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The Effect of Management of Founder, Sibling Partnership and Cousin Consortium on Profitability and Leverage

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Abstract: This study examines profitability and leverage of family firms among the leadership of the first (founder) second (sibling partnership) and third generation (cousin consortium). This study is conducted to prove the results of previous studies which show that the number of family firms will decrease when the third generation leads the company. The decrease of family firms is caused by many factors such as family conflict, founder's distrust to successor, successor's unwillingness to continue founder's leading and different competence in managing company between founder and successor. By assuming that family firms have no problem with the three first factors, many family firms cannot continue the leadership from founder to successor because of two financial factors including profitability and leverage. First, family firms have no enough profitability to sustain. Second, family firms can go bankrupt because of running up huge debt. The population of this study was all three-generation family firms at Indonesia stock exchange whereas the samples were selected based on purposive sampling technique. To analyze panel data, this study collected data from 1982-2014. The findings of this study show that the mean value of family firm's profitability led by sibling partnership is the highest. Furthermore, the mean value of leverage increases from founder to cousin consortium, yet the debt growth of family firms led by cousin consortium is the highest. It is concluded that the results of statistic tests of this study show several differences of profitability and leverage among founder, sibling partnership and cousin consortium.

Key words: Profitability, leverage, founder, sibling partnership, cousin, consortium

INTRODUCTION

Succession becomes the most interesting topic in many studies of family firms. It is an important part which distinguishes between family firms and non-family firms. The identity of family firms which distinguishes from non-family firms can be seen from three variables: ownership, management and succession. According to the empirical studies by Birley (1986), Vries (1994) and Ward (2011), succession is the most difficult process for family firms. These previous studies show that about one third of American family firms can survive into the second generation and that 10-15% of the second generation makes the firms into the third generation.

This finding issues a question whether succession of family firms is difficult to be conducted so that many family firms cannot survive to the next generation. Succession of family firms has particular measurements which show success or failure of succession. The measurement of succession success is seen not only from leadership transfer, founder from successor butalso from company's performance led by successor which must be better than that of founder (Molly *et al*., 2010). The reason why financial performance can be a crucial part to measure succession success is because founder's trust to successor is in hand with successor's competence. Therefore, trust of founder, willingness of successor and competence of successor become important factors to determine succession success of family firms.

Many family firms must assign their ownership or management to external party or non-family founders because the family firms are failed to do succession. Some researchers have proved that a succession of leadership from founder to sibling partnership can be different from sibling partnership to cousin consortium (Davis and Harveston, 1999; Schulze *et al*., 2003; Villalonga and Amit, 2006). Furthermore, condition of company given by founder to successor is different from sibling partnership to cousin consortium. Legacies in terms of low debt, high profit and good reputation given by founder to sibling partnership are better than those of sibling partnership to cousin consortium. Founder tries to bequeath healthy company to his descendent butthis company condition depends on the purpose of the company establishment. If family firms are established upon family's orientation, the founder will try not to use debt at all. Otherwise, if family firms are established upon business orientation, the founder will run up huge debt. Basically, family firms have lower debt than non-family firms (Mishra and McConaughy, 1999; Welsh and Zellweger, 2010; Gonzalez *et al*., 2013; Zellweger and Sieger, 2012). Succession gives impact on capital structure change of family firms because debt management of one generation to later generation is different. Schulze *et al*. (2003) state that when founder leads the company, the ownership of family firms is concentrated while outsider's ownership is null or not much. Furthermore, when sibling partnership leads the company, the ownership is divided to external party. Finally, the ownership of family firms will be spread or diversified when cousin consortium leads the company. Cousin consortium prefers running of debt to sharing ownership with external parties because there is difference of interest among the shareholders when sibling partnership leads the company. Interest difference between shareholders (family) who have purpose to advance the company with shareholders who only want dividend encourages cousin consortium prefer issuing bond to issuing stock. Shareholders who only want dividend do not like increasing debt because it can deduct company's profit which impact to dividend. Bjuggren *et al*. (2012), supported Schulze *et al*. (2003), state that the debt rate in family firms from founder to cousin consortium is figured in U-Shaped. The debt rate with U-Shaped explains that the debt rate from founder to sibling partnership decreases then it increases from sibling partnership to cousin consortium. Based on the explanation, the researcher is interested in finding out the mean value of debt rate among founder, sibling partnership and cousin consortium. The mean value will figure whether the debt rate will increase, decrease orform U-shaped. Related to succession with profitability, family firms led by later generation are more profitable than those of founder (McConaughy and Phillips, 1999).

Education is one of important variables to determine the profitability of family firms. Some previous studies find a positive relationship between education and post-transfer profit (Chrisman *et al*., 1998; Morris *et al*., 1997). Factually, sibling partnership and cousin consortium have higher level of education than founder. However, it is not only education which determines profitability butalso some other variables. Ibrahim *et al*. (2014) find that there are three critical factors from successor to achieve high profitability: the successor's capacity to lead his management skills and competencies and his willingness and commitment to take over the company. The result of previous studies related to performance comparison among founder, sibling partnership and cousin consortium is debatable. The study result by McConaughy and Phillips (1999), supported by Villalonga and Amit (2006), Diwisch *et al*. (2009) state that company's profitability increases from founder to the next generation. This contrasts with the study results by Morck and Yeung (2003), Gonzales (2006) which state that the profitability of family firms led by sibling partnership and cousin consortium is less profitable than that of founder. However, this study has not found the result which compare family firm performance across generation. In fact, many family firms listed on Indonesia Stock Exchange (IDX) are led by the third generation.

Finally, the researcher is interested in examining the comparison of profitability of family firms among founder, sibling partnership and cousin consortium leadership. The aims of this study are to compare financial performance performed by profitabilit and financial structures performed by leverage of founder, sibling partnership and cousin consortium leadership. Furthermore, this study describes financial and structural performance of family firms across generations. The results of this study indicate that the causes of family firm decline from founder to cousin consortium (Birley, 1986; Vries, 1994; Ward, 2011). Family firm's inability to survive until next generation is caused by prior generation's bad financial performance and/or structure. Bad-financial performance is defined as low profitability or even loss while bad-financial structure is defined as a company which runs huge debt and finally goes bankrupt.

Literature review

Family firm: Chua *et al*. (1999) state that family firms owned by family but not managed by family and family firms managed and not owned by family are not family firms. Chua *et al*. (1999) agree if family not only owns the company but also manages it. Shanker and Astrachan state that the criteria to define a family firm can be identified by ownership percentage, vote right, power to make strategic decision, involving more than one generation in management and family's active participation in management. Ownership is a main point to differentiate family firm from non-family firm. Burkart add that either founder or family's founder must have power to run the company. To lead the company, the ownership of family must be bigger than that of the other shareholders. Sindhuja (2009) argues if there are more than one different families, one of them must be dominant in managing or owning company.

According to Schulze *et al*. (2003), the ownership of family firms can be separated into three different stages of dispersion. At the startup phase, there is a controlling owner who is most probably the founder and owns most of the shares. The firm enters a sibling partnership in

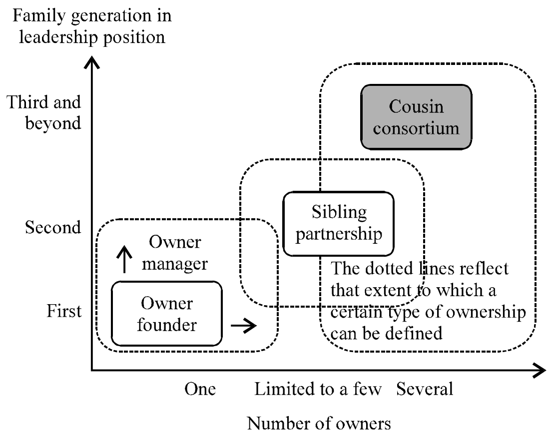

Fig. 1: General types of ownership of a family business

which the ownership dispersion is almost equally spread among the owners in a single generation shortly thereafter. At last the, firm enters the era of third and later generations and as the shareholding is further fractionalized, the cousin consortium is reached. As the consequence, family ownership >50% will be difficultly founded on family firms whose ownership structure is dispersed. Family firm is defined by Donnelley as "an organization is called family company if there are at least (must have) two generations in the family are involved and have decision power in influencing company's policy". Thus, a company can be named as family firm if the descendant or successor of the founder has been involved in leading the company and has influence on taking company policy. Furthermore, a company cannot be classified as a family firm if it is led by founder and not yet given to successor.

Succession is a transfer of leadership from one generation to the next generation (Sharma *et al*., 2001). Succession becomes distinguishing between family firm and non-family firm.

Generation: Terminology of founder can be found on any company, either family firm or non-family firm. However, sibling partnership as well as cousin consortium can only be found on family firms which do succession. According to Business Families Foundation there are four ownership stages on family firm as shown in Fig. 1. They are owner founder, owner manager, sibling partnership and cousin consortium. Owner founder is a person who starts or establishes a business. Meanwhile, owner manager is defined as a person who inherits or buys the family business (totally or partly). This person may or may not be a family member or may play an interim role until future generations of family members are in a position to take a leadership role. Sibling partnership is a partnership of siblings who inherit-totally or partly-a family business developed by the previous generation. There may be other owners in the partnership from previous or succeeding family generations, though the ownership and leadership are typically concentrated among the siblings from the same generation. Cousin consortium is defined as cousins who share ownership of a joint enterprise; generally, third generation members of a family in business but not necessarily-they could be second generation or even a first-generation start-up, although this is less common. A cousin consortium can be formed by two cousins or more.

Leverage: When family firm is established, the high-low rate of company debt depends on the orientation of founder to establish the company. It may orientate to family or business. Reid *et al*. (1999) argue that family orientation firm will not desire to exert external capital leading to risk as debt. Furthermore, it wishes to inherit a company without high debt in order to keep family reputation to successor (Miller and Breton-Miller, 2006). It is different from an orientation-business company established by founder, since it has no pretension or direction to be a family firm. Therefore, the founder will tend to run up huge debt in his tenure. Family firms prefer retained profits to any source of external finance (Romano *et al*., 2001). However, when internal finance is insufficient, family firms prefer debt to external equity (Poutziouris, 2001; Romano *et al*., 2001; Gracia and Sanchezr, 2007; Peters and Westerheide, 2009). The owner's family is not interested in sharing the ownership to other shareholders so that debt is priority. Family firms are less leveraged and use more self financing which is interpreted as a proof to control risk aversion of family firms (McConaughy *et al*., 2001). This theory harmonizes with the result by Gracia and Sanchez (2007) as well as Hamid *et al*. (2015) which states that the debt rate of family firm is lower than that of non-family firm in many countries. Furthermore, the result shows that there is a difference in managing capital structure between family firm and non-family firm. The debt rate differs not only between family and non-family firm butalso among generations in a family firm. The difference of debt rate can happen in founder, sibling partnership and cousin consortium leadership. Founder, sibling partnership and cousin consortium have different style in managing capital structure. Their difference can be seen on the result by Schulze *et al*. (2003) and Bjuggren *et al*. (2012), i.e., which says that when founder leads a company, debt rate rises. However, the debt rate declines when sibling partnership leads the company and finally it increases when cousin consortium leads the company.

Profitability: To measure financial performance of a company, there are some methods can be used. One of the methods commonly used to measure financial performance is financial ratio. Financial ratios enable company to identify the weakness and strength of company performance. One of the financial ratios often used to measure and compare the performance of family firm is Return on Assets (ROA). ROA is a measurement of company ability in resulting profitability by utilizing the assets of company. Greater value of ROA indicates company's better performance because the rate of return becomes bigger. In many countries, the ROA of family firms is better than that of non-family firms (Anderson and Reeb, 2003; Maury, 2006; Allouche *et al*., 2008; Sindhuja, 2009). However, Barontini and Caprio explain that valuation and operating performance are significantly higher in founder-controlled firm and they are controlled by descendants who sit on the board as non-executive directors. When a descendant takes a position of Chief Executive Officer (CEO) family-controlled companies are not statistically distinguishable from non-family ones in terms of valuation and performance. After founder no longer leads, the position of CEO becomes a crucial issue either in management or ownership structure. Talking about management structure in family firms, there are a number of family firms whose management structure is not totally controlled by family. Several positions of board of directors are charged by founder's trusted people or partners and professionals. Related to ownership structure in family firms, there are some family firms whose ownership structure is not fully owned by family.

It means the shareholders consist of not only family members but also non family members. Overall, the successor must be able to convince other directors and shareholders who are not from family, especially founder's people or partner. CEO is a person who has strategic role in directing or influencing other directors to support his decision. When a successor becomes CEO and cannot lead as well as gain support from other directors, the company's performance will decline. On the contrary, if a successor cannot lead the company, staying in structure management is the best choice but CEO position can be given to other directors.

Previous studies and research question: Based on the previous research findings, family firms have lower rate of debt than non-family firms (Mishra and McConaughy, 1999; Welsh and Zellweger, 2010; Gonzalez *et al*., 2010; Zellweger and Sieger, 2012; Hamid *et al*., 2015). Basically, a founder wants to bequeath a profitable company to successors for the sake of family name. Furthermore, a founder prefers to use equity than debt for funding a company (Lussier and Sonfield, 2004). However, this theory is incompatible with the research finding by Schulze *et al*. (2003) and Bjuggren *et al*. (2012) which says that debt rate of a family firm led by founder to cousin consortium has a U-shaped form which means that debt rate decreases in founder to sibling partnership's leadership and it increases in sibling partnership to cousin consortium's leadership. This research finding is also different from the finding by Sonfield *et al*. (2005). Sonfield's finding shows that from his four sample countries, namely the US, Croatia, France and India, it is only the US which has different debt rate among tenures of founder, sibling partnership and cousin consortium. Therefore, the debt rate is in a form of inverted U-shaped which means that the firm's debt rate increases in founder to cousin consortium, then it decreases in sibling partnership to cousin consortium. Those different findings indicate that debt rate occurs in not only family or non-family firms butalso across generations of a company. From the previous explanation, the researcher needs to conduct an innovative research which has never been done in Indonesia before. Furthermore, the researcher needs to find out whether debt rate of a family firm's across generation exists. The following is the first hypothesis of this study:

- H_1: there is leverage difference in founder, sibling partnership and cousin consortium leadership

The relationship between succession and profitability is an interesting topic to discuss or study since family firm profitability of founder, sibling partnership and cousin consortium is different. The same case also occurs with conflicts of family firms. Family conflict does not occur in founder leadership butit does in sibling partnership and it gets worse in cousin consortium leadership. Family conflicts which occur in sibling and cousin consortium leadership are caused by more widespread family ownership. According to Schulze *et al*. (2003), the conflicts in family firms may arise because of the dispersion of ownership which creates a tension between the interest of those who manage a firm and often own a controlling interest and other family owners. Meanwhile, according to Ward (1997) the increase of family conflicts becomes a prominent reason why family firm stagnation, especially profitability, occurs. However, previous research findings show that performance of a family firm is better than that of a non-family firm particularly when it is assessed by profitability (Anderson and Reeb, 2003; Maury, 2006; Allouche *et al*., 2008; Sindhuja, 2009). Sraer and Thesmar (2007) add that the best performance of a family firm occurs in founder leadership and a family firm led by successors has better performance than a non-family firm. Family firm profitability can be influenced by institutional ownership. This ownership has rarely or not occurred in founder leadership butit excessively grows in sibling partnership and cousin consortium leadership. Colot and Bauweraerts (2016) argue that having an institutional investor as second blockholder can be beneficial or detrimental to firm performance. Considering the distinctive nature of institutional investors, this research shows that the combination of a family as the first shareholder and a pressure-insensitive institutional investor as second blockholder exerts a positive influence on firm performance while a negative effect is found when the institutional investor is pressure sensitive. From this finding, the performance of cousin consortium in leading family firm must be better than that of sibling partnership. However, when referring to finding which says that family conflicts occur in sibling partnership as well as cousin consortium leadership and has strong impact on company profitability, it can be concluded that founder leadership is better than sibling partnership and cousin consortium leadership. From those different previous research findings, the second hypothesis is as:

- H_2: there is profitability difference in founder, sibling partnership and cousin consortium leadership

The finding by Bennedsen *et al.* (2006) explains that when su ccession happens and CEO position is occupied by family members, the ROA value is more declining than that of founder in his CEO tenure. Another result shows that the ROA value becomes worst when founder dies earlier butsuccessor takes over without preparation. Villalonga and Amit (2006) prove that family firms of which CEO is led by family members have better profitability than non-family members. Che and Langli (2015) argue that when CEO position is occupied by family members and the company ownership is mostly dominated by family (>50%) ROA value receives positives influence. A family firms starts to recruit a professional CEO after company succession or leadership is taken over by sibling partnership or cousin consortium. However, previous research finding on whether CEO position should be occupied by family members or non-family members is still debatable. The following is the third hypothesis related to CEO and profitability:

- H_3: there is profitability difference between family CEO and non-family CEO after succession

MATERIALS AND METHODS

Research design and methodology: The population of this study was all three-generation family firms at IDX. To select the research sample, this study employed purposive sampling technique based on three requisites: family firms which have been run by three generations (founder-sibling partnership-cousin consortium) during listing on IDX having complete data to assess Debt Ratio (DR) and ROA and the availability of family history, prospectus and annual report to facilitate information collection. This study observed the samples from 1982-2014 and investigated each generation. Meanwhile, to test the hypotheses, this study employed ANOVA test.

Table 1: Variable definitions

Variables	Definition
Debt ratio	The ratio of total debt (the sum of current liabilities and long-term liabilities) and total assets (the sum of current assets, fixed assets and other assets such as 'goodwill')
Return on assets	The ratio of annual net income to average total assets of a business during a financial year
Generation	Equals one if founder, two if sibling partnership and three if cousin consortium
Chief executive officer	Equals one if a family member holds CEO position and two if a non-family member holds CEO position

The basic usage of ANOVA test on testing one dependent variable with data type was ratio while the basic on testing two independent variables with data type was nominal. This study used two dependent variables namely leverage and profitability which were tested separately. The independent variables of this study were divided into two groups, generation and CEO. Generation consisted of founder, sibling partnership and cousin consortium while the CEO group consisted of family and non-family (or professional). To test the hypotheses, operational variable was needed to analyze data which answered the hypotheses (Table 1 for the definition of each variable). Leverage was represented by DR while profitability is represented by ROA. To collect the information and data, this study used the company's prospectus, annual report and site. In Indonesia, the most complete data source is found in IDX library or on Indonesian Capital Market Electronic Library (ICaMEL) site.

RESULTS AND DISCUSSION

Descriptive statistics: The researcher finds that based on ownership or leadership, not many family firms which are registered in IDX can survive until the third generation or cousin consortium. According to purposive sampling technique, there are only 15 family firms which are proper for this study. The samples depict that family owner can have one or more companies. To be understood, the term "PT (company name) Tbk" has same meaning of "limited company". For example, ciputra family has three companies such as PT ciputra development Tbk, PT ciputra property Tbk and PT ciputra surya Tbk. The three companies are owned and led by a family, though the CEO

Table 2: Descriptive statistics of DR based on generation

Generation	Mean	Minimum (%)	Maximum (%)
Founder	0.30	10	55
Sibling partnership	0.56	30	87
Cousin consortium	0.66	36	90

Table 3: Descriptive statistics of ROA based on generation

Variables	Mean	Minimum (%)	Maximum (%)
Founder	0.46	24	83
Sibling partnership	0.63	48	82
Cousin consortium	0.32	10	49

Table 4: ANOVA test of DR

Variables	Founder	Sibling partnership	Cousin consortium
Between groups (prob.)	-	0.00	-
Tukey and Bonferroni test (mean difference)			
Founder	-	-0.26***	-0.35***
Sibling partnership	0.26***	-	-0.09
Cousin consortium	0.35***	0.09	-

Table 5: ANOVA test of ROA

Variables	Founder	Sibling partnership	Cousin consortium
Between groups (prob.)	0.00	-	-
Tukey and Bonferroni test (mean difference)			
Founder	-	-0.17**	0.14**
Sibling partnership	0.17**	-	0.31**
Cousin consortium	-0.14**	-0.31**	-

*, ** and *** indicate significance at the 10, 5 and 1 percent levels, respectively

of one of them is not from a family member. In running the business, ciputra family involves their grandchildren or the third generation. Based on purposive sampling technique, the example above proves that those companies have met three requisites, namely surviving into the third generation, having complete data and the availability of family history. Another sample is Sampoerna family, the owner and manager of PT Sampoerna Agro Tbk. Though PT HM Sampoerna Tbk is registered in IDX, the company cannot be used as a sample of this study since it is no longer owned and run by Sampoerna family but philip Morris. The two examples clearly describe steps to determine samples of this study.

Finally, accuracy in identifying family firms as research sample is very important. Table 2 shows descriptive statistics which explains the data and samples. The mean values of DR on founder, sibling partnership and cousin consortium are 0.30, 0.56 and 0.66. The highest mean value of DR is achieved in cousin consortium leadership then successively followed by sibling partnership and founder. If this result is drawn in a graph, it forms an increasing straight line. This result explains the existence of debt rate raising in founder tenure to sibling partnership tenure. The data shows that almost all family firms registered in IDX have debt for their structural capital. The lowest debt hypothesis is gained in founder leadership while the highest hypothesis is gained in cousin leadership.

The explanation of descriptive statistic profitability is seen on Table 3. The mean values of ROA on founder, sibling partnership and cousin consortium are 0.46, 0.63 and 0.32. The highest ROA mean is gained by sibling partnership then successively followed by founder and cousin consortium. If this result is drawn in a graph, it forms an inverted U-shaped. This result explains the existence of increasing profitability from founder to sibling partnership as well as decreasing profitability from sibling partnership to cousin consortium.

Hypothesis testing: Based on the result of univariate test shown on Table 4, the significant values is 0.00. This result proves that the hypothesis 1 is ACCEPTED which means that there is leverage difference in founder, sibling partnership and cousin consortium leadership. Tukey and Bonferroni test show the mean difference of DR between founder and sibling partnership is 0.26 which means that the value of DR between founder and sibling partnership increases. Then, the mean difference of DR between sibling partnership and cousin consortium is 0.10 which means that the value of DR between sibling partnership and cousin consortium increases. Partially, this result of this study does not support all research findings by Schulze *et al.* (2003), Sonfield *et al.* (2005) and Bjuggren *et al.* (2012). This result of this study is in line with result by Schulze *et al.* (2003) and Bjuggren *et al.* (2012) which argues that the debt rate of sibling partnership to cousin consortium increases. However, this result of this study is not in line with other research findings which argue that the debt rate of founder to sibling partnership decreases. The result of this study agrees with the argument by Sonfield *et al.* (2005) which says that the debt rate of founder to sibling partnership increases. However, the result of this study does not agree with another result which shows that the debt rate of sibling partnership to cousin consortium decreases.

Based on the result of univariate test shown on Table 5, the significant value is 0.00. This result proves that the hypothesis 2 is accepted which means that there is profitability difference in founder, sibling partnership and cousin consortium leadership. According to the result of Tukey and Bonferroni test, the mean difference of ROA between founder and sibling partnership is 0.17 which means that ROA value between founder and sibling partnership increases. Then, the difference of ROA value between sibling partnership and cousin consortium is 0.31 which means that ROA value between sibling partnership and cousin consortium decreases. This research finding is not in line with the finding by Sraer and Thesmar (2007)

Table 6: ANOVA test of ROA between family and professional CEO

Variables	No. of samples	Mean	Minimum (%)	Maximum (%)
Family CEO after succession (sibling partnership and cousin consortium)	16.00	0.45	10	80
Professional CEO after succession (sibling partnership and cousin consortium)	14.00	0.50	22	82
Between groups (prob.)	0.45			

which says that the best performance of a family firm is gained by founder. This result shows an inverted ROA value when sibling partnership takes over. The decline of ROA value from sibling partnership to cousin consortium indicates that family conflicts highly influence company performance. In cousin consortium leadership, the ownership is more widespread in which many family members own and lead the company. This condition makes family conflicts more probably occur because each family member has different interest. Thus, this result agrees with the finding by Schulze *et al.* (2003) which finds the correlation among widespread ownership, family conflict and company performance. This result correlates to the finding by Colot and Bauweraerts (2016) which argues that institutional investors have positive or negative impacts which depend on their capacity.

Pressure-insensitive type on institutional investors will elevate a company performance. On the contrary, pressure-sensitive type will decline a company performance. However, the finding of this study does not correlate to institutional investors because most of three-generation family firms do not involve institutional investors.

Based on the result of univariate test shown on Table 6, the significant value is 0.45. This result proves that the hypothesis 3 is rejected which indicates that ROA means of a family firm with a family CEO is not different from a family firm with a professional CEO. Contrary to the previous studies which conducted by Villalonga and Amit (2006), Bennedsen *et al.* (2006), Che and Langli (2015) there is difference on ROA between family CEO and professional CEO. The mean value of family CEO is 0.45 while the mean value of professional CEO is 0.50. Professional CEO can perform better company performance than family CEO. After two succession periods, there are 16 family firms with family CEO and 14 family firms with professional CEO.

CONCLUSION

Leadership style of founder, sibling partnership and cousin consortium is not similar. The difference influences performance of a family firm. Furthermore, founder, sibling partnership and cousin consortium has significant difference in managing leverage. The firm's leverage rate increases greater from generation to generation. Founder carefully uses debt in running his structural capital while cousin consortium does not. Different leadership style effects not only leverage but also profitability. During sibling partnership tenure, a family firm gains the highest profitability. However, founder is better in increasing firm's profitability than cousin consortium. Leverage of a family firm from founder to cousin consortium forms an increasing straight line while its profitability forms an inverted U-shaped line. Family CEO or non-family CEO does not give significant differences because non-family CEO will work for family interest. This action will maintain family's trust on him to be selected as a CEO.

This study recommends that the following studies on family firms can add the number of samples, examine and test reasons as well as influential factors of a family firm increasing its debt. The next studies ought to use non-financial factors as independent variable such as successor's education, CEO's gender, etc. Overall, the results of this study can be used as preliminary study to find out about the uniqueness of each generation.

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