EFFECTS OF AUTONOMY IN JOINING AND LEGITIMATION OF SUCCESSION ON THE FAMILY COMPANY SUCCESSOR’S COMMITMENT

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Abstract: The purpose of this research is to study empirically the effect of autonomy in joining and legitimation of succession towards successors’ commitment to a family business. This research is conducted with a sample of 109 successor family businesses at the UC Family Business Community. The research shows that autonomy or the freedom in making choices has a significant effect on forming affective commitment, while legitimation also has a significant influence at a lower level. Autonomy in joining or freedom in making choices has a significant effect to form normative commitment, while legitimation of succession also has a significant effect at a lower level. The study further shows that legitimation must be supported by autonomy to form an affective commitment to the successor.

Keywords: autonomy, legitimation, successor, family business

INTRODUCTION

Family business (FB) dominates global business, controlling 80% of the number of enterprises globally (Gagne et al., 2019), making FB the type of company with the most influence on a country’s economy and the global economic order. Despite the fact that FB has such a big impact on the global economy, the company’s sustainability is frequently a concern (Rautamäki & Römer-Paakanen, 2016). FB succession is a factor in determining FB sustainability (De Massis et al., 2012). According to Miller et al. (2006), it is not easy to do because there are personal and emotional factors that will determine who the next successor will be.

In simple terms, the family business is a company that involves a family (both the involvement in company ownership and the involvement in company management). Family involvement requires the intention of family members to be involved in working for the company (Chua, Chrisman, & Sharma, 1999). The intention to continue family involvement requires the next generation who have the commitment and ability to work on FB. Family business literacy refers to the next generation as successors.

The successors’ intention to work in the family business is determined by the commitment they have as the next generation of the family, but ironically this often becomes an issue and cause of failure in family business succession (Bjuggren & Sund, 2001). This claim is supported by the fact that only 30% of family businesses survive to the third generation and only 10% remain in the next generation (Astrachan & Allen, 2003; Sardeshmukh & Corbett,
This fact also shows that family business struggles to maintain its sustainability and the successors’ intention.

Various studies have been conducted to solve family issues surrounding the family business. One of the studies developed is an exploratory study about successors. This study has found that an insufficient level of successor commitment contributes to greater failure compared to a lack of managerial competence (Carter & Justis, 2009; Kotlar & De Massis, 2013; Mahto, Ahluwalia, & Khanin, 2014). This finding supports a study conducted by Chrisman, Chua, and Sharma (1998) where the research found that commitment is a key characteristic that must be possessed by successful successors. This research is also in line with a study by Sharma and Srvinas Rao (2000) who found similar findings in their studies conducted among Indian family businesses. Furthermore, other studies support the importance of a successor’s commitment to the sustainability of family businesses (Barach & Ganitsky, 1995; Cabrera-Suarez, 2005; Goldberg, 1996; Fox, Nilakant, & Hamilton, 1996; Rautamäki & Römer-Paakkanen, 2016).

Nonetheless, an in-depth exploration of the successor’s commitment still needed to be conducted. Malhotra, Budhwar, and Prowse (2007) suggest exploring the antecedents of the different dimensions of the commitment factor, aiming to identify other factors that impact commitment and develop steps that are applicable in a practical setting to maintain a family business.

Barach & Ganitsky (1995) found that a successor’s commitment will increase when successors do not feel compelled to join the company. This is referred to as autonomy in the decision to join the family business. The feeling of freedom to choose makes the successors more likely to decide to continue the business in line with what is desired for the future. Le Breton-miller et al. (2004) found another factor, which is the legitimacy of successor selection, as one of the causes of successor commitment. This legitimacy will lead to a feeling of compatibility between the successor’s character with the family expectations and work which will ultimately shape job satisfaction (Robbins, 2003). Meanwhile, Rautamäki (2013) shows that there is an increase in psychological ownership of successors when there is a freedom to control their future.

These two factors will determine the level of commitment of the next generation and will have an impact on their performance in the future. To make a scientific and practical contribution to the family business, this study will examine the impact of autonomy in the decision to join the family business and the legitimation of the successor’s election on the level of commitment possessed by the next generation. This study is important to be conducted and will strengthen empirical evidence on the effect of commitment of the next generation on work performance so that family business owners can prepare for their success.

**Successor’s Commitment**

Family business literature defines a successor’s commitment as the next generation’s desire to pursue their professional career in the family business (Dyck, Mauws, Starke, & Mischke, 2002; Handler, 1989; Sharma, 1997). Various studies show that a successor’s commitment greatly impacts the quality of the family business succession (Bachkaniwala, Wright, & Ram, 2001; Cabrera-Suarez, 2005; Handler, 1989; Chrisman, Chua & Sharma 1998; Sharma
A successor’s commitment is important for the next generation to have compared to technical abilities to maintain the company’s competitive advantage, such as maintaining the company’s reputation (Chrisman et al., 2005). With a high commitment, the successor will have the courage to seek the knowledge they need to make a high contribution to improving the business’ performance.

Meyer and Herscovitch (2001) identified three basic foundations of commitment namely: (1) commitment generated based on mind-set and desire (affective commitment), (2) commitment generated based on a sense of fulfilling obligations (normative commitment), and (3) commitment based on opportunity cost (continuance commitment). Sharma and Irving (2005) explained that in a family business, the commitment of the next generation is divided into two dimensions, namely “affective commitment and normative commitment”. Researchers believe that affective commitment will have a big impact on the success of the succession (Sharma, Chrisman, & Chua, 2003; Sharma & Irving, 2005).

**Affective Commitment**

Affective Commitment is a commitment formed based on a strong self-identification bond with the business organization so that the psychological boundary between self and organization becomes invisible (Sharma, Chrisman, & Chua, 2003; Sharma & Irving, 2005). This commitment will align personal interests with the welfare of the company’s organization. Thus, affective commitment possessed by the successor will result in work behavior that generates added value for the organization. This behavior can be seen by the successor’s willingness to work beyond expectation.

**Normative Commitment**

Generally, family-owned businesses have high normative commitments nature and are attached to their family members, especially the successors. Normative commitment will encourage successors to work because they feel they owe to the family rather than because they enjoy working with the organization (Sharma & Irving, 2005; Bergman, 2006). The successor feels obligated because the company has been fulfilling the daily needs of the successor through the family, for example paying for their education and all other aspects of life. Normative commitment will result in a feeling of obligation to carry out an activity including taking part in a corporate organization (Meyer & Allen, 1991; Meyer & Herscovitch, 2001) because the successors feel indebted.

**Autonomy in the Decision to Join the Family Business**

The successor’s feeling of personal influence on the decision to work in the family business will have an impact on their feelings for the company (Cabrera-Suarez & Santana, 2012) and will have an impact on the level of commitment they have.

Barach and Ganisty (1995) explain the level of commitment of the next generation will increase when they do not feel forced to join the company, which means they have autonomy in the decision to join the family business. Furthermore, Cabrera-Suarez and Santana (2012) explained if the successor feels compelled to work and does not have autonomy, it will encourage them to not appreciate what they get from the company which will then encourage them to seek other and more attractive opportunities outside the family business. If the successor is forced to use the power of
family relationships and authority, it will result in cynicism, rebelliousness, and desperation about the quality of theoretical experience in the family business (Handler, 1989; Kets de Vries, 1996). To test this factor as the antecedent variable, the first and second hypotheses in this study are (see Figure 1).

\( H_1 \): Autonomy in the decision to join a family business has a positive effect to determine the level of affective commitment from the next generation.

\( H_2 \): Autonomy in the decision to join a family business has a positive effect to determine the level of normative commitment from the next generation.

**Legitimation of Successor’s Election**

The selection of the next generation requires attention to the characteristics of the successor and family expectations. The match between the two factors will result in finding the right fit for the job.

Thus, the third and fourth hypotheses in this study are (see Figure 1).

\( H_3 \): Legitimation of the successor’s election has a positive effect to determine the level of affective commitment from the next generation.

\( H_4 \): Legitimation of the successor’s election has a positive effect to determine the level of normative commitment from the next generation.

**METHOD**

This study is classified as an empirical study using a survey conducted on the next generation of members of the University of Ciputra Family Business Community Surabaya, Indonesia. This community is for students and alumni participating in the family business program at Universitas Ciputra with members of 517 family businesses that were established to accommodate family business owners in Indonesia whose successors study at Universitas Ciputra. Each year, the number of community members increases by approximately 100 members which shows that there is an interest in a study of family business at Universitas Ciputra where the findings can be useful for family business owners in Indonesia. This community was founded in 2002 and has 12 batches in 2022.

The data were collected using a questionnaire from a sample of batch 10 successors, totaling 113 members. Batch 10 was chosen because at the time the research was con-
ducted, batch 10 students were attending their final semester. However, after the data collection and editing were completed, the samples obtained are 109 samples because some of the questionnaires were not filled in properly or were not returned to the researchers.

The research questionnaire, which is the core of this research, has been designed and is based on the five-point Likert scale. The result will indicate the successors’ opinions about factors that drive their perception of the level of commitment they have.

RESULTS

Description of Research Variables

Descriptive analysis is a type of analysis conducted to provide an empirical description or description of the data collected in the study using the average value. The average value is used to describe the average value of a variable studied in a certain group of respondents (Table 1).

Evaluation Model

The evaluation model for the outer model and inner model is conducted by reading the results of the report from the PLS Algorithm.

Outer Model Test

Evaluation of the outer model is carried out to test the feasibility of the measurement model used both in terms of validity and reliability. In evaluating the outer model with reflexive indicators, the level of validity is sought using convergent validity and discriminant validity approaches, while in terms of reliability, it is sought with a composite reliability approach. The convergent validity of the measurement model with reflexive indicators can be identified through the correlation between the indicator values and their constructs. In this case, it can be seen from the results of the outer loading output. The outer loading output of the estimation results from the PLS Algorithm with the SmartPLS software and the result can be seen in the table.

Convergent Validity

Convergent validity of the measurement model with reflexive indicators can be seen from the correlation between the score of the item/indicator and their construct (loading factor) which can be seen from the output outer loadings. The result of the outer loadings output from the PLS Algorithm estimation can be seen in the Table 2.
There are outer loading values that are below the cut-off value of 0.5, namely AU2 and NC2 (Figure 2). Thus, these indicators are removed and reprocessed.

Based on the output outer loadings, the results of loading measurements of all indicators for each construct meet the convergent validity because all loading factor values are above 0.50.
Discriminant Validity

The discriminant validity of the reflexive indicator can be seen in the cross-loading between the indicator and the construct. The cross-loading output results from the PLS Algorithm output can be seen in Table 3.

Based on the output cross-loadings test, the correlation of each indicator with its construct is higher than other constructs. This shows that the latent construct predicts indicators in its block to be better than the indicators in other blocks.

Construct Reliability

In addition to testing the construct validity, a construct reliability test is also conducted and measured by the composite reliability of the indicator block that measures the construct. The construct is declared reliable if the composite reliability value is above 0.70 (Ghozali, 2011). The result of the composite reliability output is seen in Table 4.

From the two tables regarding composite reliability and the Cronbach alpha test above, the value of each construct is above 0.70. So, the reliability value for each construct in the estimated model is classified as good.

Inner Model Test

R-Square

One of the methods for testing the inner model is to find the R-square (R²) value in the dependent construct. Structural models with R-square values (R²) above 0.19 indicate that the model is “weak”, whereas if R-square values (R²) above 0.33 indicate that the model is “moderate”, and R-square (R²) above 0.67 indicates that the model is “good” (Ghozali, 2011). The R-square value (R²) for each dependent construct of the estimated model can be seen in Table 5.

The interpretation of the output R-square (R²) on the dependent construct affective commitment is explained by autonomy in joining by

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Table 3 Cross-Loading Output

<table>
<thead>
<tr>
<th></th>
<th>Affective</th>
<th>Autonomy</th>
<th>Legitimation</th>
<th>Normative</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC1</td>
<td>0.812</td>
<td>0.530</td>
<td>0.376</td>
<td>0.285</td>
</tr>
<tr>
<td>AC2</td>
<td>0.874</td>
<td>0.652</td>
<td>0.502</td>
<td>0.435</td>
</tr>
<tr>
<td>AC3</td>
<td>0.846</td>
<td>0.603</td>
<td>0.610</td>
<td>0.528</td>
</tr>
<tr>
<td>AU1</td>
<td>0.586</td>
<td>0.883</td>
<td>0.514</td>
<td>0.492</td>
</tr>
<tr>
<td>AU3</td>
<td>0.671</td>
<td>0.891</td>
<td>0.464</td>
<td>0.421</td>
</tr>
<tr>
<td>LS1</td>
<td>0.514</td>
<td>0.500</td>
<td>0.865</td>
<td>0.541</td>
</tr>
<tr>
<td>LS2</td>
<td>0.351</td>
<td>0.322</td>
<td>0.656</td>
<td>0.310</td>
</tr>
<tr>
<td>LS3</td>
<td>0.533</td>
<td>0.470</td>
<td>0.852</td>
<td>0.628</td>
</tr>
<tr>
<td>NC1</td>
<td>0.543</td>
<td>0.524</td>
<td>0.584</td>
<td>0.899</td>
</tr>
<tr>
<td>NC3</td>
<td>0.335</td>
<td>0.376</td>
<td>0.554</td>
<td>0.868</td>
</tr>
</tbody>
</table>

Table 4 Composite Reliability Output

<table>
<thead>
<tr>
<th></th>
<th>Cronbach's Alpha</th>
<th>Composite Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affective</td>
<td>0.800</td>
<td>0.882</td>
</tr>
<tr>
<td>Autonomy</td>
<td>0.730</td>
<td>0.881</td>
</tr>
<tr>
<td>Legitimation</td>
<td>0.715</td>
<td>0.837</td>
</tr>
<tr>
<td>Normative</td>
<td>0.720</td>
<td>0.877</td>
</tr>
</tbody>
</table>
56.4% while the remaining 43.6% is predicted by other variables outside the model.

The interpretation of the Output R-square (R²) dependent construct of normative commitment is explained by legitimation of successor by 45.2% while the remaining 54.8% is predicted by other variables outside the model.

**Hypothesis Testing**

The hypothesis testing between constructs, namely exogenous constructs on endogenous constructs and endogenous constructs on endogenous constructs, was carried out using the bootstrap resampling method. The test statistic used is the t-statistic or the t-test. In this study, the comparative t-value was obtained from the t-table. The t-table value of degrees of freedom (df) is 108 and a significance level of 5% is obtained at 1.65. Hypothesis testing is conducted by looking at the output path coefficient from the bootstrap resampling results which can be seen in Figure 4 and Table 6.

- Hypothesis testing of autonomy on affective: the table above indicates that there is a positive effect between autonomy on affective with a coefficient value of 0.546 and a significance level of less than 0.05 or 5%. As the value of the t-statistic k is 6.651 and greater than 1.65, thus the hypothesis is accepted (there is a significant positive relationship).
- Hypothesis testing of autonomy on normative: the table above indicates that there is a positive effect between autonomy on normative with a coefficient value of 0.228 and a significance level of less than 0.05 or 5%. As

<table>
<thead>
<tr>
<th>R-square Value (R²)</th>
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<tbody>
<tr>
<td>Affective 0.564 Moderate</td>
</tr>
<tr>
<td>Normative 0.452 Moderate</td>
</tr>
</tbody>
</table>

![Figure 4 Hypothesis Testing Results](image-url)
the t-statistic k value is 2.431 and greater than 1.65, thus the hypothesis is accepted (there is a significant positive relationship).

- Hypothesis testing of legitimation on affective: the table above indicates that there is a positive effect between legitimation on affective and a coefficient value of 0.297 with a significance level of less than 0.05 or 5%. As the t-statistic k value is 3.256 and greater than 1.65, thus the hypothesis is accepted (there is a significant positive relationship).

- Hypothesis testing of legitimation on normative: the table above indicates that there is a positive effect between legitimation on normative with a coefficient value of 0.520 and a significance level of less than 0.05 or 5%. As the value of the t-statistic k is 6.279 and greater than 1.65, thus the hypothesis is accepted (there is a significant positive relationship).

**DISCUSSION**

The main objective of this research is to study the impact of situational encouragement experienced by the next generation to form affective or normative commitment. The results of the study show that autonomy has a significant impact on the formation of affective commitment, which means that if the next generation has the freedom to determine their involvement in the family business, it will be more likely to encourage the successors to work for the company beyond the limits of the company’s demands and will have a positive impact on the company’s performance during their leadership. Meanwhile, legitimation has an impact on forming affective commitment but at a lower level compared to autonomy. So, legitimation tends to be more likely to form normative commitment. This shows that affective commitment is formed when legitimacy and autonomy are given and felt by the successor, and normative commitment will be formed when only legitimacy is felt by the successor. This finding is similar with the findings of Pierce et al. (2003) and Rautamaki (2016), who found that autonomy improves psychological ownership by allowing successors to influence targets, master knowledge based on planned targets, and self-investment in targets. Affective commitment appears to develop in line with the age of the successor (Rautamäki & Römer-Paakanen, 2016).

This research contributes to the literature about the commitment of the next generation by showing empirically that the level of commitment of the successor is influenced by the variables of autonomy and legitimation felt by the successor. Thus, family business owners can pay attention to this factor especially when they wish to prepare for succession. For further research, the researchers suggest using other variables that can influence the commitment of the next generation, such as seniority, satisfaction and achievement, quality relationship, and family context (Cabrera-Suarez et al., 2012).
REFERENCES


