

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Family business is the most common type of business and can be found in every sector of business in the world, it accounts for two thirds of all business around the world (Go, 2018) and as in Indonesia, 95% of local businesses are family owned (Global Business Guide Indonesia, 2016). A business is considered as a family business in view of the family has a significant position in the ownership and management roles. It is an enterprise in which the family members have an interest in ownership and a commitment to pass down to the next generation. At least one representative of the family is formally involved in the governance of the firm and according to the Family Business Index (2019), a firms will be categorized as a family business if the family holds half of the voting rights as private company and as a public company must have an account for at least 32%.

Family businesses often have short life spans that almost 70% do not get through the second stage and nearly 90% failing to continue to the third generation (Mars, 2017). According to Leah Golob (2018), there are a couple of reasons that result in the failure of those family businesses. It can be caused by the family members want to start their own businesses apart from their parents', which is having a different visions or an unprepared next generation leader in the expansion of the family business. Owners usually find the lack of management talents in the family which usually constrains the further development of family business. For example, managers might feel that they lack business skills such as marketing, financial management, or operation management, especially when the family firms start to involve in more complex business environment. At the same time, the other family

members who have management position might also lack of related business skills. In order to overcome the potential threat on management capability, many owners of family businesses try to develop management professionalization to their business which is to train family members in current working position or encourage family members to work in other companies to gain management capability and experience. The direct way of management professionalization is to hire non-family professional employees to bring family business with more formal style of management, decision making and presenting corresponding skill-set (Reardon, 2018).

In conducting this research, PT. Sukses Abadi Transindo, a shipping company in Medan as the agency of Pacific International Lines Pte Ltd. (PIL) that base in Singapore, will be the object of family business that is going to be researched. PT. SAT is on the 2nd generation of the family-managed business, which is the founder's children, Mr. Azis Supian and Ms. Aminah Supian. So, based on the explanation above, the writer wantsto conduct a research entitled **“The Roles of Non-Family Employees in Sustaining a Family Business at PT Sukses Abadi Transindo, Medan”**.

1.2 Problem Limitation

The research limits the study about **“The Roles of Non-Family Employees in Sustaining a Family Business at PT Sukses Abadi Transindo, Medan”** by involving only the non-family employees in a family business. The research will be limited on the roles of non-family employees at PT Sukses Abadi Transindo as the independent variable and the sustainability of family business as the dependent variables. The location of the research is only limited to PT Sukses Abadi Transindo and the duration of the research is from April 2019 to May 2019.

1.3 Problem Formulation

According to the research background, the main problem of this final paper is to explore the roles of non-family employees in sustaining the family-owned business. Therefore, the problems that are being researched as follows:

1. Is there any relationship between the roles of non-family employees and sustaining a family business?
2. What are the roles of the non-family employees?

1.4 Objective of the Research

The following are the objectives of the research:

1. To understand whether the roles of non-family employees at PT Sukses Abadi Transindo affects the sustainability of the family business.
2. To find out about the roles of the non-family employees at PT Sukses Abadi Transindo.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

The theoretical benefit of this study is to prove the relationship between the roles of the non-family employees with the sustainability of a family business and thus the result of this research can be used for academic purposes, especially regarding non-family employees and family business. This research can also be used to gain more knowledge about the non-family employees and their roles, the sustainability of family business and the relationship between both of the variables.

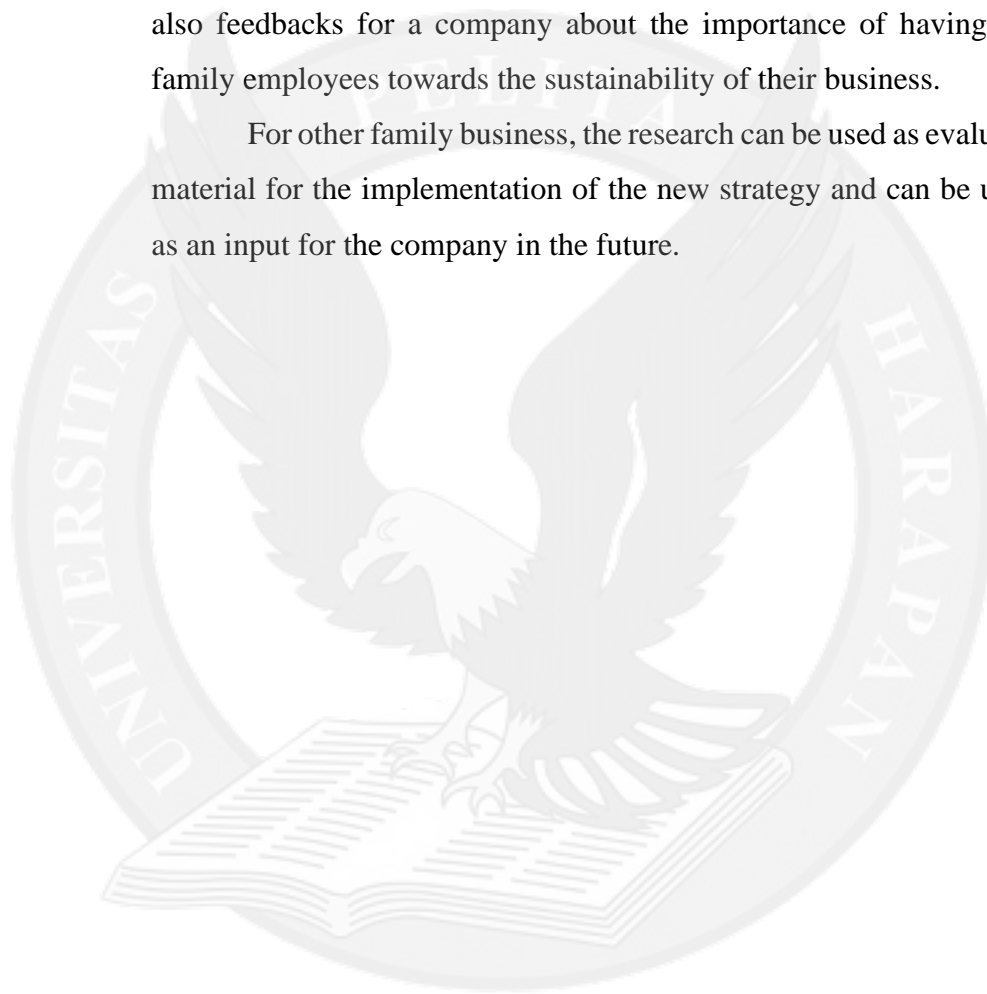
For other researchers, the research can be used as a comparison of the findings to enhance the testability and reliability of this research and also to be a reference for researches on similar area.

1.5.2 Practical Benefit

For the writer, this research can be used to enhance the knowledge about the roles of non-family employees, family business, sustainability, and also the relationship among the variables.

For the company, the research will provide a suggestions and also feedbacks for a company about the importance of having non-family employees towards the sustainability of their business.

For other family business, the research can be used as evaluation material for the implementation of the new strategy and can be useful as an input for the company in the future.



1.6 System of Writing

The writing of this research consists of five chapters. The system of each chapter will be as follows:

Chapter 1: Introduction

This chapter consists of background of study that explains the writer's reason to choose this specific research topic, problem limitation, problem formulation, research objectives, benefits of the research, and also systems of writing.

Chapter 2: Literature Review and Hypothesis Development

This chapter consists of theoretical background of entrepreneurship definitions, family business definitions, sustainability and the relationship between roles of non-family employees and sustaining family business, previous research, hypothesis development, research model, and also framework of thinking.

Chapter 3: Research Methodology

This chapter discusses the writer's method in doing the research, consists of research design, population and sample, data collection method, operational variable definition and variable measurement, and data analysis method.

Chapter 4: Data Analysis and Discussion

This chapter consists of general view of PT. Sukses Abadi Transindo in terms of history, vision and mission, core value, organizational structure and job description of PT. Sukses Abadi Transindo, data analysis, descriptive statistic, result of data quality testing, result of hypothesis testing, and discussion.

Chapter 5: Conclusion

This chapter consists of conclusion on the research, implication towards the society, and recommendations and suggestions for future improvements.