happened in the vast neighborhood of the factory.
(10) Krian	Shoe factory	II	There was a dispute among the successors which led to the business disintegration. One of the founders wanted to take over the business for his own son, yet after buying the factory, he could not make profit with the business because most of the customers followed the other founders. In the end, the factory was closed.
(11) Surabaya	Shoe store	II	The mall in which the store was located was on fire several times. To avoid further disaster, the store was moved to a newer mall, but the new mall could not attract more visitors. In the end, the mall was closed including all the stores in it.
(12) Surabaya	Leather factory	III	The factory owners did not have good communication channels among themselves, which led them to the sibling disintegration. The oldest son also wants to own the factory for himself. Later on, it affected the business. The factory was sold, and the money was divided among owners.
(13) Jember	Plantation	III	The owner started a new business and gave this plantation to his less experienced brother. In his brother's management, the plantation declined in profit. His successor did not improve the condition. Under the third generation, the plantation could not make money and the land was sold to someone else.
(14) Jember	Motorcycle distributor	II	He inherited this sole motorcycle distributor in his city after his father passed away. Due to his extravagant lifestyle and gambling debts, he had to sell the ownership to others.
(15) Jember	Clothing factory	II	Her mom and her aunt started the factory. She inherited the factory after her mom passed away. Since she helped her husband's business, she let her aunt to manage the factory. The factory was closed as her uncle (the husband of her aunt) used the money to finance his gambling debts.
(16) Jember	Furniture store	II	She has to close her store because it was not making enough profit. The demand for good furniture was diminishing drastically as the market did not want to buy expensive teakwood furnitures.
(17) Surabaya	Photo studio	I	The studio was closed as there was no successor. The owner's son got a degree in medicine and pursued the career as a medical doctor. His daughter also pursued her career in pharmacy.
(18) Surabaya	Cellular phone store	I	He has to close his store as he could not compete in selling branded cellular phone. His price was quite expensive. Yet, the factory gave big discounts directly to end users. There are many black markets that are selling much cheaper phone.
(19) Jember	Sport apparel and equipment store	III	The owner had to surrender his store to his sister as he got a severe injury after a car accident which paralyzed him completely. Now with his limited body movements, he changes his business into online stores selling vitamins and health supplements.
(20) Blitar	Gold factory	II	The factory was closed after a long family dispute in the courts over inheritance. The dispute caused so much concentration that he neglected the factory. In the end, the factory was sold to gain money for court fees.
(21) Tuban	Bird nest factory	III	This factory faced downfall after fake bird nest poisoned some buyers in China. The demand for bird nest dropped drastically after the breaking news. Then, the successor of the third generation was arrogant, ignoring the surrounding community. The community around the factory disturbed the bird population. The bird population decreased, the harvest also decreased, and the profit decreased. Finally, the factory was closed.

#### 4.1. The Major Causes for The Downfall of The First Generation Chinese Family Business

From the 21 business entities, there are eight that cannot survive even the first generation. There are several factors that cause the closing of these family business. The very first reason is the successors or the second generation. The successors do not want to continue their parents's business because the business is not aligned with their education. As revealed by respondent (1), the sons graduate from universities in Surabaya and do not want to go back to Madura to continue their parents' shop. Similar case happens to respondent (2), whose sons, after obtaining university degrees, prefer to work in big companies in big cities, like Surabaya and Jakarta. Respondent (17) has to end his photo studio as his son does not have the interest in photography and build his own career as a medical doctor.

The second cause relies on the number of families involved in the business ownership. As a common practice to start a business, some relatives collect some money from their savings to commence the family business. The business that is constructed by more than one family is in a risk of a family conflict. This family conflict is mostly triggered by the dissatisfaction over sharing dividends and profits, as experienced by respondent (7) and (8). For respondent (7), the family conflict starts when one of the owners flirts with a different supplier to gain a bigger personal commission. While according to respondent (8), the family conflict happens due to the dissatisfaction of one co-founder family over profit sharing and monthly salary, although the money matters have been carefully and fairly discussed with all founding families.

The third cause is related to human character traits, such as greedy, selfish, opportunist, proud, and prejudice. These human traits contribute less to the growing of a family business, instead, these traits only think of personal gain. As seen by respondent (6), the family business goes bankrupt after the family members manage to grab as much money as possible from the growing cellular phone business for their own benefit. Respondent (7) experiences similar happening to their catering business, in which one of the family members makes business

deals for personal wallets. Respondent (8) has even experienced a family disintegration after the business falls apart which is caused by the greediness of the wife of the eldest brother who wants to take over the whole business by kicking away all other family members.

The last major cause is coming from mis-managing the business entities. The mis-management is reflected by the disability to read the market demand and the human resources, due to lacking of experience and information. Respondent (18) faces the downfall of his business which is already running for six years. Demands for cheap prices and less good quality goods add the speed to his downfall. Yet, his pride rejects him to adjust to the always changing market. Respondent (3) has to close his restaurant because he does not inform his wife about his plan clearly. While the respondent (3) leads a tour abroad, the wife misunderstands the plan and the restaurant building is demolished. Unable to rebuild the restaurant, respondent (3) has to let go his business.

#### **4.2. The Major Causes for The Downfall of The Second Generation Chinese Family Business**

Out of 21 respondents, there are nine businesses that cannot pass the second generation. The first main reason for the downfall is the lack of managerial control. Since the second generation successors manage to grow the business into several entities, the owners sometimes trust their employers to run the business with minimal controls from the owners. This happens to respondent (4), who has to shut down her travel agency inherited from her father. Trusting her finance manager, she often leads the tour group travelling abroad, leaving the office matters to the manager. One day, she discovers that the finance manager runs away with the company money, leaving respondent (4) in debts. Similar story happens to respondent (15). As she is busy helping her husband's stores, she lets her aunt manage the clothing factory that she inherits from her mom. Her aunt and her mom start the business together. Years later, she discovers that her uncle (the husband of her aunt) uses the family business money for gambling, leaving her with many debts and closing the factory.

The next factor is about commitment of the owners. As the second generation runs the business, the commitment to preserve the family business is harder. Respondent (10) experiences that his uncle, as one of the business founders, has the ambition to keep the business for his own son. Therefore, he wants to split the factory and keeps his share for his own family. He uses money issues to propose the split. Respondent (14) also experiences weak commitment to preserve the family business because he inherits a big fortune yet uses his wealth for himself, for gambling and extravagant lifestyle. Soon he has to sell the business, the sole distributor of motorcycle, to someone else to finance his debts. He has stopped supplying his brothers's stores with motorcycles. In the end, the brothers have to close the stores because of no motorcycles to sell. Respondent (5) inherits an orchid plantation from his uncle, but he is not interested in growing orchids. He sells the orchids and uses the land for other businesses.

The third factor that leads to the downfall of any family business is the dispute among the successors. Respondent (20) reveals that the disintegration of the family business is caused by the dispute between his uncle and his mother. As the founder passes away with no will, all assets are divided into two families, but one family is not satisfied with his share and brings it to court. The disputes split the concentration of the uncle from managing the gold factory and fighting in the court. In the end, the disputes cause lots of money, so his uncle has to sell his inheritance to cover the court fees. Family disputes happens to respondent (10) which is caused by the suspicions of the other family members over money matters. In this case is to pay the medical bill of respondent's mother. Respondent (10) is the successor of a shoe factory that is founded by four families. To avoid family disintegration and war, the business is sold to one of the founding family member who suspects the misuse of money. Unfortunately, the family cannot manage the factory properly and files bankruptcy some years later.

One of the last main causes of the downfall comes from the outside environments. These outside factors are controllable and uncontrollable. The controllable factor is like the changing of trends or demands, as exposed by respondent (16). Her mother has to close the furniture store which is inherited from her grandfather. As the buyers are decreasing, the store becomes less profitable, and in the end the store goes out of business. Before closing the store, the mother has already commenced another business to support her family business. The uncontrollable factors, however, are very unexpected and unpredicted. They are considered as the catastrophe. Respondent (9) reveals that his plastic recycling factory is buried under the Lapindo Mud that destroys many other factories, too. The mud floods the wide area so fast and suddenly that nothing can be evacuated before the catastrophe. Respondent (9) loses lots of money and still gets no damage compensation from neither the government nor the Lapindo corporation. Another form of catastrophe is fire. Respondent (11) experiences two times of fire in the same mall where his father owns shoe stores. To avoid the third time fire, his father relocate the stores into a newer mall, but the mall cannot attract many visitors. So in the end, his father has to close down all stores.

#### **4.3 The Major Causes for The Downfall of The Third Generation Chinese Family Business**

There are four family businesses that face the downfall after the third generation. The first major cause is the readiness of the successors to continue the family business. According to respondent (13), the downfall of his family business is caused by the third generation successor. Due to gain better prosperity for the family, the second generation unconsciously spoils his children with easiness of welfare. When the second generation gives the business to the third, the third cannot face the hardship of the business because his passion is not in the business. Soon the plantation declines its harvest and the profit drops. In the end, the third generation sells the plantation to another family.

The second factor is the human traits. The third generations enjoy the easiness and prosperity that are built by the parents. When they run the business, they want more for themselves. Respondent (12) experiences the greediness of his oldest brother which leads to the family disintegration. His brother uses the factory money to

open his own store, and, later on, wants to own the leather factory for himself. Then family disputes happen. Finally the factory is sold to someone else and the money is divided to among siblings. Respondent (21) tells the downfall of his family business is partly caused by the inability of the successor to adapt to the surrounding society. The personality of the successor is not friendly and arrogant, therefore, the community around the bird-nest factory disturbs his business, by burning trash and killing the birds. As the result, the production of the bird-nest drops and the factory is closed.

The third major factor comes from outside. Respondent (21) says that the decline of his family business is also caused by the worsening demands of the bird-nest worldwide. It happens after some fake bird-nest poisonings occur in China. The market demand for the bird-nest drops drastically and gives negative impacts to his family business. Respondent (19) has to surrender his business to his sister as he gets a severe spine injury after a car accident that paralyzes him completely. Before the accident, he inherits the sport apparel and equipment store from his father and grandfather. Now with his limited body movements, he changes his business into online stores selling vitamins and health supplements.

## 5. DISCUSSION

In the past, filial piety was reflected through a total submission by the children to their parents's wishes. The filial piety, as taught by Confucius, is now transformed into a new form of respect. Chinese parents in Indonesia sacrifice their personal lives and interests for the sake of their children's future. They work very hard to make a better future for the coming generations. In returns, they expect their children to pursue their dreams by studying hard, finding a better job, and becoming a prosperous man.

As many Chinese parents want a better future for their children, they put an important stress on education and encourage their children to study to university, so that their children can have a better career in big companies. Some Chinese parents do not expect their children to continue their business, as they consider their business hard and difficult. They also do not prepare their successors to handle the family business. When their children find better job or careers, they let them work with the company. Respondent (1), (2), (5), and (17) experience this situation. The consequence is the closing of their family business as the children are not willing or are not able to continue the business in order to pursue their own interest.

According to Ward (2004), each stage of family business imposes different issues. From the twenty one respondents of three generation family businesses, each generation reveals different causes for the family business downfall or distruction. Mostly, the causes are from the internal of the family itself. Unlike what Ward (2004) reveals earlier, conflicts between a father and a son seldom happens as also conflicts among brothers or sisters in Chinese business, because the older generation always reminds the younger generations that family unity is very important. This is in accordance to the teaching of Confucius. However, their spouses can be the source of indirect family disintegrations. Respondents (7), (8), (10), (12), (14), (15), (20) experience similar pressures from spouses who later experience family disintegrations and then business disintegrations. This family disintegration can attack any stage of the Chinese family business, especially stage II and stage III.

Learning from the Chinese history, the fall of the dynasties is due to the internal factors. Similarly, many Chinese families end their business because of the family disintegrations. The reasons for the disintegration are grouped into two major causes: (1) personal character traits and (2) bad habits. Some negative character traits, such as greedy, selfish, dishonest, devious, suspicious, never satisfied, and stingy, are the major cause to speed up the downfall of the family relationships, as experienced by respondents (4), (6), (7), (8), (10), (12), (20), and (21). Bad habits, such as gambling, living extravagant lifestyles, and being anti social, can also lead to the family disintegration, as experienced by respondents (8), (12), (14), (15), and (21).

Because of the *Dào teaching*, many Chinese people believe in fate. However, in the modern Indonesian society, the Chinese families do not blame the fate as the cause of business downfall. Several business owners have experienced some misfortunes with their family business. As experienced by respondent (9), (11), (19), and (21), only respondent (19) complains about his fate because he gets a car accident. Yet, he does not dwell in his physical limitation, but tries to overcome it by doing online business.

"Wealth does not last three generations" is a Chinese proverb that may haunt many Chinese families. In Indonesia, the Chinese family business experiences similar situation. The first generation builds, the second grows, and the third either destroys or expands. So far, there is no respondent who experiences the downfall of his family business after the third generation. It means there are some family businesses doing well even after the third generations.

## 6. CONCLUSION

Afterlooking atwhat hashappened to family businesses, thisstudycanconclude that the causes ofthe business downfall can be groupedinto twofactors, namelythe causesfrom inside of thecompanyandoutsidethe company. The inside factorsofthecompany are mostly human related factors, such as character traits(such as greedy, selfish, devious, and suspicious ofeach other),human nature (growing old), andthe fate of mankind(incident). Factorsfrom outsidethe companycan be classified intonatural disasters,marketdynamics, and business location.

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