

THE IMPLEMENTATION OF STRATEGIC MANAGEMENT TO IMPROVE FAMILY BUSINESS PERFORMANCE

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ABSTRACT

Family business is an important component in driving the national economy. Good and professional family business management has a positive impact on the company's performance which ultimately improves the welfare of the wider community. Family business requires professional involvement in its implementation. This is because not all fields can be done by family members alone, so appropriate professional assistance is required. This article discusses how to implement strategic management in managing a family business by involving professionals. The method of discussion in this paper is a descriptive analysis method accompanied by a case study of a family company that has become a successful company. Based on the results of the analysis, it can be concluded that the success of the family business is higher with the involvement professional assistance. The company's basic values must be the basis for the management and needs to be implemented in various company policies in a professional manner. The results of the discussion in this article will be used as a reference in further research.

Keywords: *family business, strategic management, professional, company performance*

1. INTRODUCTION

Family business is one of the main drivers of a country's economy. Family businesses are built by individuals or families who initially want to have income for the family to meet the needs of life. In its development, a company that was built with the initial goal of only earning income for its own family can develop into a large company and have great assets and profits as well. According to Longenecker, 2001, a family business is a company whose family members are directly visible in the ownership and operations of the company [1]. Family members are jointly involved in the day-to-day operations of the company in order to advance the company. In this case, the strength in a family business is the superiority of the resources involved in it who are both the owner and the executor of the company's activities.

A family business is built on values proclaimed by its founder and owner of the company. These values are very dominating and become a reference for the company and everyone involved in it, both from families and professionals who are recruited to become employees. In its development, family businesses that have developed and developed have most votes in the hands of the founders or people who are entrusted by the founders to run the company professionally. Several family members remain involved in the management of the company or in the final decisions of the company's operations (Fig. 1).

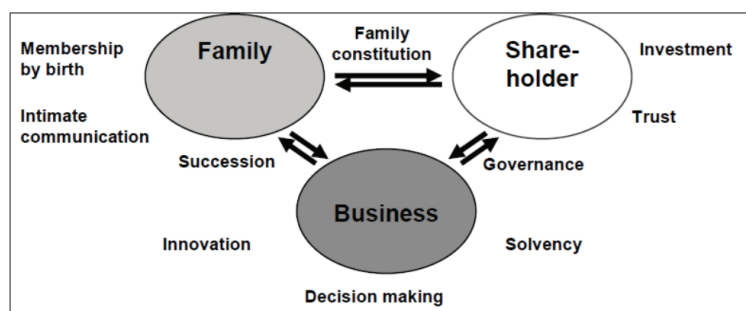


Figure 1 Logic of three systems involved in family business [2-3]

The characteristics of family businesses in general are as follows [4]:

- a. The company is owned by a single dominant family group with a total shareholding of more than 50%
- b. Business operations are perceived as a company
- c. Managed by people who come from families who own most shares.

In Indonesia, there are more than 95% of family-owned businesses. These companies run their operations professionally and have even become public companies. In addition, family businesses also contribute 82 percent of Indonesia's gross domestic product [5]. Based on available data, the number of family companies in Southeast Asia is approximately 60% and has become a public company [6].

In general, family businesses are divided into two types, namely Family Business Enterprise (FBE) and Family-Owned Enterprise (FOE). FBE is a family company owned and managed by the family of its founder. Key positions in the company are held by strong family members and control all company operations. Professionals are recruited to assist in certain areas that cannot be handled by the family alone or in the context of company development. FOE is a family-owned company but managed by professionals who come from outside the family circle. The role of the family is only as owner and does not involve themselves in field operations. The family as the owner of the company has given confidence to professionals and only carries out the supervision needed to ensure the company operates properly and gets the expected profit [7].

All family businesses, both those that follow the pattern of Family Business Enterprise and Family-Owned Enterprise, must continue to exist and generate profits, so that they can continue and have a positive impact on the company and the economy of the country where the family company is located. To develop a family business and generate profits, it is necessary to plan well and implement strategic management in its operations [7-8].

Strategic management is the art and science of organizing, implementing, and deciding across the functions that enable an organization to achieve its goals. Various activities can be carried out to achieve company goals, including family business by implementing management strategies. Strategic management is used in setting organizational goals, developing policies and plans to achieve organizational goals, and allocating appropriate resources to achieve organizational goals (Fig. 2).

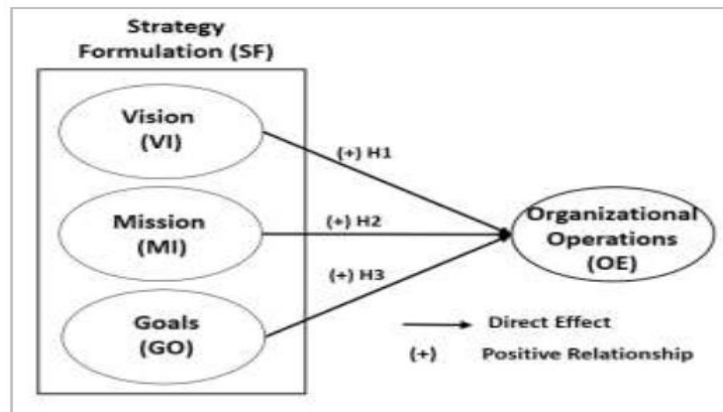


Figure 2 Value-based family business development model [8]

Strategic management is carried out in a unified whole and requires cross-functional collaboration so that it can run effectively in achieving organizational goals. Strategic management provides a comprehensive direction for the organization and is closely related to organizational behavior and provides a basis and guidance in making decisions in organizations that are sustainable and able to adapt responsively to changes needed according to current and future conditions [8-12]. The implementation of management strategy starts from the company's values, the company's vision and mission, and the goals the company wants to achieve, then it is implemented in real policies and activities. One of the models that can be used such as Fig. 2. This article discusses how to implement strategic management in the development of a family business to produce an advanced company with profits as planned.

2. RESEARCH METHOD

The discussion in this paper is about its operations on how to develop a family company by implementing strategic management in its operations. Implementation of strategic management is very necessary so that the company can run well and progress to generate profits for the company and as a contribution to improving the welfare of the community.

The method of discussion is descriptive analysis with reference to the results of research on family business development, combined with thoughts for future company development accompanied by case studies of family business development which are members of the VIVERE Group. Through this paper, it is hoped that we can get an overview of various strategic activities that can be a reference in developing a family business. The flow of thought in writing this paper is shown in Figure 3.

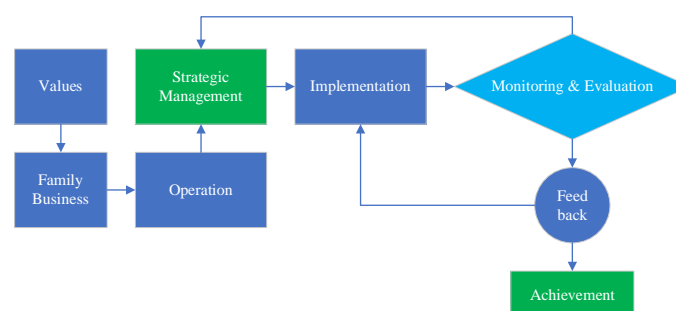


Figure 3 Thinking framework of strategic management implementation in Family Business

3. RESULT AND DISCUSSION

Strategic planning needs to be made so that the family company's operations have a clear and accountable direction. Strategic planning is part of developing family businesses both internally and externally for the realization of company growth that provides profitability [13-14]. Some of the things that can be implemented include:

- a. Formulate company values. Company values are the basis for the company's overall operations. Everyone involved in the company's operations must believe in and implement these values properly. Good values can bring a family company into a successful company and provide great profits. Therefore, the preparation of values is the first step that must be done by family companies. The company's values must also be equipped with procedures for carrying out and achieving them, so that they are not only a slogan but become the basis of the company's operations.
- b. Formulate the vision and mission of the family business. Values that have been set can be poured into the vision and mission that the company wants to achieve. Vision and mission are very important to determine the direction of the company's operations so that profits can be achieved for the company which will further improve the welfare of everyone involved in the company.
- c. Develop strategic goals and targets. A family business must have strategic goals and targets to be achieved through the company's operations. In principle, companies can set strategic goals and targets gradually over a certain period. These strategic goals and targets can be the basis for the company's business development and development. For example, targets in the field of human resource development, technology, company operational coverage, target market segment, service level to be achieved and so on.
- d. Prepare targets and their implementation as a reference for company operations. Company operations require clear guidelines that are agreed upon by all stakeholders. Because they are operational in nature, the targets need to be comprehensive, detailed, operationalized and the level of success can be measured. When preparing the target plan and its implementation, the company can ask for help from an expert consultant who understands the company's problems according to the company's operational midwife.
- e. Appoint a business advisor in the family firm if needed. There are times, in a family company, not all problems can be solved by the owner of the company alone. Therefore, it is also necessary to think about from the beginning by the owner of the family business to determine this family business advisor. Business advisors are very important to provide input related to business development, human resource development, business capital and various other aspects such as aspects of business law, aspects of business partnerships, and aspects of taxation [15-16].

In general, in developing a family business, it is necessary to pay attention to various practical aspects that can affect its development and sustainability. These aspects include, among others [16-17]:

- a. Have a clear business plan. A family business is built by paying attention to business aspects and values that can differentiate themselves from competitors and gain the attention and trust of consumers. A clear business plan needs to be prepared by considering the company's capabilities and future development directions. The business plan can be developed by the founders themselves or with the help of a business consultant who has the knowledge and experience in accordance with the previously aspired business development plan.
- b. Clear target market. The market is one of the important aspects to build a family company. Family businesses must know the target consumers who will adopt the products/services

- they produce. The work team must understand the characteristics of consumers who adopt products/services as a solution to their problems. The suitability of target consumers starts from the right market segmentation. Family businesses must know the target consumers who will adopt the products/services they produce. The work team must understand the characteristics of consumers who adopt product or services as a solution to their problems. The suitability of target consumers starts from the right market segmentation.
- c. The market can also be re-segmented to better understand the existing character and potential. Evaluate the factors that have been competing, then eliminate these factors. Evaluate factors that can be below industry standards. Evaluate creatable factors that have never been offered before. There is a gap in the market, i.e. there are a number of early adopters who are willing to adopt a new innovation.
 - d. Professional work team. Professionals can be recruited strictly in terms of competence, capability, integrity, and enthusiasm to advance the company. Professionals are at the forefront of implementing family business values and policies that the family business owner may no longer be able to implement on his own. By conducting a good selection and supported by a work system that is in accordance with the operating conditions and company targets, it is hoped that these professionals can bring the family company to success.
 - e. Trust in a professional work team. In family business operations which have grown rapidly, various functions and activities of the company must be delegated to a professional work team. In this case, family business owners must have the courage to trust a professional work team to run a company with clear work systems and rules. Company owners can monitor the company's activities periodically and provide directions and policies required by professional work teams.
 - f. Build collaboration with Strategic Partners. Collaboration with family business partners must be built and implemented properly with the principle of mutual benefit. All partners involved must benefit in proportion to the contribution made. Partners can provide input to family companies in change operations with the aim of providing the best results that benefit all collaborating parties.
 - g. Innovation. Family businesses must continue to carry out the innovation process, so that they can produce the latest products and services according to the needs of consumers and stakeholders. Innovation can be carried out by the family company alone or in collaboration with strategic partners. The basic principle in this innovation is that the company has a differentiating value compared to competitors who are perceived as beneficial by consumers. This is certainly an advantage of a family business that is not owned by similar companies.
 - h. Separate business affairs from family matters. Family businesses are built by founders consisting of family members and people the family trusts. In its development, it needs to be properly regulated so that corporate affairs and family affairs are separated so that there is no confusion in the business. Members involved must work professionally and adapt to the system that has been built. In this case, each member must comply with the rules of the game that have been set and not interfere in business matters with family matters. This aims to avoid conflicts of interest and will ultimately affect the company's performance

Some important things that can be used as indicators of family business success include the following [14-17]:

- a. The values that are formed in the culture of the family business organization. The values and culture of the organization are the main basis for the operation and development of the family business. An organizational culture must be established and adhered to by all those involved in managing the family business, both from the owner and his family and from all

professionals recruited to assist the company. A well-run corporate culture will generate attitudes. Attitudes will produce good habits that can support the success of the family business. Likewise, corporate values and culture must also be used as a reference for partners involved in company operations (Fig. 4).

- b. Appreciate and meet customer needs. Customer satisfaction is the main thing that must be the concern of everyone involved in the company's activities. Orientation to customer satisfaction makes the company continuously improve the quality of products and services that can be enjoyed by customers and partners, so that customer loyalty is formed. Utilization of information technology in all company's operations and services to all stakeholders is one way to focus on customer satisfaction [14].

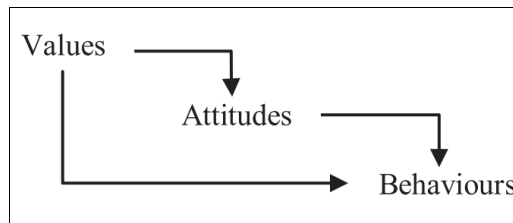


Figure 4 Company Culture Development Sequence [14]

- c. Able to adapt to environmental changes. The company and all the people involved in it must have the concern, sensitivity, and ability to adapt to all companies that occur in society and the business environment. The ability to adapt quickly and accurately is indispensable for the company's success in dealing with any changes and challenges, both internal and external to the company.
- d. Recruit and retain employees. Human resources are a very important factor to be considered and developed continuously. The recruitment, employee development and payroll system must be designed in such a way that it can support the company to progress and develop well and can generate significant profits for the company. Therefore, the role of Human Resource Management is very strategic in family business management.

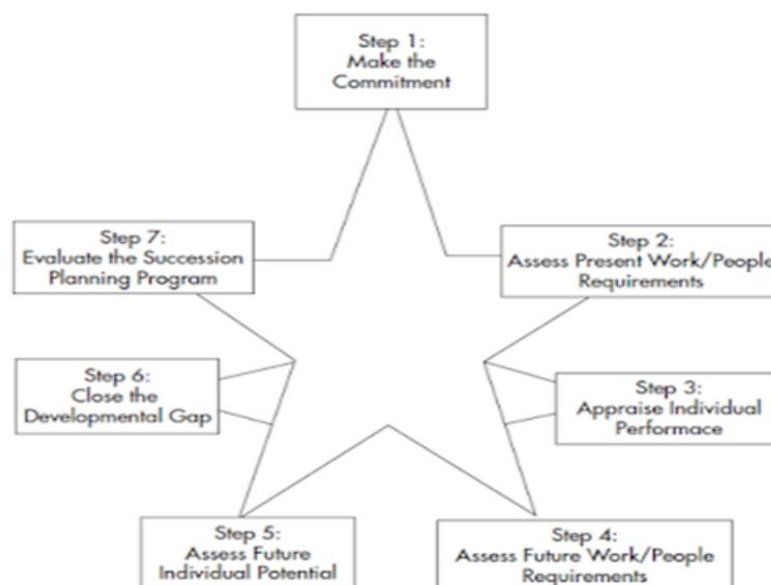


Figure 5 Seven Pointer Star Model by Rothwell [16]

As a case study in the discussion of family business in this paper is VIVERE Group. VIVERE Group is a family business with nearly 40 years of experience. VIVERE Group's vision is transforming space into a living space materializes into an intense experience through demonstrations of products of the highest quality to fit a better quality of life (Fig. 6)



Figure 6 Values of VIVERE Group [18]

Currently VIVERE Group has more than 500 clients, collaborates with more than 50 consultants and firms and has successfully completed approximately 2,000,000 m² projects in multi-industry. VIVERE Group has the best human resources with more than 1000 experts and professionals. In addition to serving the market, VIVERE Group's products in the form of furniture have been exported to more than 15 countries (Fig.7).

The VIVERE Group's strong commitment to ensuring the quality, safety and efficiency of products and services meet the highest standards is reflected in the awards it has received, including: an award from Exxon Mobil for 11,239 Injury-Free Work Hours, ConocoPhillips for Excellent Safety Performance Operating without an Unexplainable Incident Recorded in 2007, Pertamina for Contractor Safety Management System, and Petrosea for Safety Milestone Achievement (62,337 injury-free hours), Mandiri Vendor Award 2017 as The Best Strategic Business Partner in the construction category, Good Design Indonesia Award 2017 for LEYYE Lounge Chair and PORTABELLA Lounge Chair, The Most Innovative Product Award 2017 for VOLARE Lounge Chair, and Designers Recommended Award 2014 for Arborite High Pressure Laminate, KANTA Chair received the Good Design Award Japan in 2012, one of Indonesia's representatives at the annual Salone Del Mobile Milano in 2012, 2017 and 2018 Companies in 2011.

During this pandemic, many adjustments were made with a focus based on human interaction, implementing company values including innovation, teamwork, and completion, investing for long-term progress by carrying out digital transformation on all fronts, fast, dynamic, flexible, and fixed work acceleration. Paying attention to the quality of life of employees and of course upholding customer satisfaction in all aspects, ensuring all work is monitored, business and on time.

VIVERE Group is an example of a Family Business that can grow and develop well, gain mutual success, and benefit the wider community. The implementation of strategic management in its operations which includes the development of human resources, implementation of the latest systems and technologies, as well as better customer service, has brought VIVERE Group as a successful family business and a reference for other family

businesses in developing and improving the quality of the company, resulting in the satisfaction of consumers and other stakeholders (Fig. 8).



Figure 7 Examples of VIVERE Group Products [18]

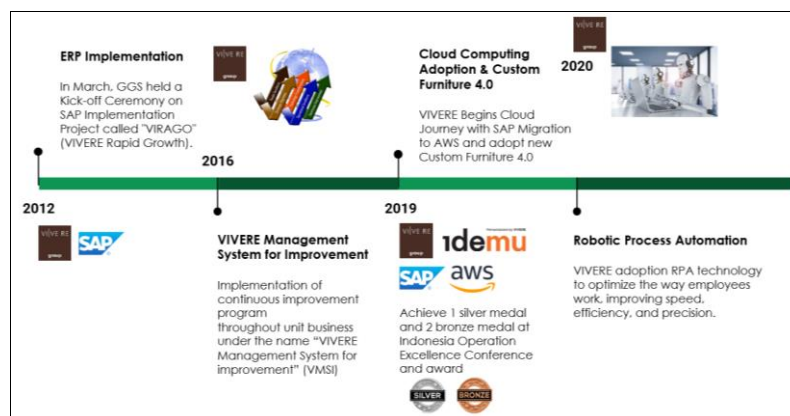


Figure 8 Technology and System Implementation at VIVERE Group [18]

Organizational goals are the end results of activities planned and decided by the organization, including the following: profitability, efficiency, growth, shareholder wealth, resource utilization, reputation, contribution to employees, contribution to society, market leadership, technology leadership, and continuity (Fig. 9). This is very relevant to the achievements that have been obtained by the VIVERE Group. VIVERE Group has managed to become one of the successful family businesses, sustainability until now and in the future [19].

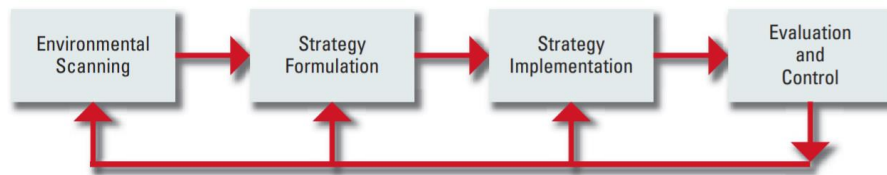


Figure 9 Basic Elements of the Strategic Management Process [19]

4. CONCLUSION AND SUGGESTIONS

Family businesses are one of the biggest contributors to a country's economic growth, creating jobs and improving people's welfare. Professional and modern family business management by implementing strategic management in accordance with business development needs and following technological developments, can improve company performance. Family businesses must continue to improve their operating performance based on mutually agreed values, perform good quality assurance, and provide excellent service to consumers, partners and all stakeholders. The owner's role as founder and main manager of the family business can be assisted by appropriate professionals, so that the company can generate profits to be utilized for further development.

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