

FACTORS INFLUENCING TRUST IN FAMILY BUSINESSES: A STUDY ON STUDENTS AT CIPUTRA UNIVERSITY

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ABSTRAK

Kepercayaan antara generasi pendiri dan penerus memainkan peran krusial dalam keberhasilan suksesi perusahaan keluarga. Penelitian ini bertujuan untuk mengidentifikasi faktor-faktor utama yang mempengaruhi tingkat kepercayaan dalam proses suksesi perusahaan keluarga. Menggunakan pendekatan kualitatif dengan metode studi kasus, penelitian ini menganalisis beberapa perusahaan keluarga yang sedang atau telah menjalani suksesi. Data dikumpulkan melalui pengisian kuesioner mendalam dengan calon penerus. Hasil penelitian mengungkapkan bahwa terdapat beberapa faktor utama yang berkontribusi terhadap tingkat kepercayaan dalam suksesi, yaitu pengalaman dan kompetensi penerus, komunikasi yang terbuka antara generasi, keterlibatan penerus dalam bisnis sejak dini, transparansi dalam pengambilan keputusan, serta dukungan keluarga. Selain itu, nilai-nilai keluarga dan budaya organisasi juga berperan dalam memperkuat atau melemahkan kepercayaan. Kesimpulan dari penelitian ini menegaskan bahwa membangun kepercayaan dalam suksesi memerlukan strategi jangka panjang yang melibatkan pengembangan kapabilitas penerus, komunikasi yang efektif, serta perencanaan suksesi yang jelas dan terstruktur.

Kata kunci : *Kepercayaan, Keterbukaan, Komitmen, Kompetensi, Loyalitas, Integritas, Konsisten, Suksesi, Perusahaan Keluarga.*

ABSTRACT

Trust between the founding and successor generations plays a crucial role in the success of family business succession. This study aims to identify the main factors that influence the level of trust in the family business succession process. Using a qualitative approach with a case study method, this study analyses several family businesses that are undergoing or have undergone succession. Data were collected through in-depth questionnaires with prospective successors. The results of the study revealed that there are several main factors that contribute to the level of trust in succession, namely the experience and competence of the successor, open communication between generations, early involvement of the successor in the business, transparency in decision-making, and family support. In addition, family values and organizational culture also play a role in strengthening or weakening trust. The conclusion of this study confirms that building trust in succession requires a long-term strategy that involves developing successor capabilities, effective communication, and clear and structured succession planning.

Key words : *Trust, Openness, Commitment, Competence, Loyalty, Integrity, Consistency, Succession, Family Business.*

INTRODUCTION

Family businesses have a significant contribution to the global economy, especially in developing countries. In Indonesia, family businesses contribute around 80% of Gross Domestic Product (GDP) and play an important role in solving various social problems such as unemployment and poverty (Utami, 2017). Based on data from PricewaterhouseCoopers (PwC) in 2014, more than 95% of businesses in Indonesia are family businesses, while in Southeast Asia, 60% of public companies are managed by families (Utami, 2017). This figure shows how important the sustainability of family businesses is in supporting the economy. However, a major

challenge to the sustainability of family businesses is the process of intergenerational succession, especially related to trust between the previous and next generations.

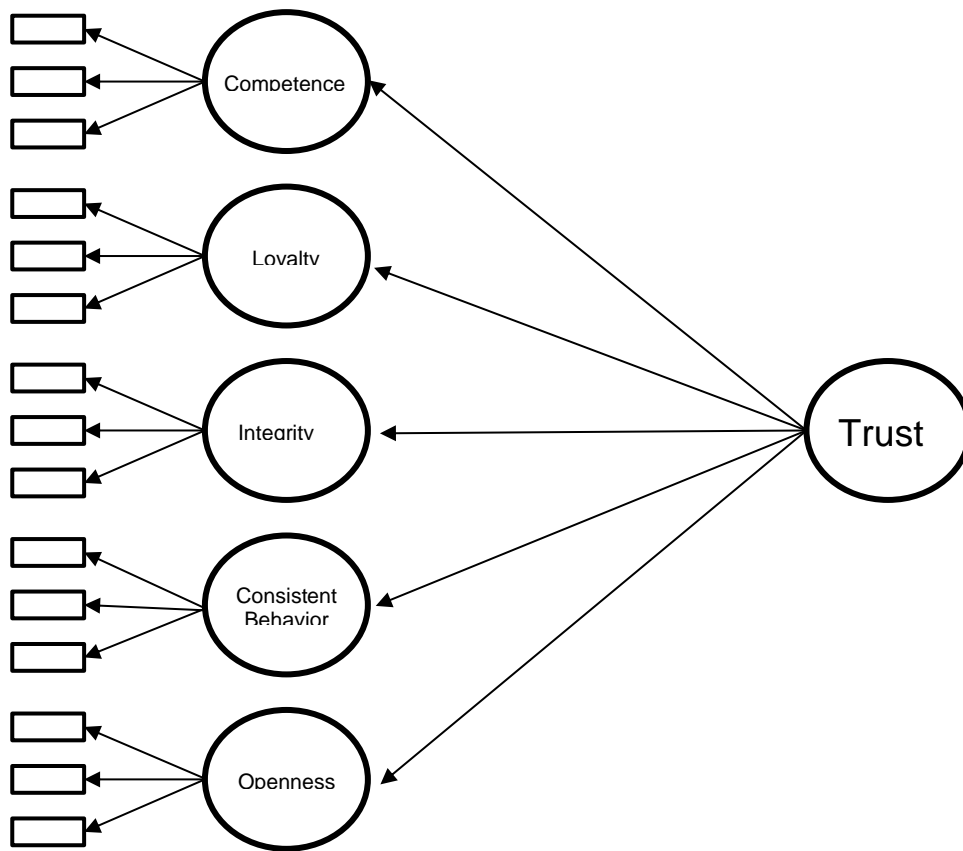
Trust is key to successful succession in family businesses. Recent research shows that without strong trust between the predecessor and successor generations, the sustainability of family businesses will be threatened (Alayo et al., 2021). The predecessor generation is often reluctant to give full control to the successor generation due to the perception of a lack of competence and experience. Meanwhile, the successor generation often feels hampered in exercising their autonomy and innovation due to limited trust from the previous generation (Botero et al., 2018). Therefore, building trust is crucial in preparing the successor generation to take over the leadership of the family business.

In the context of succession, trust is closely related to competence and communication between generations. According to a study conducted by Fang et al. (2022), previous generations tend to judge their successors based on their ability to understand the family business, as well as their ability to adapt to market changes. The quality of communication is also an important factor in building trust, where open and transparent communication between generations can reduce tensions and increase mutual understanding (Au et al., 2021). Without effective communication, many family businesses fail to continue to the next generation.

The emotional connection between the predecessor and successor generations also plays an important role in the succession process. Research by Skuza et al. (2020) shows that strong emotional ties between family members can strengthen trust, thus facilitating the leadership transition process. However, in some cases, this emotional attachment can also cause conflict if not managed properly, especially if the successor feels constrained by the overly high expectations of the predecessor generation.

This study aims to identify factors that influence trust in the context of family business succession in Indonesia, especially among students who are potential successors to family businesses. Ciputra University, which emphasizes entrepreneurship education, offers an ideal opportunity to explore the dynamics of trust between generations in family businesses. Students who are prepared to be successors to family businesses are expected to have the ability to manage interpersonal relationships with the previous generation, as well as understand the need to build trust in order to gain autonomy in leading the family business. This study is expected to contribute to the literature on family businesses, especially in understanding the role of intergenerational trust in the succession process. By identifying factors that influence trust, this study is also expected to provide guidance for family businesses in developing more effective and sustainable succession strategies, as well as strengthening the role of the next generation in continuing the family business.

Theoretical Framework



Hypothesis

C: Competence

- C1: My parents trust my ability to do my job well.
- C2: I can show my parents about my good judgment when I do my job.
- C3: My parents give me rewards when I do my job well.

L: Loyalty

- L1: My actions are supported by my parents to be responsible in working in the family company.
- L2: My parents gave me support when I had difficulties in my work.
- L3: My parents give me direct appreciation when I get / achieve success.

I: Integrity

- P1: My parents are open in giving me information related to work in the company.
- P2: My parents understand that I am sincere in trying to do the job in the family company.
- P3: I can keep my promise to my parents in completing the work in the family company.

CB: Consistent Behavior

- **CB1:** My parents believe that I can apply the same rules to all workers.
- **CB2:** My parents can count on me to provide direction to all the workers.
- **CB3:** My parents can count on me to be able to keep the family business going.

O: Openness

- **O1:** My parents believed that I could listen to suggestions about how the job should be done.
- **O2:** I can express my opinion to my parents without being challenged.
- **O3:** My parents provided me with various access to information about things that affect company performance.

METHODOLOGY

The type of research used in this study is quantitative research. Quantitative research involves collecting data on the chosen topic and processing it using statistical analysis. The sample for this study consists of students from Ciputra University.

A questionnaire was distributed for data collection, and a total of 34 respondents completed the questionnaire. The primary data collection method was conducted through a structured questionnaire, where respondents answered predefined questions. The responses were measured using Cronbach's Alpha on a 1-5 scale, with the following criteria:

- 1 = Strongly Disagree,
- 2 = Disagree,
- 3 = Neutral,
- 4 = Agree,
- 5 = Strongly Agree.

All respondents completed the questionnaire in full according to the given answer choices.

OPERATIONAL VARIABLES

Trust

Trust is a key element in the success of family business succession. Without strong trust between the predecessor and successor generations, the succession process will be difficult to run smoothly. Trust in the context of family business includes various dimensions, such as competence, loyalty, integrity, and openness (Fang et al., 2022). Trust not only affects interpersonal relationships between family members but can also influence strategic decision-making in the family business. According to Botero et al. (2018), when the predecessor generation believes in the competence of their successors, they are more likely to give greater autonomy and responsibility to the successor generation, which can ultimately increase the success of the succession.

A study conducted by Van der Heyden et al. (2021) shows that trust can be built through open communication, participation in decision-making, and demonstration of strong competence from the next generation. In addition, consistent and sustainable trust requires realistic management of expectations between the predecessor and successor generations. Conflicts that arise due to lack of trust often lead to succession failure and cause family businesses to lose their business continuity (Kakkar et al., 2022).

Openness

Openness refers to the willingness to communicate honestly, accept feedback, and be open to new ideas. In the context of family businesses, openness plays a vital role in building trust between the next generation and the predecessor. Research by Neff et al. (2021) shows that successors who demonstrate openness to ideas and innovation are more likely to gain support from the previous generation. Openness also increases transparency in decision-making, which can reduce the potential for conflict between family members.

Openness in communication allows successors to adapt to changing markets and evolving technologies. This helps maintain the relevance of family businesses in the era of globalization and digital transformation. According to research by Rau et al. (2019), openness is also important in creating an inclusive organizational culture, where every family member feels heard and valued, which in turn increases trust and cooperation between generations.

Consistent Behaviour

Consistent behaviour refers to an individual's ability to act in a predictable and reliable manner over time. In family businesses, consistent successor behaviour is essential to ensure trust from other family members and employees. Successors who demonstrate consistent behaviour are more likely to be perceived as capable of leading the business and maintaining organizational stability. Research by Parada et al. (2020) shows that consistent successor behaviour strengthens intergenerational trust because it provides assurance that the company's values and goals will continue to be implemented.

Consistent behaviour helps successors build a reputation as reliable leaders. If their behaviour is predictable, it reduces uncertainty and anxiety among family members and employees about the future of the company. Inconsistent behaviour, on the other hand, can create distrust and tension within the family, which can undermine the succession process (Sieger & Minola, 2017).

Loyalty

Loyalty in family business refers to the commitment shown by family members, especially successors, to maintain the values, vision, and goals that have been built by previous generations. Loyalty includes dedication to the company and family, as well as a commitment to not only maintain but also grow the family business. Studies show that loyalty is an important element in building and maintaining trust between generations, especially in the succession phase (Vardaman & Gondo, 2017).

Successor loyalty is not only demonstrated through direct involvement in the business, but also through loyalty to the family and maintaining good relationships between family members. When loyalty is high, successors are more likely to receive support from the founding generation in taking over the family business. In a study by Barbera et al. (2018), loyalty also plays an important role in facilitating open communication between generations, which ultimately strengthens trust between family members during the succession process.

Competence

Competence refers to a person's ability to carry out tasks or responsibilities well and in accordance with expectations. In the context of family businesses, success competencies are critical to ensuring business continuity. Competence includes technical expertise, knowledge,

and relevant experience, all of which play a role in building trust among family members. These competencies are often the determining factor in whether a successor is considered worthy of taking over the family business (Basco & Calabrò, 2017). Competence can also include leadership and management skills needed to maintain business stability during a successful transition.

Research shows that the competence possessed by family business successors not only helps in maintaining business continuity but also strengthens interpersonal relationships between generations. According to Barbera et al. (2020), successors with high competence tend to be more trusted by the founding generation, allowing them to make strategic decisions with greater autonomy. In the succession process, trust in this competence is essential to minimize intergenerational conflict and maximize efficiency in leadership transitions.

Integrity

Integrity refers to the honesty and moral principles held by individuals in carrying out their duties and responsibilities. Integrity in the context of family business is one of the most fundamental values in building trust, both among family members and with external stakeholders. According to research by Samara and Arenas (2017), the integrity of successors is one of the important factors influencing their acceptance by the founding generation. This is because integrity indicates that they will run the business in accordance with the ethics that have been built by the founder.

Other studies highlight that integrity is not only about honesty, but also involves responsibility and accountability. When successors demonstrate high integrity, they are more likely to be relied upon to make decisions that will benefit the company in the long run. It also helps avoid conflicts of interest that can damage family and business relationships (Stavrou et al., 2020). Strong integrity helps successors maintain the reputation of the business and ensures the continuity of the business from one generation to the next.

RESULT

Measurement Model Testing

Measurement model testing is the initial stage in structural analysis, aimed at assessing the validity and reliability of the constructs used in the study. Based on the table, construct validity is evaluated through the Average Variance Extracted (AVE) value, where an AVE greater than 0.5 indicates that the variable possesses adequate convergent validity.

In this study, all constructs— Trust, Openness, Competence, Consistent Behaviour, Loyalty, Integrity have AVE values exceeding 0.5 (0.504, 0.758, 0.646, 0.589, 0.680 ,and 0.704, respectively). This suggests that the indicators used to measure these constructs significantly reflect the intended constructs.

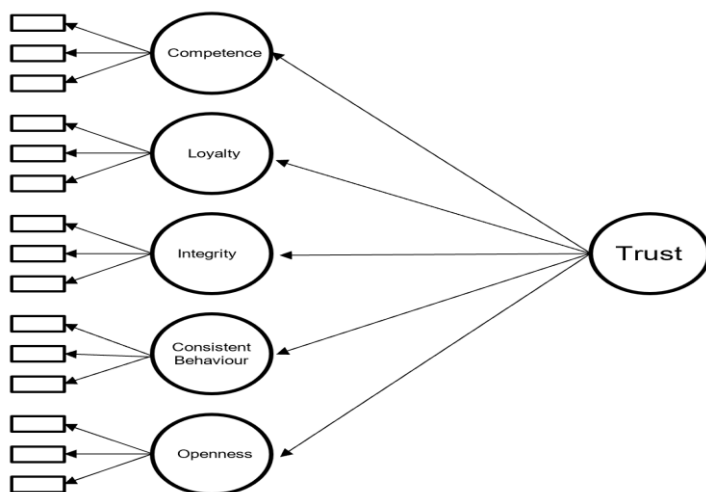
	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Trust	0.917	0.920	0.929	0.504
Openness	0.840	0.846	0.904	0.758
Competence	0.722	0.727	0.845	0.646
Consistent Behaviour	0.607	0.677	0.801	0.589
Loyalty	0.760	0.774	0.863	0.680
Integrity	0.788	0.769	0.877	0.704

Source : Primary Data

Construct reliability is assessed using Cronbach's Alpha and Composite Reliability (rho_a and rho_c). Generally, a good reliability score is indicated by a Cronbach's Alpha value above 0.7. However, for the Consistent Behaviour construct, the Cronbach's Alpha and rho_a value of 0.607 and 0.677 indicates very low reliability, despite rho_c values of 0.801, respectively, showing high reliability. This discrepancy may indicate an issue with the internal consistency of the construct.

On the other hand, the Trust, Openness, Competence, Loyalty, and Integrity constructs have Cronbach's Alpha values of 0.917, 0.840, 0.722, 0.760, and 0.788, respectively, along with Composite Reliability scores above 0.7, indicating good reliability. Thus, while this study demonstrates adequate validity and reliability overall, special attention is needed regarding the reliability of the Consistent Behaviour construct.

Structural Model



The figure above illustrates the structural model, depicting the relationships between Trust, Openness, Competence, Consistent Behaviour, Loyalty and Integrity. Trust (T1 to T13) has a direct influence on Openness (O1 to O3), Competence (C1 to C3), Consistent Behaviour (CB1 to CB3), Loyalty (L1 to L3), and Integrity (I1 to I3), with an impact coefficient of 0.566 on Learning Motivation and 0.021 on Performance. Additionally, Learning Motivation directly influences Performance, with a coefficient of 0.686. All indicators (TP, LM, and P) show a significance value (p-value) of 0.000, indicating that the relationships between variables in this model are statistically significant.

This model suggests that Learning Motivation acts as a crucial mediator, enhancing the impact of Teaching Presence on student performance.

Path Coefficient

	Original sample	Sample Mean	Standard deviation	T statistics	P values
T -> O	0.683	0.682	0.116	5.886	0.000
T -> C	0.857	0.859	0.047	18.436	0.000
T -> CB	0.851	0.851	0.054	15.837	0.000
T -> L	0.889	0.890	0.034	26.036	0.000
T -> I	0.904	0.906	0.029	31.024	0.000

Source : Primary Data

Based on the table above, it shows that the factors of integrity, openness, competence, loyalty, consistent behaviour reflect the trust factor in prospective successors of family businesses. Based on the Total Effect value in the table above, it can show the highest to the lowest variables of the trust factors in prospective successors of family businesses.

R Square

	R Square	R Square Adjusted
Openness	0.466	0.450
Competence	0.735	0.727
Consistent Behaviour	0.725	0.716
Loyalty	0.790	0.784
Integrity	0.818	0.812

Integrity variable is a variable with the first order as a factor that reflects trust in prospective successors of family businesses with R Square 0.818 and R Square Adjusted 0.812. Individuals who are members of a successful family business tend to have high loyalty, honesty

and trustworthiness to run their business. For example, a prospective successor is sincere in carrying out his work in a family company.

Loyalty variable is the second-order variable as a factor that reflects trust in prospective family business successors with R Square 0.790 and R Square Adjusted 0.784. Successor commitment is also the loyalty that is owned to provide all the abilities, thoughts, and skills of prospective family business successors in helping to achieve the company's goals and keeping all company secrets and remaining loyal to the company and not moving to another company. For example, family business successors can be responsible for work in the family company.

Competency variable is the third-ranked variable as a factor that reflects trust in prospective family business successors with R Square 0.735 and R Square Adjusted 0.727. The competencies required by prospective family business successors are the work abilities of each prospective successor which include aspects of knowledge, skills, and work attitudes that are in accordance with the standards expected in family businesses. For example, prospective successors are able to demonstrate their ability to run a family business to the previous generation.

Consistent behaviour variable is the fourth-order variable as a factor that reflects trust in prospective successors to family businesses with R Square 0.725 and R Square Adjusted 0.716. With consistent behaviour of prospective successors in family companies, businesses can develop in the long term and grow into large and strong companies after being run by prospective successors to family companies. For example, prospective successors can maintain the company's life continuously and continuously.

Openness variable is the fifth-ranked variable as a factor that reflects trust in prospective successors to family businesses with R Square 0.466 and R Square Adjusted 0.450. Openness to the previous generation is something that is very dependent on the learning of the next generation. Prospective successors to family businesses who remain involved in the family business to anticipate a better relationship usually feel disappointed due to the founder's distrust or competition with the next generation. For example, prospective successors get open information about the family business from the previous generation so that prospective successors can determine the right strategy for the family business.

CONCLUSION

Based on the results of the research conducted, it was concluded that the factors that can be accepted to reflect trust in family businesses from the highest to the lowest values are integrity, loyalty, competence, consistent behaviour to openness.

This study cannot be applied to Family Business in general because in this study, the units studied were students who were members of the Ciputra University family business success path who received less trust in family businesses. Further research can use samples outside the Ciputra campus student family business, further research can use different methods such as qualitative methods or use different analysis tools other than the SmartPLS3 application.

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