STRENGTHENING FAMILY BUSINESS IN THE MUHAMMADIYAH TO IMPROVE THE POWER OF MOSLEM COMMUNITY FACING ASEAN COMMUNITY 2015

Sentot Imam Wahjono

Muhammadiyah University of Surabaya totim27@yahoo.com

Abstract

Asean Community 2015 mandates a single market and production base shall comprise 5 core elements: 1) free flow of goods; 2) free flow of services; 3) free flow of investment; 4) free flow of capital; and 5) free flow of skilled labour. In addition, the single market and production base also include two important components, namely, the priority integration sectors, and food, agriculture and forestry.

The family business in Muhammadiyah need to strengthen to increase the power of the moslem community encounter to ASEAN Community 2015. Considering the five basic elements and the two major component in the ASEAN single and production market is not a power of Muhammadiyah community yet.

Meanwhile, the strength of Muhammadiyah business lies in the family business of Muhammadiyah members.

One of the ways of strengthening the family business in the Muhammadiyah is to maintain business continuity by keeping the business leadership succession running smooth.

Key words: ASEAN Community 2015, the Moslem community, the family business, Muhammadiyah, succession of business leadership.

INTRODUCTION

The implementation of the ASEAN Community 2015 which is an acceleration from 2020, Indonesia should better prepare themselves in order to reap significant benefits. In the ASEAN Economic Community Blueprint agreement contained a single market and production which includes five core elements: 1) free flow of goods, 2) free flow of services, 3) free flow of investment, 4) free flow of capital, 5) free flow of skilled personnel. Single market also includes two major components, namely the integration of priority sectors, and food, agriculture and forestry.

This requires the readiness of Indonesian businessmen to work harder and smarter, given the competitiveness of domestic industry is very weak, due to several factors. First, the high commercial interest rates that reached 14%, whereas in some Asean countries only 6%. Second, the energy crisis which still takes place in Indonesia, has a direct impact on the high price of electricity. The third is the low productivity of existing manpower, UNDP 2010 survey stated that the productivity of labor in Indonesia is ranked 108th of 169 countries in the world or ranking sixth in Asean countries. Fourth, the high cost of port in Indonesia and still use the U.S. dollar, whereas in competitor countries, may use the local currency. Fifth, labor costs in Indonesia is the lowest in ASEAN, the average wage of workers in Indonesia USD 0.6 per hour compared to USD 2.88 per hour in Malaysia, USD 1.04 in the Philippines, USD 1.63 in Thailand.

Behind the comparative weakness of the Indonesia-ASEAN, Indonesia still has a chance to compete with other countries in Asean. Indonesia's economic

growth in 2009 reached 4.4%, which is the world's third-ranking, and increased again to 6.1% in 2010 (Central Bureau of Statistics, 2011). Based on studies

OECD, the average increase in GDP was 5.6% Asean countries were Indonesia at

6.6%. Similarly, the inflation, which in December 2009 can be controlled at

2.78% rate which is the lowest inflation in 10 years, although the figure is

creeping up on the figure of 6.96% in December 2010. The Indonesia Stock

Exchange, is currently the best among the countries of the G-20, as even the best

of Southeast Asia, and number two in Asia Pacific.

We can catch up with other Asean countries will require not only the entrepreneurial culture with a considerable amount, but at the same time takes care of entrepreneurs who have been there and defend it by keeping the leadership

succession in family firms whose numbers are very much in Indonesia.

MUHAMMADIYAH MEMBERS OF BUSINESS

Muhammadiyah was born and developed starting from the group of

developed economies, namely the producers and traders in the archipelago. Also

of the local elite as village chief, district officer and the Regent. Even the scholars

Muhammadiyah background as well as most businessmen and traders.

Noting the economic plight of the pioneering establishment of

Muhammadiyah, it can be said of the pioneering advocates Persyarikatan have

economic independence. They can easily mobilize large funds because

themselves have the funds. They can fund their Persyarikatan through waqf, zakat

and sadaqah so Persyarikatan can move quickly in different regions (Sutan, 2011).

The Bylaws of Muhammadiyah explained that the business in the economic area is: "to promote entrepreneurship in the direction of the economy and improvement of quality of life". Based on the decision to the 44th Muhammadiyah Congress in 2000 in Jakarta established a work program in economics include: 1) Achieve the system Jam'iah (Muhammadiyah Economics Network) as the overall revitalization of the missionary movement, 2) Develop ideas and concepts of development oriented economy and Islamic democracy, such as work ethic, entrepreneurial ethic, business ethics, management ethics, financial and capital, and others in accordance with the needs and actual development that occurs in the world economy. 3) Launching the program include the empowerment of human resource development in the economic aspect.

With this foundation of Muhammadiyah members do a lot of business to empower families living with sharing entrepreneurial ethos. Option to establish and develop business with the family company is a rational choice, because with a family basis, the business will be run with a flexible and more resistant to the economic wave (Glassop and Waddel, 2005).

Our research shows that many Muhammadiyah members choose doing business as a family business. Not just for the Muhammadiyah members who are just starting the business, but many members of the Muhammadiyah which has long been doing business are already having a succession of business leadership, still maintains itself as a family business (Wahjono, 2011).

THE IMPORTANCE OF FAMILY BUSINESS

Some studies have recorded a very significant role of family busienss on a country's economic growth. Family business have contributed greatly to economic activity. In contrast to non-family firms that have ups and downs of growth, it shows the performance of family business are stable and tend to increase. As a result of that family firms are able to contribute between 45% to 70% of Gross Domestic Product (GDP) and employment in many countries (Glassop and Waddell, 2005).

Based on data from the International Family Enterprise Research Academy (2003), a family company occupies an important position in the economy of the world's countries. For example, in the United States, where an estimated 96 percent of the whole enterprise is a family company. While in Italy the number is slightly smaller, namely 93%. While in Chile, 75% of the whole enterprise can be classified as family firms, in Belgium as much as 70%, in Spain by 75%, while in Australia the family firm is 75% of the overall business unit.

In addition, family business contributed greatly to the formation of Gross National Product (GNP). In the United States 40% of their GNP donated by the family firm. Family firms in Brazil and Portugal contributed 65% of GNP, while the family business in Australia to donate 50% of GNP. In Indonesia, the company contributed to the formation of families is 80% of GNP (Casillas, Acedo and Moreno, 2007: 22-24).

Based on data from BPS (2011) which has organized the National Economic Survey (NSES) in 2010, there were 48,929,636 companies in

Indonesia. Of this amount, a total of 90.95% can be categorized as a family company. Susenas also states that family firms accounted for 53.28% of GDP and

absorbing 85,416,493 people as workers or 96.18% of the total labor force.

MAINTAIN THE SUSTAINABILITY OF FAMILY BUSINESS

This paper does not discuss the concept of increasing the number of stages through continuous education, but more focused on how to maintain the sustainability of family business entrepreneurs. That because education in Indonesia is less conducive to entrepreneurship, the evidence most of the people of Indonesia was of the view that the diploma is the only provision for life, so many graduate school are jobs seekers instead of creating jobs (Jawapos, 11 September 2007). In contrast to Indonesia, a resident of the United States, Europe and East Asia including Japan, China, Korea, Taiwan and Singapore have the entrepreneurial spirit is high enough. Starting from a merchant, now many people in East Asia that has been doing business with the high culture of entrepreneurship. So now they are no longer as a trader but has gradually become industrialists.

Empirical observations suggest that, at this time several companies in East Asia have become champions in several industries. Hyundai Heavy Industries, Inc. South Korean shipbuilders have become the shipbuilder number one in the world (Swa, no. 15/XXVI/15 - July 28, 2010: p. 118-122), not to mention electronics manufacturer LG of South Korea also are capable of being a producer

television LCD / LED flat world number three (Jawapos, August 28, 2010).

Computer manufacturer Acer of Taiwan in the past two years has been the number

one laptop manufacturer in the world and even beat Dell, HP, Compaq and

Toshiba (Kompas, July 15, 2010).

The basic concept of the two to increase the number of entrepreneurs in a

country is to maintain the sustainability of family business entrepreneurs,

unfortunately, many family businesses do not succeed in terms of succession,

even the few who could pass the third-generation (Widyasmoro, 2008). General

conditions as well as in the people of Indonesia.

Referring to the results of research conducted by the Family Firm Institute

for the Family Business Review (Hall, 2008), found that only 30% of the

companies owned by the family to survive the transition between generations in

the second generation, while only 12 % able to survive the third generation and

only 3% are able to develop to the fourth generation and beyond. This makes the

growing proliferation of idiom in family firms that: "the First Generation is

building, the Second Generation is Enjoying, and the Third Generation is

destroying" (Swa sembada, No. 10/XIX/13-27 May 2003).

SUCCESSION IN THE FAMILY BUSINESS

This is crucial in the family business is succession. Many companies are

not prepared for the change of leadership so that the company had stopped in the

first generation only, as in the case of Surabaya Post, a leading newspaper

published in Surabaya with coverage East Java. Although the sons and daughters

of the founder (R. Abdul Aziz and his wife) a high school in the United States with a doctorate in economics, but can not save the company so it should be in bankruptcy by the Commercial Court in 2002.

In contrast to the Surabaya Post, Thayeb Mohammad Gobel, founder of PT Gobel Dharma Nusantara, preparing the fifth and eldest son. Rachmat Gobel parents have set up since the age of 8 years by as much as possible involved in an office and factory in the Cawang, Jakarta. In addition Rachmat also schooled in Japanese business (Chuo University) also undergo internships at the company of his own family. After from college in Japan, Rachmat must undergo a period of 6 years with works from the bottom and eventually assumed the reins of Directors in 1990. Japan's decision to send Rachmat Gobel is a brilliant vision of Gobel Sr. Later came many new companies joint venture with the Japanese electronic giant, Matsushita (tabloid bisnis Kontan, 42/XI edition, July 16, 2007).

Rhenald Kasali (Suara Pembaharuan, 27 November 2008) also reinforces the opinion Gobel. As happened in the process of a successful corporate leadership turnover in PT Mustika Ratu, Inc., of BRA Mooryati Soedibyo to her daughter Koeswisnu Wardani also preceded by a mechanism that apprenticeship in earnest. Apprenticeship process that lived for 5 years, with the involvement of the different jobs. Ranging from working in the marketing department, then moved to the finance department, with the same treatment as other regular employees. To avoid overlapping roles, and the possibility of "interference" from other family members daughter, then his mother gave "other toys" to children who did not get a stick of succession. There is a spa management, beauty treatments for body, there is also a managing construction according to their talents and

education of children. Others were children who did not get involved in executive positions still keeping the flag of the company by placing it in the office of Commissioner.

For the founders of family firms, the success of succession is the ultimate test of its glory (Tracey, 2001: 115-116). It is difficult to understand why succession is often a sensitive issue, especially for first-generation family company. The man who founded and raised, feel sad for the dead, and the failure of a succession plan is a selfish and stupid. It is inevitable that if due to bad handling of the succession is making a significant profit competitors. According to Alan Carsrud, families firm consulting in American of Brännback, et al (2006) suggest several things for a successful succession plan (golden rules for succession-planning) are:

- 1) Arrange the expectations of the tasks and roles clearly.
- 2) Salary based on actual performance, not based on personal needs.
- 3) Arrange for supervision, monitoring, and advice for non-family mentor.
- 4) Provide real responsibility for the actual performance.
- 5) Play a meaningful assignments for the period.
- 6) Provide written procedures for family members who wish to leave the family firm.

Some study of the literature on family firms, as proposed by Neubauer and Lank (1998: 133) which suggests the following conclusions:

- 1) CEO Succession is by far the most frequently discussed issue.
- 2) The critical factor that determines whether a family company can survive is the ability to manage the succession process.

Meanwhile, Moores and Barrett (2002: 6) states that "the sustainability of Family Business depends on success of succession". So it can not be denied that the family company's future success depends on the succession. So it is not wrong when Moores and Barrett (2002) defines the transition of ownership succession is a family busienss to the successor of the previous owner. Family enterprises often have problems in the manage of succession when the founder of the business or the current generation of managers has taken so long to manage his family's company and approached retirement.

SUCCESSION MODEL OF FAMILY BUSINESS

The study's findings on the Family Company Siswojo (Wahjono, 2011), a businessman who is also a member of poultry as well as the Board of Muhammadiyah Blitar, showed a succession of different models. Characteristics of the model Succession in family firms Siswojo shown in the following table:

Characteristics	Family firm Siswojo	Other family firm
Recipient of succession	Second son	The oldest son
Gender bisa	Not appear	Appear
Succession planning	Carried out with: "Kader	Do with education
	Kinthil"	
Parent are more involved	Mother	Father
Use of mentor experts	Yes, done by inviting a	Sometimes
	regular basis.	
Relationship with	Related and significant	Often associated
performance		
Cultural influences	Related and significant	Several studies have
		reported no effect
Prince Charles Syndrome	Not the case, do as the	Often occurs.
	successor to the	
	succession of young	

In general succession of the eldest son fell in the end, the family company's sustainability depends on the cultivation of a sense of belonging and the sense of serving in each generation.

The founders of family firms such as; Mooryati Soedibyo is now 82-yearold company founder and owner of her beauty and body care PT Mustika Ratu,
Dick Gelael (77) founder and owner of the company's fast-food restaurants and
ice cream PT Fast Food Indonesia, Tbk., Sofjan Wanandi (69) founder and owner
of the company's battery manufacturers and automobile parts Gemala Group,
Martha Tilaar (73) founder and owner of female beauty care company PT Martina
Berto, Retno Iswari (71) founder and owner of female beauty care company Ristra
Group. They are energetic people who still consider themselves strong to lead the
company, although they were aware that age is advanced. This is a phenomenon
in which the founders of family firms survive at home still take care of business
even though he was already very old.

Nevertheless, in general, the leaders of family companies that have set up the company's leadership successor of their children. Common step taken is to encourage and educate their children to study at college, university or business school renowned in developed countries like the United States, Europe and Japan.

Efforts to find business schools at the best places in the world is in order to improve the cognitive aspects. Forging these cognitive aspects with a view to improving understanding of the theory and philosophy and business management. The successor of the family business a young age is expected to know and understand the various theories of management and business ranging from the

classics to the most modern. With the business school environment of high quality

standard, the parents hope their children will meet many peers with high quality as

well, so that children can gain friends are worth discussion. Moreover, supported

by the availability of lecturers and professors with extensive experience in some

world-class companies around the world will be able to add a degree of wisdom is

universal and varied. Cognitive development in international business schools can

improve the taste a wise decision, so the results of the prospective successor to the

decision that will not short-sighted and broad-spectrum.

In addition, the founders of family businesses, often also working to

develop the psychomotoric or skill aspects of the prospective successors. The

prospective heir to the family business is often included in various business and

management training both at home and abroad. The founders of family businesses

often advised his prospective successor to not be lazy to attend various seminars,

workshops and discussions that explore a variety of case studies of success or

failure of a company.

Some parents forbid their children to work at the company directly.

Sukamdani Sahid Gitosarjono, owner and founder of 18 hotels Sahid Group.

Sahid children of five, it can be after school until master degree, worked out a

company owned by his father. Yanti develop insurance and money changer and

the restaurant business. The second child into the commercial enterprise. The third

child to join in travel and restaurant companies. The fourth child with a plunge in

the company's textile export market and local targets. Was the fifth child to

cultivate a printing company (Swa sembada, no. 23/XXI/10-23 November 2005, p. 44).

Although it has a lot of preparation done by the founders of family firms in preparing candidates for replacement, but in fact the founders of family firms still reluctant to make leadership succession to his children. This condition spur Prince Charles syndrome in family firms in Indonesia (Swa, no. 23/XXI/10-23 November 2005, p. 29). Syndrome refers to the case of Prince Charles in the kingdom of Great Britain is still a prince though he was already 62 years old. This is because his mother, Queen Elizabeth (84) are still reluctant to take off the crown of the queen, as head of the United Kingdom.

If the syndrome is allowed to go on Prince Charles, will likely turn into a chronic illness in the family business, such as loss of vigor and passion of the child to lead the company well. Meanwhile, the founders also will lose accuracy and policy in its decision making because of decreased physical and mental abilities due to aging of age. Interesting to note the case of bankruptcy of the leading newspaper in Surabaya and East Indonesia in the 1970s-1990s the Surabaya Post. Successor to the already prepared the Indra Azis, a doctoral graduate of the U.S. economy could not withstand the bankruptcy papers in 2000. Since the death of Mr. Aziz, the founder of Surabaya Post 1986, the newspaper's leadership turned to his wife, Tuty Azis. Indra was actually prepared by his mother, also often invites Indra Azis in SP business activities with a high enough intensity, but not enough to give space to make decisions and engage intensely complicated problems in the company. This is because the flavor is too dear a

mother to her youngest child. So that at the crucial moment, Indra could not save

the SP from the brink of bankruptcy. Indra was introduced late in the family

business. (Arifin, 2009). Indra Azis has lost passionate.

In order not to lose the passion, what should be done by a successor? What

steps the company founders to anticipate it? Swa magazine reported in March

2008 05/XXIV/6-18 particular problem in the preparation of a successor to

continue his parents' business, 84 reported in this issue with any successor to the

problems facing and how to deal with the problem of succession. Fifteen (15) of

them use a mentor to guide or someone who made a place to ask. Mentor is a

special figure which is used as a pattern to be imitated or referred.

THE ROLE OF SUCCESS IN SUCCESSION IN THE MUHAMMADIYAH

FAMILY BUSINESS IN ORDER TO WELCOME ASEAN COMMUNITY

2015.

Given the importance of maintaining continuity of succession in family

firms in most of the members of the Muhammadiyah is a systematic attempt to

think about the effort to do the planning succession, although some studies

indicate otherwise. As the survey in Canada showed that many family firms are

not so much concerned to identify candidates and establish criteria for a successor.

(Sharma et al., 2000). In his research on 143 companies in Tulungagung family,

Tuhardjo (2008) found evidence that entrepreneurs are replaced with more

planned business ownership do not always have better business performance.

In contrast to the findings Tuhardjo, Swasembada magazine (No. 12/XXIII

- 4 to 13 June 2007) reported that many family firms would get an increase in

performance after the successful conduct of succession, as happened in AJBS

Supermarkets which stands for Anak Jaya Bapak Sejahtera with the successors of

the second generation, namely Adi and Andrianto Sutikno Suhartono. Engaged in

the sale of engineering products in supermarkets and AJBS Fastech. This family

company was founded in 1968, a traditional bolt nut shop. AJBS is now tooling

engineering department of business leaders in Indonesia, has seven outlets: 4 in

Surabaya, each one in Krian, Sidoarjo and Gresik. Similarly, the Bakrie Group,

Djarum Group, Trakindo Group, Ultra Jaya Milk Industry, Wings Group, Lippo

Group, Salim Group, Gunung Sewu Group, Konimex Group, Sosro Group, and

Dexa Medica.

Although succession planning is not easy, proven in the United States alone,

only 28 percent of family firms that have succession planning (Susanto et al.,

2008: 317). But given the importance of succession planning to maintain and

develop the standard of excellence of corporate performance and competence, and

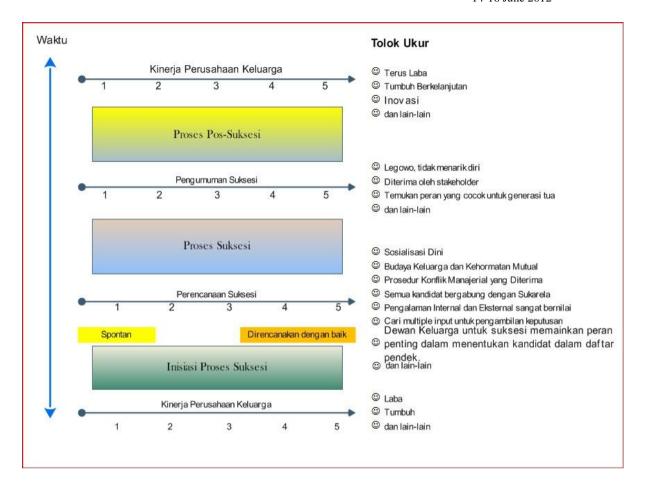
addressing the needs of preparation for future executives, the need for succession

planning seems inevitable.

Exposure based on the papers, it can be arranged succession patterns that

drive the success of the performance of family firms in the long run, as shown in

the image below.



Picture: Framework for Internal Succession Patterns.

Internal succession patterns can be used to discuss and plan for succession at the same time taking into account several successional stages (initiation of the succession, the succession process, and the post-succession). Within the framework of internal succession pattern of development is also proposed several measures that can be used in every stage of succession. While the range of values used for the benchmarks used to measure each of the Likert scale of 1 to 5, wherein the value of one means very poor and five means excellent value. no value zero, because all the benchmarks used is believed to be performance measures that can and will be done.

The first stage is the initiation process of succession, at this stage to introduce the predecessor of the main staple of business and ways to maintain and grow the business to potential successors. Predecessors began direct successor to the mastery of skills and expertise appropriate to their talents and abilities. Usually chosen educational path than the path of apprenticeship. To measure the initiation stage of this succession process in a way determine levels of initiation, whether the spontaneous and sudden or well planned. The spontaneous typically occurs when a sudden circumstances such as death or divorce.

The second stage is the process of succession. At this stage of the infrastructure set up a succession of predecessors such as the preparation stage for a succession of would-be successor, the introduction of business and business critical situations to his successor, administration duties and responsibilities that increased levels of managerial, authorizing more specific and last was the announcement of a succession of determination of the prospective successor to the successor. This announcement should be done openly and ceremonial.

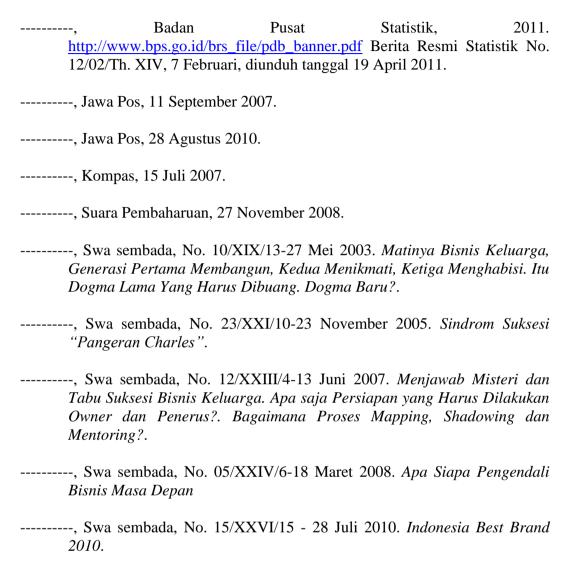
To measure this second stage can be done with a series of benchmarks as follows: early socialization, family and honor mutual cultural, managerial conflict accepted procedures, all candidates to join the voluntary, internal and external experience is very valuable, the role of the Family Council to take decisions on multiple input, the determination of a shortened list of candidates.

End of the second phase or stage of succession process is the announcement. This is a critical point of the internal succession process. When all the candidates and stake holders can receive a family company, announced the decision in sincere (*legowo*) and decided not to withdraw even though the

decision was not appropriate. While it is absolutely necessary to fit the place and role of the predecessor with honor and dignity.

After the succession, is expected to increase the performance of family firms in terms of both increased sales by making specific efforts to marketing efforts such as market penetration, product diversification, product innovation and marketing. Retained earnings should also increase accelerated in the pathway, thus continuing the family business growing after the internal succession.

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