KINSHIP-BASED PROBLEMS AFFECTING THE EMPLOYEE PERFORMANCE: A STUDY CASE OF FAMILY BUSINESS IN DEVELOPING CITY IN INDONESIA

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Abstract

A family business is an organization in which maintains balance the professional management, responsible business ownership, and the healthy family dynamic (Wills D, 2017). The research is implemented in one of developing cities in Indonesia, a city which is famous of its traditional food. Therefore, the object of this research is one of traditional food companies who has successfully survived since 1957 which employs 277 workers in order to know the issues related with family which may affect the employees' performance and understand the effective way to manage both family and non-family employee in family business. This research uses the semi-structured interview and non-participant observation method. The interview is conducted with six persons who two of them are representatives of non-family employee that have been working for more than 10 years and four of them are representatives of family employees who occupy the top management position. Meanwhile, the observation helps to see the discrepancy between what the family employees say and non-family employees feel. In comparison with common family

businesses, this company also faces the common issues which are the nepotism, emotions interfere with the business, non-family member growth limitation, bad succession plan, lack of talent, and paternalistic issues. Most of the issues are related with each other. On the other hand, issues that particularly happen only in this family business are contract, tradition and religion, loyalty, and leadership issue. Those issues negatively affect most of employee performance. Therefore, the company needs to upgrade the Personnel Division into a Human Resources Division to solve issues related with performance of people within the company (Ulrich, 1997). A function of Human Resources Division is not only for the administration but also for company strategy to improve the employees' performance by identifying the culture attributes of the company in order to make a succession plan.

Keywords

Developing City, Employees' Performance, Family Business, Family Issues, Human Resources, Traditional Food, Indonesia

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1. Introduction

According to European Family Business Experts, a firm which is categorized as family business should at least has one member of the family who is formally involved in the company governance; people who established the company, people who have acquired the share capital, or persons to be inherited are the ones who have most influence in the decision-making process. It means those only family businesses which run based on emotional side in family and economic principles in order to achieve the business goal (n.d.). There are several differences between family business and non-family business. Based on the Organizational Health Index score issued by McKinsey shows that the differences between family business and non-family business are significant in Asia rather than other contingents. In Asia, the family businesses have a stronger culture and climate; coordination and control; and motivation. Personal relationship among the members in a family business can make unusual motivation that increases the trust and loyalty that leads to the trustworthy reputation.

Price Waterhouse Cooper, the US audit company, has surveyed the number of family business in Indonesia in 2014. The result showed that 95% of business companies were family businesses. Total of the family business owners' wealth had dominated 25% of total Gross Domestic Product in Indonesia. There was 83% of family businesses in Indonesia grew in 2013, compared with 65% globally, and 96% are aiming to grow aggressively in the next 5 years

compared with only 80% globally. Unfortunately, family businesses in Indonesia are still lacking of conflict resolution mechanism compared with most of family businesses in the world.

According to West Java Government official website, most of people in West Java adopt the bilateral kinship system which means a system that people affiliate themselves equally on their father and mother's side for transferring wealth and emotional ties. It shows that those people concern on the family issues which affects on how they establish a business.

This research aims to identify the common kinship-based issues that may harm the quality of employees' performance and how the company copes with those issues so it still can survive. Therefore, this research is conducted in a company which is also run by the family members since 1957. Since 2000, the company had a formal organization structure consisted of management, production, product development, marketing, administration, and personnel division. In 2018, the business employs 277 employees consisted of 74 permanent employees and 203 daily-paid employees. Those 74 employees consisted of 33 family employees and 41 non-family employees. As time goes by, the company started facing some issues that mostly affected by the personal interests.

2. Literature Review

Family Business and non-family business is definitely different in several things, non-family business measures the success in a period of time meanwhile the family business measures the success in the generations (Encyclopedia, n.d.). Besides, a family business has an additional mission than a common business. There is an intention to create a long-lasting company that can always care and nurture the family and non-family employees who are considered as their own family (Alderson, 2015).

2.1 Kinship-based issues

Family businesses can't be separated with conflict which typically arises from the inability to separate personal or family and business lives that may affect the employees' performance.

2.1.1 Nepotism

Nepotism in this context is one of the recruitment practices among the family members in a company. Nepotism can be seen as an advantage and disadvantage for a business. It can be seen as advantage because a family member may have really known about someone's capabilities who may fit a job position (Mulder & Kaye, 2008). On the other side, managing

family based on nepotism is actually a recipe of disaster. It means that a business is prioritizing the ones who have familial relationship to be hired and promoted rather than their actual abilities. It will demotivate the non-family employees to work in that company, whereas the family employees will tend to work carelessly since they feel that they will not face any consequences for their bad performance. (Indalecio, 2017)

2.1.2 Emotions interfere with the business

Family business is an organization filled by various conflicts (Harvey & Evans, 1994) since it is run based on three systems, which are family, business or ownership, and management (Tagiuri & Davis, 1996). Therefore, the owner or the management needs to balance the emotion based on the dynamics of business environment since separating the emotions from the business is not an easy thing to do, particularly if the employees are mostly family members. It is difficult to give and receive the critical feedback among the members since it will be affected by the personal feelings, lack of sensitivity with the family members can lead to problem at home. Sometimes, people tend to not give the critical feedback only for avoiding the further conflict (Indalecio, 2017). According to Jakarta Consulting Group, this issue is called as "a family reason over the business logic".

2.1.3 Non-family employees have limited growth opportunities for advancement

Most employees want to advance within a company but most family businesses offer limited opportunities for them since the top positions are mostly occupied by the family member. The opportunity is important for the ambitious but talented employees so they will stay in the company and give their best performances for making the company better, otherwise they will leave and move to other companies if they feel that there's no chance for the promotion. (Indalecio, 2017)

2.1.4 Succession plan

There are two types of succession planning, which are the management and ownership succession planning. The succession based on ownership happens when the following generation becomes the heirs of business ownership due to a familial relationship. Meanwhile, the succession planning in management is relying on one criterion which is competence, not as easy as give rights of ownership (Merwe et al., 2009). According to Small Business Administration publication Transferring Management in the Family-Owned Business, a survey showed that less than 33 percent of family businesses have survived the transition between the first and second generation ownership. It could be happened due to the lack of succession plan and most of the

family members don't have interest in running that family business. Meanwhile, the succession plan is important to make the business lives. (Indalecio, 2017)

2.1.5 Lack of talent

A family business doesn't only have the main financial goal. It can employ family members who lack of abilities and skills to work, but the management doesn't have ability to fire them since they might be "black sheep" (Alderson, 2015). According to Jakarta Consulting Group, it is called "spoiled child syndrome" which is a form of tolerance to recruit the incompetent members. Its syndrome refers to child who has behavioral problems because they are perceived overindulged by the parents (n.d.).

The interest is also important as the talent, since definition of interest by Berkeley University Human Resources (2018) is when people are attracted to particular activities that they like which it will encourage them to develop their skills.

2.1.6 Paternalistic

Paternalistic is one of the managerial approaches which the control is usually influenced by the family culture and tradition. It usually involves a dominant authority figure that perceived as a patriarch and the employees are expected to understand that the figure knows best for the company, the figure will expect that all the employees trust him to make every final decision. (Rouse, n.d.)

2.2 Conflict Resolution Mechanism in Family Business

Conflict within a family is one of the challenges that only family business has to solve since it happens internally and tend to be closed from the public but it affects the business. Family members are attached to each other in a long-term relationship, therefore they who are the family members and also work together in a company will have deeper emotional attachments. This feeling makes every family member do not expect to be hurt and mistreated by another family member, therefore they tend to avoid any debate. (Alderson, 2015)

There are two types of conflict which are simple and complex conflict. The simple one is easily resolved by common sense and doesn't disturb the decision-making process. Meanwhile, the complex one is dominated by emotions which results in lowering employees performance and fail to make decision. An organizational development consultant or family counselor needs to help solving the complex conflict. (Alderson, 2015)

2.3 Employees Performance Related with Productivity

When a family business has an assumption for allowing a heterogeneous in the all employees' output contribution since the management feels that family's input is different with non-family's input, so there will not be a difference between family and non-family employees' productivity. In measuring the level of productivity, it depends on the output even the type of output is different for family and non-family. (Barbera & Moores, 2013)

According to Riyanto (1998), productivity means a comparison between the results (output) and all the resources needed (input). Since the family has an input such as money, then they contribute to give suggestion. Meanwhile, non-family is facilitated to produce and get a salary then they should contribute to give their best in production.

A family business has an advantage in managing the employees compared to common businesses which leads to a more competitive employees and the productivity. This advantage happens because the company has unique work environment that is affected by the culture attributes, which increase the employee's commitment (Ward, 1988). A culture attribute is related with the sense of identity, intensively personal communication, and emotional involvement among the employees--family and non-family members. (Habbershon & Williams, 1999).

2.4 The differences between Human Resources Division and Personnel Division

The personnel management is using a traditional approach; HR management is more using modern way. Therefore, personnel management still sees the employees as the tools or machine rather than asset. Its perspective of management affects on how they pay the employees, the human resources management pays the employees based on their performance evaluation meanwhile the personnel management pay based on their job evaluation. (Surbhi, 2015)

Besides, the personnel management concerns on maintaining the normal or usual operational flow within the company or it is called as transactional management role. Meanwhile, the human resources management goes beyond maintaining but also design the strategy, which focus on team building among different levels and motivation for making a new change for a better company. Therefore, the focus of personnel management is to maintain the basic activity such as hiring, keeping data of employees, and training. Meanwhile the human resources management treats the employees as asset that can be valued. (Surbhi, 2015)

3. Method

This research uses the qualitative research method which data is obtained through semi-structured interview with the stakeholders related to this research. One of the most common qualitative methods is in-depth interview that is implemented in this research in order to obtain the data on each informant's personal histories, experiences, and perspective. It is a technique designed to obtain a clear picture of how the issues arise and how people within the company deal with it. One of in-depth interview methods that is used for this research is a semi-structured interview. The aim of the semi-structured interview which consisted of different predetermined set of open questions for each family and non-family employee in order to give the interviewer and opportunity to explore the topic further and allows the interviewee to explore different thoughts, feelings, and discuss the issues. It is implemented to find a gap between what family and non-family member thinks and expects. The samples of interview are chosen using the purposive sampling technique which based on the judgment that they can represent the data as a whole. The purpose of having this technique is to focus on the characteristics of object or population that are being studied.

After doing the interview, the data obtained is supported by information obtained in casual conversation while doing the observation. The observations are done every after the interview by joining some activities such as during the break time. Data are validated through the observation in order to make sure what the interviewee have said and the reality is. After the analysis is done, the validation is conducted again through the interview with one of the employees who is not a family member, has been working for more than 15 years, and he is one representative of the director. He is chosen since the employees claim that he is able to do anything in the workplace and close to all employees and also the family members. He is an internal auditor of this company. In order to complete the analysis, so the secondary data is used by analyzing the information and theories according to some experts. The secondary data is really helpful to support the researcher in elaborating various aspects and symptoms.

3.1 Common Issues

3.1.1 Nepotism

Nepotism seems to be a common way to recruit the family members. The existing family employees could easily invite their family member to also work there. They only had to directly ask the Director in order to get the permission for working there or they only needed to ask their parents to get permission from the Director.

Since the top management of this company consisted of persons who have big shares, they could freely choose person to replace them in their position without getting any permissions from the Director. It could happen because they must be relatives, and the top management was mostly occupied by the older members of family which meant that the Director needed to show his respect to them by accepting what they want to do. It seems that every existing family employee has a right to invite their family members for working there. One of the factors that made this nepotism practice happened was the parents don't want their children had no job so they made this company became the last option if they children couldn't get their dream job. Regardless of their ability, the family members should come first in getting the top management position. Another problem of this case is due to the replacement mostly happened on top management, therefore the employees in the lower position needs to know who is the new one that will lead them. It is important for the employees because it affects their performance. Therefore, the employees need to know every change which will happen.

The recruitment process was closed for non-family employees. They had limited access to information; they didn't know who were the new employees or even the hiring process especially when it came to hire the family employees. There were several family members who suddenly became employees without submitting CV or even an interview. This lack of transparency led to a broken trust from the employees because they tended to assume that family members could be easily accepted to work there without any capabilities but this was only an assumption based on what prior family employees did when they were working. Whereas, the new family employees can be worth to get those jobs according to the Mulder and Kaye's opinion about the possible advantage of nepotism in the recruitment process.

3.1.2 Emotions interfere the business

Since the family business consisted of many family employees, therefore they tended to keep each other's feeling in order to avoid the family problems. Some of them preferred to be silent instead of having a conflict with each other when they saw something goes wrong. The family member preferred to write a note in their own social media which was not directly addressed to other family members after a meeting held by a consultant. It was not only happening among the family members, but also with the non-family employees. Non-family employees hesitate when they had to rebuke the family members who didn't obey the rules since many of the family members didn't easily accept the critics or even a suggestion. They thought that family employees could do anything because they were the owner so they don't have a right

to teach the family employees. Each employee felt the same thing which was "feels difficult to take action against family employees". This situation put the family employees into the comfort zone, the condition when the family employees act whatever they want as long as they exist and obey their parents in this company. The situation when the family employees feel that they are the owner can lead to a false sense of belonging. Family employees could work not for a full time if their reason could be accepted by director or top management, for example is when a family employee was taking a postgraduate degree which required them to attend full regular class (not choose the employee class), but they still got the full-time salary. In relation with nepotism issue, since the employee is director's nephew, so there was no employee that directly questioned about that case. As Tagiuri and Davis (1996) said that balancing the business management and family feeling was a difficult task, this company also faced a problem that family feeling was dominated the management process than professionalism.

3.1.3 Non-family employees have limited growth opportunities for advancement

According to the data given by the company personnel division, this family business was also run by non-family employees, it was almost 70 percent of total permanent employees. Meanwhile, those 70 percent employees were still in the staff position regardless of how long they have been working there or even their skills. It was only 10 percent of non-family employees who have been working for more than 15 years. However, the average education level of them was only high school so they didn't have any additional skills to be on the top management position. Even though the non-family employees didn't seem to have a path growth into higher position due to their low educational level but it doesn't show that family employees have better skills than them.

Although those 10 percent of non-family employees didn't get any significant growth within the company, they also didn't get special rewards. There was a difference with the prior management style that gave a loyal employee an additional facility such as land and house, current management even didn't increase significantly their basic salary and additional bonus that was usually given in every three months. Those people stayed due to the impossibility to find another job because of their age and a sense of belonging to the company. Salary obtained by employees was mostly still below UMK (*Upah Minimum Kabupaten)* therefore the new non-family employees preferred to retire and moved to another company. Meanwhile, the opportunity to advance the career according to Tina Indalecio (2017) is important for keeping the talented yet ambitious to give their best performance for making the company better.

Whereas, in comparison with the family employees, non-family employees also had another limitation compared to family employees. According to all non-family interviewees, they only had a little input to every decision since only the family members that could include in decision making process; they could only give suggestion when it came to the technical things in production process. In fact, all employees want to be emotionally engaged and feel that they are being part of the importance and being connected with business (Naim, 2016).

3.1.4 Bad Succession Planning

Succession planning in family business is one of the critical decisions in order to successfully transfer the business management and assets to successive generation in a family. This succession issue is not only related with the ownership but also the management. One of the characteristics of family business is that family members have a greater impact on the management and ownership (Tagiuri & Davis, 1996). Therefore, ownership and management are taken by primarily family.

Since family means people who are connected through blood or by marriage therefore people who are only considered as family can't be a candidate although they have been living together for years. The adopted child was still considered as an outsider for the company. It might lead to a family conflict if the adopted one becomes the director meanwhile the "real" family members are on the lower position.

The current management ignored the way prior management established the company. There was no clear explanation when the prior management transferred the knowledge and vision about the company to current management which led to a significant difference when running the company.

According to all interviewees, the company still had no potential candidate for replacing the director. It happened because there was no conversation about preparation of replacement since the annual shareholder meeting was not held for the last three years. The consequences of not implementing annual meeting were no annual report, no evaluation, and no plan for the one year ahead.

In relation with the leadership issue, the director felt that he was still able to take the responsibility and there was no family member who wants to take the position so the family had not made a plan for replacing him yet. On the top management position side, they could easily give the job to their children because they thought that it would be easier and took less cost to teach their own children than hired others.

3.1.5 Lack of Talent

This issue is related with nepotism and succession plan. Due to nepotism in the recruitment process, the family members had no requirement to pass the recruitment stages in order to see their capabilities. Most of the family employees had graduated from universities in Indonesia, but the majors whom they had taken were not necessarily compatible with their current job in this company. Family members were usually hired because company needed person to occupy a job position as soon as possible, not because of their skill. Meanwhile, a bad management of succession planning led to employees' bad quality performance since there was no training before starting the job. The family employee only needed to learn by themselves, asked the previous person who occupied the position or asked people around in that division, and asked the internal auditor since he was perceived as person who could do anything.

The issue was not only a talent but also the interest. The interest is also important as the talent, since the interest based on definition of interest by Barkeley University Human Resources (2018) that when people are attracted to particular activities that they like which it will encourage them to develop their skills. According several experiences of the interviewee, the hobby that has nothing to do with work was always being done in the workplace. It made confusion since the office sometimes was filled by items that were not necessarily being there. For example was fish aquarium in a room and a tool for making license plate. But again, no one questioned about the case since they mostly were family employees.

3.1.6 Paternalistic Issue

There was a difference on how the director treated the employees. One of the differences was even though the salary was very low in both of era, but the previous director gave them some bonuses that might not be obtained in common businesses such as house and land for every employee that had been loyal for certain years and helped in establishing the company. Another difference was related with the tradition in engaging all employees. All employees usually gathered to have a little party before the director went to Mecca for *ibadah.* The director held many closed parties for all family and employees in every Islamic Special Day such as Eid AL-Fitr. Based on those examples, it seems that every non-family employee loose the figure of previous director. They don't feel any sense of recognition by the current director even though both of the directors have the similar characteristic which the power is centralized on them.

3.2 Other findings

3.2.1 Leadership Issue

Another critical issue is leadership. Basically, leader in family business is the one who can balance the business needs and family wants. A family business does not only consist of family, so the leader also needs to keep every family feeling to avoid internal conflict. The leader's (director's) sense of belonging was very big which can be seen on how the leader pays attention to every detail only for making the work environment was looked more beautiful and comfortable. Yet this sense of belonging also made the leader act carelessly, he mixes the personal needs with business. The company also could be a personal place to hold a meeting for another business which had no relation with this business, and several employees were also working in his another business so most of them got double jobs. Even though it made employee has additional salary but it also made them unfocused in their main job. A trust from the family has made him think that there was nothing wrong with every decision that he made, it also happened because no one in family that wanted to give critics to avoid conflict.

The Director tended to accept the suggestion from people who he trusted; they could be the family itself or the close friends. The decisions were made based on what he thought well but still no one wanted to have a debate. Since there was no potential candidate to replace him, then all the company members prefer to avoid any further conflicts related with the director. Based on types of leadership according to Rose Johnson (2018), the Director has an autocrat type of leader, who tends to make decision because of his own thinking since he has a powerful position than others. Therefore, he should have been the main key for resolving the issues.

3.2.2 Tradition and Religion

According to data obtained from the personnel division, most of the employees are muslim. This is related with loyalty and succession plan issue. Non-family employees upheld the islamic values in every activity which also affected on how they worked. According to Lead2/NF1 and Lead16/NF1, what made non-family employees more respected the prior management than now because the way the prior director respected the employees. For example, it was a tradition in sundanese to hold a little party for inviting all closed family and friends before going to Mecca for *ibadah* so people will ask to be prayed in Mecca. Meanwhile, current director has never held that kind of party before leaving so the employees suddenly knew after he posted the picture in social media. Most of employees felt disappointed since they believed that it was important to get closer with each other and to pray together for the business.

According to representative of non-family employees, as he expected that all people pretty knew about the obligation of giving *zakat* so he believed that one of the reasons why the company almost collapsed is because the management didn't give zakat to employees that really need. In Islam, zakat is one of the main pillars of Islam that must be done by Muslim. Muslim believes that people who don't do what they must do will get consequences directly and indirectly. Therefore, the employees believed that the company got stuck because the management didn't give zakat appropriately. Zakat in here means that lately the employees didn't get any additional salary or bonus but the company hired a consultant for a high price.

3.2.3 Loyalty Issue

Loyalty could be an issue and also the benefit for the family business. Since the management is controlled by the family which makes the system is different than common business companies, according to Loy3/NF1 that the family employees treated the employees who had been working for a long time as their family. This behavior was actually affected by Sundanese customs and Islamic values that we had to love each other as a family by helping each other. According to all interviewees, many existing non-family employees were children of people who had worked in this company. According to Loy1/NF1, they were financed for school by this company while their parents were working and they immediately went back to the company for helping their parents after the school hours. This behavior made sense of belonging increase significantly to this company. In order to show gratitude, their children decided to continue their parents' job in this company.
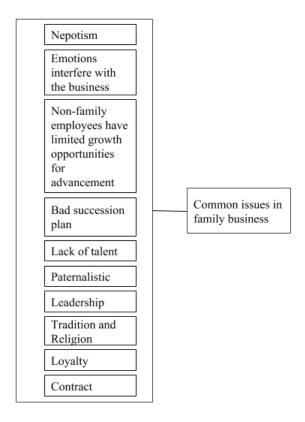
In fact, the benefit of getting loyal employees was obtained by current management from what prior management did. The current management was no longer giving such rewards to loyal employees and non-family employees were not bringing their children like what their parents did to them in the past due to the changing condition so the children had no sense of belonging to the company. Therefore, there is an indication that the future management will probably not get this kind of benefit.

3.2.4 Contract Issue

All the employees were hired verbally which led to uncertainty. Sometimes, it made some employees confused when they got information regarding their employment status, such as *Pemutusan Hubungan Kerja* (PHK) status. That kind of information was often ignored by the employees because there was no evidence. They could go back to work wherever they wanted because they (family and non-family employees) believed that they will be hired again if they

had good relationship with the top management. Meanwhile, employees and the management couldn't sue each other if there was something wrong.

There was also no a signed contract in the recruitment process. Meanwhile, every employee was given a small book consisted of the "do's and don'ts" but most of them ignore it because they didn't have to sign a statement to obey those things. This case led to discipline issue. Every employee was also working based on what they heard about what they should do since they didn't have any written guidelines and job description. They tended to do the job based on what the prior people did on that job (traditional ways) which led to an undevelopment system.

Figure 1: *Data Framework*

3.3 Effective Ways for Minimizing the Employees Performance Risk

3.4.1. Current Conflict Resolution

A company doesn't have a particular division to solve any problems related with its human resources. The financial director also has a role as a director of human resources, but it's not stated in the shown organizational structure. The current management tries to be well-structured by eliminating the previous behaviors to make a stronger company defense when faces

the external challenge. But, everyone has a big hidden feeling towards others yet the fear of having family trouble is bigger, therefore no conflict has successfully resolved.

Occasional meeting is the most appropriate place for some of non-family employees to speak up about their perspectives but unfortunately, it is only held when there is a big problem related with at least one of family employees. In contrast to them, family employees only have gathered in a meeting when there is a third party who is invited to help making the company becomes more professional. The meeting went bad, all the family members didn't accept all the blames each other, then it made them to be more sarcastic to each other directly via their own social media. All the employees agree that they dislike that kind of meeting because they believe those problems can be resolved by personal approaching and only leads to further conflict.

Usually, there is a difference among the employees when they want to speak their opinion. Family employees can directly share their own thoughts to the director or top management, while the others should take a long bureaucracy in order to speak up. The staff can only talk to the oldest staff, and then he talks to the personnel division to be discussed before going to the Director. This chief of SPSI is the oldest non-family employee, who also works in the production division. Meanwhile, every problem that happens related to a family employee will be kept closely to non-family employees. Everything that happens to the family member, although about the work, should be discussed and solved with the family. There is no sense of recognition as a family like the beginning; it has made the employees only want to do what they must do without a willingness to sacrifice for a company.

3.4.2 How the business survives since 1950s

This family business does not exist for only gaining the profit but also to keep it for the following generation and empower other people who considered as family. Therefore, since it was established, people (both family and non-family) were working hard together in order to build this brand traditional food. Since they were together since the beginning, a sense of belonging became deeper so they kept each other's feeling by avoiding anything that may hurt. They treated each other as a family.

In some businesses, there are rewards for people who have been loyal to the company for certain years. This company was also rewarding them for a house or a land, their children also got scholarship. But, those rewards were not stated on a paper. It became like a personal gift from the owner to non-family employees. The company always gave a reward directly without a formal signed document due to their closeness. So do the children, in order to show their

grateful, they come back to the company for continuing their parents' work. It shows that intensively personal communication among people--family and non-family-- within the company makes this business can still survive in traditional food company which are a good level of employee's performance and having loyal employees even though the era has changed.

Unfortunately, era has changed and people has replaced. Those family children also have been grown up and take the management. A bad succession planning particularly in management has made them become unclearly understand about the vision and mission of this company. There will be a sacrifice for changing the habit that leads a company still survive into a more professional structured way in order to increase revenue.

3.4.3 Ideal Condition

Barbera and Moores' finding in 2013 showed that measuring the productivity of a family business was depended on how the management saw the type of contribution of both type of employee such as family contributed in giving the idea and non-family contributed in technical things. In comparison with its finding, the heterogeneous of contribution can be clearly seen in the establishment era when the founders needed people to help them in technical skills in order to achieve their goal. Meanwhile, since this company has been on the second generation, type of family and non-family employee's contribution is similar therefore there is no kind of justification if family members tend to work carelessly and non-family members should work hard to finish their work. Therefore, the company needs a Human Resources Division to solve the problem related with performance of people within the company.

A function of Human Resources Division is needed in every company, not only for the recruitment but also for keeping the recipe to survive and employees' performance in family business. The company needs HR division in order to be more professional. According to the classification of HR Roles by David Ulrich, HR as an employee advocate will help both family and non-family employees to protect their interest and run satisfaction surveys to create a positive company by identifying the gap between managerial practices and family wants. The survey also helps HR to identify whether the managers has been fair and equitable to all employees. Besides, HR as a change agent is also needed for offering the training and professional development sessions to improve morale, skills, and competencies of all employees which helped by HR as the employee advocate.

A Human Resources Division is also needed to plan the succession. Succession planning is beyond just the name of successor. They will identify the culture attributes to generate the

characteristics for the next successor, mentoring process, the time when they should prepare the potential candidate, and the role of previous generation in and after transition process (Steen, 2015). Therefore, HR Division needs to also identify the culture attribute of company.

Since, the leadership is the current main issue which implies that the company needs to be more careful to prepare the succession. Since the prior management has successfully transferred some benefits which makes this company still survives but current management needs to learn that the prior management style is the ideal condition that people in the company feel comfortable with and prior leadership style was more comfortable with its people. A study showed that any failed changes initiatives happened due to the leaders' ineffectiveness in doing program for changing (Akinbode, 2018).

Besides, an HR division is also needed to manage the recruitment process, since the company wants move to be more professional. It prepares written employment contract and keep it and keep update the validity period of its contract. Since this is a family business, it doesn't only design the common business contract, but also a particular contract with family members. Besides of the written succession plan, family business also needs a shareholder agreement and family employment policy (Steen, 2017).

A shareholder agreement controls and determines the provisions of the transferability of shares and equity of family members within the business; it also provides protection of ownership. For example the regulation of borrowing company's facility, a decision to allow members' borrowings in excess, repayment the loan, transfer shares, sell some business assets, and pay dividend to all shareholders can be decided if shareholders agreed upon by a certain percentage such as 70% or 80% of total shareholders. A shareholder agreement also consisted of the provisions of board of directors (BoD) composition such as number of family members permissible in occupying BoD positions and family member's rights based on their shares. Another thing that is stated is the conflict resolution mechanism such as arbitration clause which all shareholders are tied on the arbitrator's decision if there is a conflict. (Glynn & McHugh, 2018)

A family employment policy is important in order to keep the business, family relationship, and relationship among all employees healthy--treated fairly. For example if management wants to ensure that family members are qualified so they state on the family employment policy that the younger generation needs to complete college degree or has an

experience for certain time in other company to be accepted for working in that business. It should be stated so all people can read it. (Steen, 2017)

4. Conclusion

A family business doesn't only mean an organization run by most of family members but also by people who are perceived as family due to their loyalty. Compared to common issues that happen in most family business. This company also experiences the nepotism; emotions interfere with the business, non-family member growth limitation, bad succession plan, lack of talent, and paternalistic issues. Most of the issues are related with each other. Nepotism in company recruitment process has made it has lack of people who have ability to work on some positions. Nepotism also happens due to the domination of family emotions over the business logics, therefore each other preferred to avoid conflict by always accepting whatever they want. Therefore, people who are not family members have limited growth in company since most of positions will be offered to the family members first without concerning on their skills and experience. Since family emotions dominate the business, it also negatively affects the succession planning process since they think consider it as disrespectful and may hurt the feeling of current people on top management. The paternalistic issue is related with some other issues that are not common in most family businesses.

There are several issues that particularly happen only in this family business which are contract, tradition and religion, loyalty, and leadership issue. Contract issue is related with the professionalism in this company since it regulates not only the business and employees but also the family members within the company. Since it is located in a developing city which is still affected by traditional values rather than post globalization values, it affects almost all aspects in business particularly such as succession plan, loyalty, and communication within the company such as how they respect each other. Loyalty issue can be seen from the positive and negative perspective, the prior's management behavior has made its non-family employees' family become part of the company's future by also working there meanwhile the current management has a trouble in getting that benefit for future management. On the other hand, leadership is the main issue since it is talked for 27 times in interview. It is the basically related with paternalistic issue since people within the company seems losing the figure of previous director that perceived them as family because many current employees know the figure since kids, meanwhile current director is not in line with what the majority of employees want.

In comparison between prior and current management style, it shows that this company should change the personnel division becomes the Human Resources Division since the function of personnel division is not enough to manage current business needs such as in designing strategy for planning successor. In designing the strategy, Human Resources Division will identify the recipe of prior management to make the company survive and adjust with current management condition. Human Resources Division can also solve the issues by at least be a employee advocate and change agent role in order to protect all employees' interest and help the management to be fair for all employees--family and non-family employees-- and also to help the business grow professionally by giving training and mentoring. The Human Resources Division will be the main actor in managing the recruitment process such as preparing the contracts in order to make the company grows professionally. Therefore, particular conflict resolution mechanism can be run by Human Resources Division for solving issues related with family and non-family members in this company.

The further research might be focusing on resolving issue technique. This research only focuses on the division that is needed by a family business in order to balance the family and business, but it doesn't explain the technique that can be used to reduce the tension of issues among family member and both of family and non-family members.

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