

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

A. Wijaya & B. Wijaya

Universitas Bunda Mulia, DKI Jakarta, Indonesia

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 succesor cadinate , 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 succession 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.

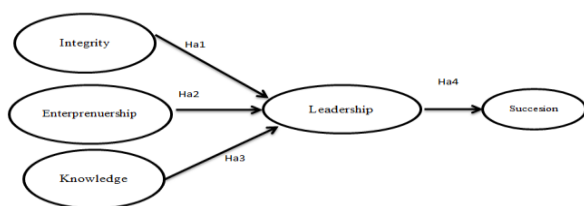


Figure 1. Research Framework

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 analyze 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.

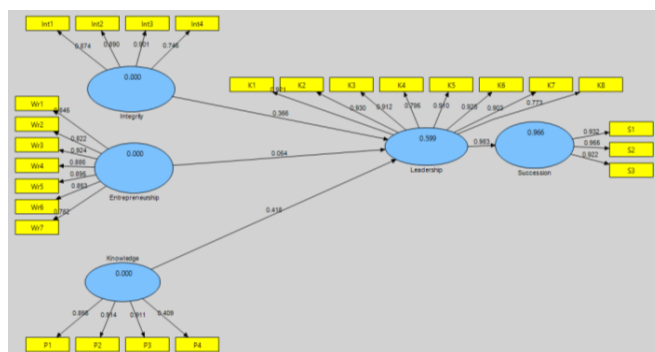


Figure 2. Path Coefficient Test

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

	AVE	communality
Entrepreneurship	0.738549	0.738549
Integrity	0.730611	0.730611
Knowledge	0.641194	0.641194
Leadership	0.784059	0.784059
Succession	0.876939	0.876939

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 corellation of the model construct are not high (Ghozali, 2014).

	Integrity	Leadership	Knowledge	Entrepreneurship
Int1	0.824337	0.873582	0.738069	0.623116
Int2	0.737872	0.889962	0.675326	0.654163
Int3	0.626332	0.900558	0.529884	0.574511
Int4	0.520513	0.745830	0.424138	0.543035
K1	0.702090	0.662035	0.724602	0.920837
K2	0.762653	0.691626	0.777206	0.930373
K3	0.659226	0.656551	0.646170	0.912221
K4	0.405383	0.496362	0.412158	0.794871
K5	0.667990	0.631747	0.698033	0.909750
K6	0.725522	0.673689	0.742766	0.924519
K7	0.634320	0.640571	0.616204	0.903188
K8	0.368364	0.477391	0.378204	0.772554
P1	0.751114	0.579055	0.855771	0.716962
P2	0.829577	0.713222	0.913863	0.594079
P3	0.824840	0.636772	0.910903	0.598009
P4	0.229668	0.200468	0.409319	0.312441
S1	0.702090	0.662035	0.724602	0.920837
S2	0.757524	0.691814	0.766824	0.927677
S3	0.659226	0.656551	0.646170	0.912221
Wr1	0.845209	0.753572	0.696253	0.679277
Wr2	0.822335	0.676084	0.687593	0.584822
Wr3	0.923918	0.686423	0.824552	0.616533
Wr4	0.885993	0.662268	0.782582	0.536935
Wr5	0.894642	0.652379	0.794602	0.581893
Wr6	0.853420	0.593362	0.765415	0.516717
Wr7	0.782247	0.734469	0.698151	0.706295

Figure 4. Discriminant Validity Test

3.3 Reliability Test

Validity test in PLS using convergent validity and discriminant validity

	Cronbachs Alpha	Composite Reliability
Entrepreneurship	0.940640	0.951741
Integrity	0.875099	0.915188
Knowledge	0.788391	0.869316
Leadership	0.960402	0.966578
Succession	0.929713	0.955304

Figure 5. Reliability Test

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).

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.

R Square

	R Square
Entrepreneurship	
Integrity	
Knowledge	
Leadership	0.599055
Succession	0.965801

Figure 6. Coefficient Determination Test

	T Statistics (O/STERR)
Entrepreneurship -> Leadership	0.332883
Integrity -> Leadership	3.142545
Knowledge -> Leadership	2.964147
Leadership -> Succession	5.816299

Figure 7. Significance of Path Coefficient Test

According to the results of hypothesis test researched in this study are: H1 accepted, which means that the integrity has a significant effect on leadership. H2 is ignored, which means entrepreneurship doesn't has a significant effect on leadership. H3 is accepted, which means knowledge has a significant effect on leadership. H4 is accepted, which means leadership has a significant effect on succession.

4 CONCLUSIONS

Based on the results, then the following conclusion is integrity can be assesment to choosing the motivated employee to successor cadinate. Another variable is entrepreneurs hasn't effect on leadership because leadership spirit not only growth by entrepreneurs mentality. Knowlegre variable

has significant affect on leadership, according to respondent they feel leadership can be measured by knowledge.

Leadership affected significant on succession. This finding can be measured the successor cadinate can be evaluated by leadership,as s stated from sharma (2013) Leadership can influences others to achieve a goal and mobilizes the organizationcan. We also suggested to another researcher to find the other variables in succession research to conduct in-dept interview with CEO in second geneariton 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".

REFERENCES

- Cohen, A., Fiorini, K., Culham, T., & Bai, H. 2010. *The circle of leadership integrity within business organizations*.
- Crowther, F., S. S. Kaagan, M. Ferguson, & L. Hann. 2002. *Developing teacher leaders: How teacher leadership enhances school success*. Thousand Oaks, CA: Corwin Press.
- Davenport, T.H., Prusak, L. 1998. Conhecimento Empresarial: como as organizacoes gerenciam o seu capital intelectual. In: Understanding the difference between Information Management and Knowledge Management, by Jose Claudio Terra & Terenzinha Angeloni.
- Darwin P. Hunt. 2003. The concept of knowledge and how to measure it. *Journal of intellectual capital*, vol. 4 (1):100-113.
- Filion, L.J. 2008. Defining the entrepreneur complexity and multi-dimensional system some reflections. Montreal: HEC.
- Ghozali, I. Latan, H. 2012. Partial Least Square: Konsep, Teknik dan Aplikasi SmartPLS 2.0 M3. Semarang: Badan Penerbit Universitas Diponegoro..
- Grassi, Sebastian V. J & Julius H. Giamarco Spring 2009. The Five Strategic Levels of Succession Planing for the Family Owned Business. *Small Business Economics*1: 39-49.
- Keluarga Berbasis Family Owned Enterprise. *Conference on Management and Behavioral Studies*.
- Lansberg, I. S. 1988. The Succession Conspiracy. *Family Business Review*, Vol. 1(2), pp 119-143.
- Leithwood, K., D. Jantzi, and R. Steinbach. 1999. *Changing leadership for changing times*. Buckingham, England: Open University Press.
- Northouse, G. 2007. *Leadership Theory and Practice* (3rd ed.) Thousand Oak, London, New Delhi, Sage Publications, Inc.
- Sharma, M. K. and Jain, S. 2013. Leadership Management: Principles, Models and Theories. *Global Journal of Management and Business Studies* (3): 309-318.
- Toole, O., J. 1986. *Leading Change: The Argument for Values-Based Leadership*. New York : Ballantine Books
- Vecchio, Robert P. 2003. Entrepreneurship and leadership: common trends and common thread. *Human Resources Management Review*.13, 303-327.
- Veits, Kets de and Konstantin. Korotov. 2010. Developing Leaders And Leadership Development. Faculty & Research Working Paper 2010/77/EFE/IGLC.
- Venkataraman, S. 1997, The distinctive domain of entrepreneurship research.
- W. Amann & A. Stachowicz-Stanusch (Eds.), *Integrity in organizations: Building the foundations for humanistic management*. London, UK: Palgrave MacMillan.
- Ward, J.L. 2008. *Perpetuating the Family Business*. NewYork: Palgrave Macmillan.
- White, W. S., Krinke, T. D., & Geller, D. L. 2004. Family business succession planning: Devising an overall strategy. *Journal of Financial Service Professionals*, 58.3, 67-86.
- Wijaya, A dan Wijaya, B. 2017. Analisis Suksesi Pada Bisnis