

# ELKANA\_FAMILY BUSINESS

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**Submission date:** 31-Oct-2020 04:27PM (UTC+0700)

**Submission ID:** 1432080114

**File name:** ELKANA\_FAMILY\_BUSINESS.pdf (416.31K)

**Word count:** 2653

**Character count:** 16174



# THE DIGITAL ENTREPRENEURSHIP IN A FAMILY BUSINESS: INSIGHT FROM INDONESIA

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## ABSTRACT

*The survival of the family company is determined by the family values and the leadership succession process. In the digital technology era, family business management must be changed. Digital entrepreneurship is needed in a family business. This descriptive qualitative research aims to identify digital entrepreneurship in family businesses in Indonesia refer to their digital capabilities. The transformation framework for competing in the digital domain is developed by technology awareness, digital knowledge and digital values. Its successful application requires information openness, mature cooperation and independent networking by the philosophy of a company that is managed by family members.*

**Key words:** Digital Knowledge, Digital Value, Entrepreneurship, Family Business, Technology Awareness

**Cite this Article:** Elkana Timotius, The Digital Entrepreneurship in a Family Business: Insight from Indonesia, *International Journal of Management*, 11(8), 2020, pp. 518-524.

<http://www.iaeme.com/IJM/issues.asp?JType=IJM&VType=11&IType=8>

## 1. INTRODUCTION

A family business is a company that is owned and managed by a group of individuals who are still related to the family. The existence of family business is recorded the most in the world and dominates the domestic economy in every country. In Indonesia, 95% of 195,000 companies are owned and managed by families [1]. Rapidly developing technology provides new challenges and opportunities for the family business. Family business management, which is based on family values, traditions and culture, is required to have digital entrepreneurship to adapt to global competition. This is in line with the results of research by Price Waterhouse Cooper [2] which shows that the majority of entrepreneurs in a family business agree that a family business needs to adapt to the digital world. They realize that digitalization increases a company's capabilities in various fields, from planning to corporate governance.

The success of implementing digitalization in a family business is determined by the leadership succession. Each generation has a different understanding of digital technology. Beelen and Whitmore [3] found that leadership succession affects on technology awareness. Although the leader of family business aware of digital technology but other family members are less aware of its opportunities. Istiatin and Luhgiatno [4] found that succession in a family business determined by the good characteristics of successor, transformation and family harmonization. A digital strategy is suggested to be prepared when the leadership succession has done.

A family business has the important role in economy environment of the country. It must be managed productively to provide an impact and contribution to the community [5]. The operational capability of digital technology in a family business is another issue in digital entrepreneurship. The weak knowledge of digital technology caused by the unpreparedness of the family business to change its business management system. Study to family businesses is conducted to understand how they address digital entrepreneurship and how they prepare digital entrepreneurship as a sustainability factor in their business.

## **2. LITERATURE REVIEW**

### **2.1. Digital Entrepreneurship**

Digital entrepreneurship is initiated by digital transformation that changes the business processes and models. Digital technology is increasingly developing because of the existence of a computerized system that can improve the efficiency of operational cost [6]. The European Commission [7] formulated a technological framework in digital transformation: (1) Internet of Things as a connector of devices and other objects through the internet network for online control, for example, household appliances that can be operated remotely via an internet connection; (2) Future wireless connections, 5G and beyond, as innovated applications by using the internet connection, for example, self-driving vehicles; (3) Cloud computing as an online-based computing service that can be accessed at any time, for example, data storage, data processing, data visualization; (4) Big data analytics as strategic decisions references that analyzed large amounts of data with complex variations in a fast manner, for example, behavior-based consumer perceptions; and (5) Artificial Intelligence which integrates machine and system capabilities by processing knowledge, data and information to deliver cognitive tasks, for example, sensing, translation, learning patterns.

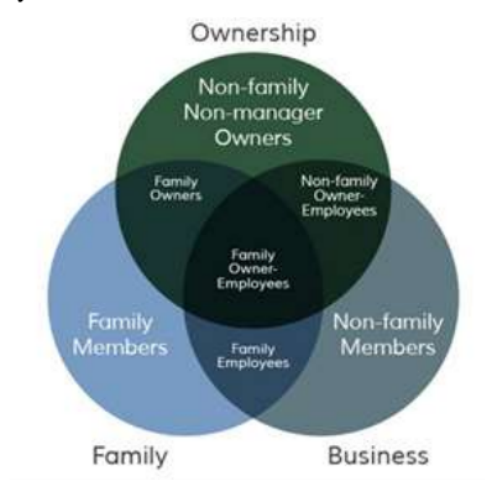
The concept of digital entrepreneurship has different interpretations with traditional entrepreneurship. Bogdanowicz [8] defined digital entrepreneurship as a value creation activity that develops economic activities by identifying and utilizing products, processes and technology. However, digital entrepreneurship has the potential to be hampered if there is a lack of ability to use digital technology, budget constraints, lack of supporting infrastructure, regulations on intellectual rights protection, and other related matters. Digital entrepreneurship in a family business will not grow if organizational culture and family values do not adapt to change. This means that the process of implementing technology is more important than technological features.

### **2.2. Family Business**

A family business is a company that involves family relationships in ownership, leadership, management, and employment in business management [1]. In practice, family businesses apply the family values in the business management [9] so it is bounded by traditions, vision, goals and family culture [10].

According to Tagiuri and Davis [11], family businesses involve three interconnected parties: (1) the family as the owner; (2) the company as an institution; and (3) the non-family

company owners. They are interrelated and dependent (Figure 1) which determines the performance of the family business.



**Figure 1** Three-Circle Model of Family Business [11]

Tápies and Moya [12] convinced that honesty and hard work as the values in family businesses contributes to business continuity. They are the main guidance of family business model [9] because they affect the thoughts, actions and activities of work [13].

The family business values are different from other companies. Canterino et al. [10] found three main differences. Firstly, family businesses have long-term business orientation rather than focuses on short-term profits. Secondly, family members who are involved in business management share their values on other employees. Lastly, most family businesses do not focus on innovation and avoid changing, they ignore the opportunity to enhance their capabilities.

Bella and Maichal [9], who researched on family businesses in Indonesia, found that mindset does not have a direct effect on organizational culture but affects the creation of company values. They are welfare development, capacity building, responsibility, respect for others, and succession plan. The consistent implementation shapes the organizational culture.

Economic uncertainty and technological developments require companies to agile adapting the market demands without reducing the quality. Unfortunately, family businesses commonly apply their values so difficult to change quickly [10]. Therefore, Stewart and Hitt [14] recommend achievement-based performance management in family businesses that empower all resources for change.

Family businesses must be managed professionally. The business objective is more important than family relationships. The formal business process is the main reference to mediate family relationships and business objective [15].

### 3. RESEARCH METHODOLOGY

The research applies a descriptive qualitative method to understand the digital environment in a family business. Literature which related to digital entrepreneurship and family business are the main sources of this research. The research started with understanding the learning process of digital technology and synthesizing the meaning of digital values from previous research. The next stage is to compare them to the values of the family business in Indonesia.

The findings contribute activities to improve the digital entrepreneurship of family business in Indonesia.

## 4. RESULT AND DISCUSSION

### 4.1. Technology Awareness

The principles of entrepreneurship have been accepted in all fields. It values welfare, capacity building, responsibility, respect for others, and succession planning [9]. The measure of success is the achievement of an entrepreneur to formulate and carry out a business plan [16]. Meanwhile, digital entrepreneurship is not limited to the creation of digital products or services but also the digital technology applied to manage the business. It has the opportunity to collaborate with digital technology on family business values.

The digital entrepreneurship could not apply to family members instantly. The main problems are weak technology awareness and the incompatibility of digital technology with its values. It is necessary to transform non-routine activities that analyze and interact with each other. These activities are managed digitally through cloud computing services that provide data visualization to digital experiences for users.

The main strength of digital technology is in the execution of routine activities with rigid procedures that can be translated into code. For instance, processing salary calculations, automatic assembly of goods, inventory control system, and other else. Digitizing routine activities are possible to facilitate task completion and divert human resources to non-routine tasks that require more human cognitive abilities.

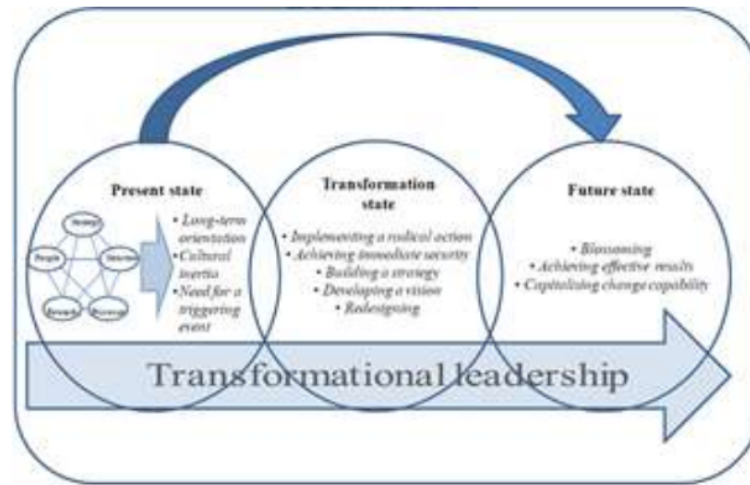
This research also found the opportunity for non-routine activities that require interpretation of complex ideas to contextualization in digital entrepreneurship. Unfortunately, this idea has not optimally implemented in Indonesia. It because of a few numbers of family businesses that applying digital technology [3]. These findings confirm that digital entrepreneurship is not focused on infrastructure but on integrating concepts with values in family businesses.

### 4.2. Digital Knowledge

The research found that digital transformation is triggered by digital knowledge to increases efficiency in the business process. It creates new values for family businesses. The data availability and information openness build transparency that uncommon in family businesses. Furthermore, digital knowledge about cloud computing creates cooperative values in the family business. It responds to the curiosity and independence of each family member. All family members need to familiarize with the digitization and have a good working relationship with non-family managers. Pandit and Acharya [17] encouraged that this condition will maintain the family culture in the company.

Canterino et al. [10] proposed the transformational leadership in a family business as shown in figure 2. The vision of a family business is developed by family values. However, the development of digital technology influences the transformation in family businesses. Family businesses in Indonesia have the status quo because of a culture of succession, seniority, and barriers to technical implementation. Digital entrepreneurship is a radical action to initiate change through digital knowledge of family members. Digital knowledge requires a strategy that integrates digital technology to complement and generate values in the family business.





**Figure 2** Transformational Leadership in Family Business [10]

#### 4.3. Digital Values

Digital values are not only provided openness and transparency but also increase accountability. The change that must be adopted by the family business is the collaboration for practical benefits of virtual connectedness. The digital entrepreneurship has the value of independence that is useful for leadership succession in a family business. However, the application of digital technology does not have to be done all at once. The findings of this research along with the Canterino et al. [10] who mentioned that technology needs to be applied strategically to produce a real impact rather than just being a gimmick.

Digital entrepreneurship in family business does not mean automating all business activities. Digital entrepreneurship places digital values as the basis for a change process in family businesses that supported by digital technology. Conflicts that are common in family businesses are possible to resolve because of their transparency and accountability.

#### 5. CONCLUSION

The family relationship in family business needs to transform the values along with digital technology development. Technology awareness is the main key to digital entrepreneurship for future competition. It will develop the capabilities of family members as entrepreneurs in the application of digital technology.

This research recommends digital knowledge to support digital-based activities, not just infrastructure procurement. Digital knowledge emphasizes technology capabilities to family values. This is useful for increasing collaboration, connection, and a sense of responsibility for all family members who involve in the business.

Although the level of digital value of family businesses in Indonesia is very diverse, it cannot be generalized. Digital values, which are transparency, independence, and cooperation, set as values that need to be adopted by family businesses in Indonesia. Future research can be conducted to reveal empirical facts about the role of digital entrepreneurship in family businesses, particularly in the transformation process of the digital values in family businesses. A theoretical approach is suggested in future research to obtain the more appropriate formulation of digital transformation.

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