

## Impact of Covid-19 on Indonesian Family Business And Future Plans: Case Studies

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### Abstract

This study focuses on the impact of COVID-19 on Indonesia Family Owned Business, as well as the plan going forward according to their upper management. The information will be gathered from both questionnaire and interview with the upper management of Indonesian Family Company that are based in Jakarta. This study has found that most Indonesian family owned businesses are affected to some degree by the COVID-19, but the impact was much more severe on businesses that sell products and services that can be considered as “luxury” items or capital investment, while those that operate in critical or critical adjacent industries recover their businesses either relatively rapidly, minimally affected, or even thriving during this pandemic. The level of impact suffered by the companies also affected how family values and tradition are being retained by the company, with the minimally impacted companies retaining these characteristics and the companies that are struggling letting go of values that do not help in the company's survival. Lastly, given that all the companies have to adapt to new operation methods be it government mandated or voluntary, the companies have found that tradition hinder the adoption of new methods and technology.

**Keywords:** Family business, Indonesia, COVID 19 Impact

### 1. Introduction

The COVID 19 Pandemic has caused a major devastation to the economy of many nations, including Indonesia. Its effect on the Indonesian growth is quite significant, with the pandemic halved Indonesia's economic growth at the beginning of the pandemic in 2020 and millions being either fired or furloughed by their company (Rizal, 2020). As the Pandemic continues, Indonesia experienced negative growth for the rest of 2020 (Novika, 2021) reaching the lowest economic growth in the last 20 years. While the economy has started to recover, the economic contraction continues in the Q1 of 2021 (Rahman, 2021). With an ongoing recession, currently Indonesia is still suffering economic pain caused by the COVID-19 Pandemic.

According to Claudia Lauw, Deloitte Indonesia Country Leader, a study on Family Business is beneficial because 95% of Companies in Indonesia are considered as a family business (Jakarta Post, 2019). Knowing how a pandemic or possible future global disruption will impact this 95% of Indonesian companies and how they behave during such events is essential to understand how resilient Indonesian economies are during a pandemic or other global disruption.

Family Business and Family Owned Companies, be it in small or large, public or private, compose 95% of companies and businesses in Indonesia (Jakarta Post, 2019). The characteristics of this company are holding top positions in the company by members of the founding company family, and family companies like this are found in Indonesia. However, this study aims to review the impact of the COVID-19 Pandemic on Indonesian Family Owned Business, particularly in Jakarta, and how these companies plan going forward into a future where a true global disruption is something that each company has to prepare.

Based on the background explanations of the issue, studies in this field are essential because first, the Indonesian Economy is composed and supported by family-owned businesses. Therefore it is essential to understand the impact of the Pandemic on their businesses. Secondly, understanding how family businesses are affected by the pandemic can be used as a guideline for future Indonesian family-owned businesses should there be another pandemic or other global disruption. Lastly, the government can utilize this information to form their policy on how to best assist the family-owned SMEs by understanding how SMEs currently are dealing with the Pandemic.

In order to obtain the necessary data and information, authors define the effect of Pandemic on the family-owned companies problem boundaries, how are these companies dealing with the current Pandemic, what they plan in the future, as well as whether tradition and family values can be maintained or does it even have value during this time of crisis.

We then state research problems as follows. 1) What are the Impacts of COVID-19 Pandemic on Indonesia's Family-Owned Businesses?, 2) What countermeasures that Indonesian Family Businesses are planning to implement post-pandemic?, 3) do family values and traditions are maintained during this Pandemic?

The objective of the research is to assess the impact of the COVID-19 Pandemic on Indonesian family-owned companies. This research will also ask the upper management of the respondent company about how they weather this Pandemic and what they would do in the future should there be another global disruption, be it Pandemic or otherwise.

We questioned. 1) how does the COVID-19 Pandemic affect Indonesian Family Owned business? 2) are there any specific strategies that the Indonesian family company implemented during this Pandemic Period? 3) do Indonesian Family Owned Businesses have plans to prepare for future global disruption?

## **2. Literatures**

### **Family Business: Concept**

A family-owned business defines as an organization owned and controlled by family members or a kinship group. The family business is a business governed and managed to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families (Chua et al., 1999).

A family company is a company owned, controlled, and run by one or several families managed by their family members. However, it does not necessarily mean all workers in the company are family members. Many family companies, small companies, employ other people for lower positions, while top managers hold people from within the company owner's family. Family participation in the company can strengthen the company because usually, family members are very loyal and dedicated to their family-owned company. Even so, problems often arise in managing family companies; companies will tend to retain a family member to work even though they are less competent in their work, negatively affecting the company (Inc, 2021).

Then the most critical problem faced by family companies is when there is a change of leadership or leadership succession because this concerns the sustainability of the family company. Family Businesses, by definition, are built and managed by a family and its members (at least in the 1st generation. Today, however, some family companies are managed by external professionals that come from outside the family. When viewed from the side of the meaning of the word, "family" and "business" are two different things because each is a system that has its elements. The family as a system is more emotional, united by the deep ties that influence it in doing business, including that the family highly upholds its loyalty and nurturing (maintenance). In addition, family companies also tend to be more conservative and do not like changes. In other words, the family orientation is more inward while businesses that are based on market-oriented jobs and take advantage of every slightest change (Carlock & Ward, 2001)

Family Business Enterprise (FBE) is a company owned and managed by the founder's family. The characteristic of this type of company is that family members hold critical positions in the company. Meanwhile, according to Westhead (1997) ) in Martini (2018), the characteristics of family companies, in general, 1) the family own 50% or more of the company shares, 2) perceived as a company, 3) managed by the family that owns the majority of shares.

Tugiman (1995) stated something similar in Martini (2018), which states that the characteristics of family enterprises in the context of small businesses are: 1) the family holds key positions; 2) company finances tend to mingle with family finances; 3) Absence of strict accountability mechanisms, 4) high work motivation; 5) lack of specificity in management. These characteristics have allowed family businesses to be more flexible toward

environmental changes. Being flexible is why family businesses can adapt rapidly and figure out a more suitable business for the current situation. This flexibility allows the company to seize opportunities immediately and at the same time overcome existing obstacles.

### **Study Context: Pandemic and Family Business**

Usman et al. (2020) showed that COVID significantly affects the global economy and business activities by crippling the mobility of both labor and goods and a reduction in productivity. Specifically for Southeast Asian Economies. At least at the beginning of the Pandemic, when China has yet to keep its Pandemic under control, South East Asian Economies that imported many Chinese-made goods or required Chinese Expertise are impacted due to the lack of output from China.

Meanwhile, in America, Bartik et al. (2020) found that 43% of retail businesses are closed in their small businesses and 40% decrease in employment. Their results also show that these impacted small businesses have to either significantly cut expenditures, increase the amount of debt, or in a worst-case scenario, declaring bankruptcy. At the end of their study, the respondents have severe doubts if their businesses can survive without government assistance.

In Europe, Kraus et al. (2020) assessed the impact of Pandemic on twenty-seven European family firms. They have found that liquidity is not the main focus for most of their subjects, and only larger family firms spend much time on the issue. In addition, most of the subjects also implemented work from home practice except for firms whose employees require specific equipment/infrastructure available at the company facilities. The work from home practice also introduces additional challenges in communication, the larger and more complex the firm, the more challenging the communications are. A significant impact that Kraus et al. have found is that 8 out of 27 of the companies interviewed altered or extended their business model to suit the new normal. Lastly, this study has found that the Firm's Sector and Size are critical factors on how affected the companies are during this Pandemic.

Another study performed by Alonso et al. (2020) has found that the 45 hospitality businesses interviewed around the globe (Argentina, Australia, Bolivia, Greece, Italy, Malaysia, Spain, and United Kingdom) have shown that their immediate concerns are the financial impact followed by the uncertainty created by the Pandemic. This result is a bit different from the results found by Kraus et al. (2020), although this can attribute this study to hospitality businesses while Kraus' study received most of their response from manufacturing-based firms instead. Comparing these two studies has shown that COVID-19 Pandemic while impacting every industry, the level of impact and how it impacted the business can differ between different sectors. Regarding how these hospitality firms survive the Pandemic, similar to Kraus's findings, many of these businesses have shifted their business models; as an example, most food and beverage-based hospitality businesses shifted their business dine-in to a delivery model.

COVID-19, while not only impacting businesses on a survival level, it also altered how business activities in this Pandemic and a post-pandemic era. According to Kniffin et al. (2021), pandemic work practice such as Work From Home (WFH) and other Virtual work practice will become more accepted as it has proven its worth so to speak during the Pandemic. Companies also become more attracted to the possible cost savings that this new method provides (reduced office space requirement, fewer full-time employees, et cetera). However, this also comes with its challenges, since leading people who never met in person and measuring their performance require a different strategy. All of these factors combined will impact both the productivity of the company as a whole and the job satisfaction of the employee.

There is literature out there regarding how the COVID - 19 Pandemic is affecting businesses worldwide. Also, limited amount of literature that focuses on its effect on family business and how they respond to such a global catastrophe; by understanding how the effect of the Pandemic on the family business as well as how they respond, can provide some insight on how a family business can prepare for the next global disruption.

### **3. Methodology**

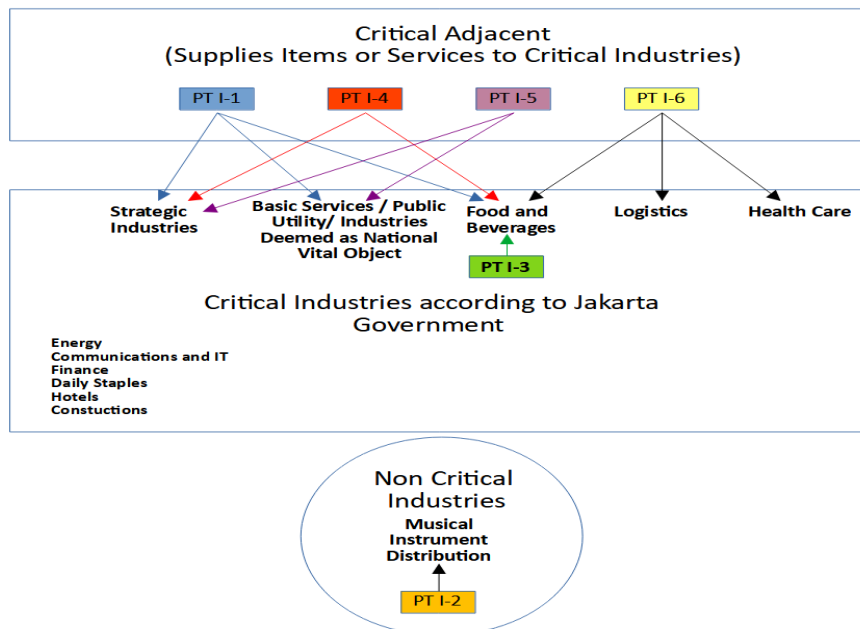
We select a qualitative approach due to the nature of the topic and how the data is collected, which will be composed of questionnaire based interviews which we have decided to be particularly suitable for a qualitative study. The data for this study will be collected by screening questions to ensure that the samples are the kind that can provide the relevant information. This relevant information is the impact of the COVID-19 Pandemic on family-owned businesses in Jakarta and Indonesia and the strategies they implemented during this period, and their plan for a post-pandemic business environment.

There are six individuals from different companies interviewed (Table 1); these individuals are either family members who work in the company, a member of the upper management, or both. The respondents come from

different industries. Questions for respondents and interviews develop based on topics relevant to the study. These interviews were conducted in English by the authors. The primary data used in this study is based on a combination of questionnaire and interview data. The sample population was explicitly selected to be the members of the upper management, members of the family that worked in the company, or a combination of both. Jakarta is selected because it is the most economically dominant city in Indonesia and the city most affected by the COVID-19 Pandemic.

Table 1: Companies Interviewed

	Type of Industry	Position in the Company	Family Status
PT I-1	Industrial Chemical & Industrial Equipment	General Manager	Non Family
PT I-2	Musical Instrument Importer	General Manager	Family
PT I-3	Food and Vegetable Importer	Managing Director	Family
PT I-4	Masterbatch Manufacturer	Purchasing Manager	Family
PT I-5	Industrial Automation Equipment Importer	Manager	Family
PT I-6	Plastic Packaging Manufacturer	Purchasing	Family



Note: Graphic partially adapted from Putsanra (2020)

Figure 1 : Respondent Classifications

The sampling technique used within this study is non-probability sampling. *Nonprobability sampling* defines as where the authors of this study will pick the subject for this study. To be more specific, non-probability

Convenience sampling use in this study, the samples of this study are the individuals that authors personally know that are deemed suitable for this study. Convenience sampling use because the topic of this study is sensitive, and private family-owned companies, both SMEs and large companies, may not like to answer questions about what is going on in their company, and that is assuming they are willing to be interviewed in the first place. Therefore, to ensure that the samples are willing to talk in-depth about this issue, only individuals that the authors personally know are interviewed.

The data gained from the interview as well as the questionnaire will be analyzed by the authors. According to their characteristics (type of industries, type of goods sold, et cetera), the differences both within the same category and the different categories will be analyzed and compared. It will allow for a more detailed view of the impact of COVID-19 on Indonesian Family Owned Business and how they dealt with it.

#### **4. Results and Discussion**

##### **Case Study of PT I-1**

PT I-1 is a trading/engineering company that sells both industrial water treatment chemicals and equipment for water treatment systems and wood handling started in 1992. The upper management comprises family members and nonfamily members, but there are currently no plans to hand the CEO position to outsiders, but other upper management positions are open.

During this Pandemic, they have found that while their business cannot grow, it is also not shrinking. As for more specific, while the sales for oversized ticket items such as water treatment and wood handling equipment are down in 2020, industrial water treatment chemical sales remain steady because their client's factory remains operational due to their critical nature. Given that their core business is in the sales of industrial water treatment chemicals, the company is minimally affected by the Pandemic.

In regards to the effect on their operation of the business, PT I-1 followed all the relevant governmental health protocol (work from home, reducing face to face contact, et cetera) as well as providing COVID-19 testing as well as extra medical coverage (especially for COVID related matters) for their employees. PT I-1 is investing heavily in their IT and Remote Work Infrastructure during the Pandemic to facilitate better Work From Home Capabilities and make an online sales call, but nothing more given that their business is primarily intact.

Regarding their post-pandemic plans, PT I-1 does not see Pandemic as a top concern since the company core business is not particularly harmful. While measures such as the investment in communications and remote work infrastructure will prepare, nothing more is the plan. Financially, PT I-1 saw no imminent pandemic-related danger, growth has returned albeit not as much as the company liked, but financially PT I-1 is stable.

Family Values and Traditions are maintained in the company during the Pandemic to provide medical support, be it in the form of tests or funds, and take good care of the employee in general. There are no specific reasons to do this beyond tradition and doing something that has always been done, and the non family employee such as the respondent really appreciated the extra medical benefits during this pandemic times. The company does say that given the financial stability they have, maintaining these values are not difficult. However these are only in regards to how the company treats their employees, operations wise the company has become aware of a new way of working and the use of technology, and they see to keep up, they have to let go of the old way of doing businesses, especially since work from home, remote work, as well as online meeting seems to remain as the norm for some time.

##### **Case Study of PT I-2**

PT I-2 is a distributor of numerous brands of musical instruments in Jakarta beginning in 2012; the family is holding the CEO role as well as key upper management post, but there are non-family members present in the upper management as well, and no role besides the CEO is entirely closed off to non-family members.

PT I-2 suffered heavily during this Pandemic due to the closure of hospitality venues, causing their musician client base to cut their spendings, and the non-critical nature of the industry did not allow them to apply for government exemptions to operate. While initially, the company expected sales to pick up from people buying an instrument to learn at home, they found that they faced severe competition for entertainment budget with electronics gadgets such as tablets and smartphones.

Operation-wise, PT I-2 does not focus on online sales previously, making it imperative for them to develop their online sales presence and capability quickly, remembering their stores are not allowed to open during the lockdown period, and even now, in 2021, foot traffic to their retail location remains limited. To face the financial challenge, PT I-2 has to reduce expenditures by cutting the hours and wages of its employees; in



Abdul Mufid, Tri Wahyudi Ramdhan, Abd. Gafur, Muhammad Syaikhon, Aan Fardani Ubaidillah, Fika Fitri asari, Nafiah, Syamsul Ghufron, Sri Hartatik, Supangat, M. Fadholi

addition, it also has to improve its IT infrastructure and remote work capability to assist its online sales. Lastly, PT I-2 is looking for a new investor to inject more capital into the company.

Regarding their post-pandemic plans, PT I-2 believed that the difficulty would remain with them for some time. As of 2021, the company has found a new investor to keep the company running and hopeful that they will turn things around as things return to normal. This crisis has PT I-2 to view their tradition and family values more pragmatically. The tradition and values that help the company survive, while the ones that do the opposite let go. For PT I-2, the survival of the company is the priority over tradition and values.

### **Case Study of PT I-3**

PT I-3 is an importer of fruit and vegetables established in 1973; the leadership positions are filled strictly with family members, and the company has a policy of not letting non family members be in the upper management.

Unlike most businesses, PT I-3 achieves significant growth in sales due to what they believe is a tremendous increase in healthy eating habits and the fact that their critical nature allowed them to apply for government exemption to remain operational during the pandemic. A significant increase in sales and profit does not change its business operations or strategy. While other businesses are boosting their remote work and IT infrastructure, PT I-3 being affected positively instead see no reason to spend beyond their planned technological upgrade (non Pandemic related).

Regarding their post-pandemic plans, PT I-3 expected a decrease in sales since they suspect people will reduce their healthy eating habits after the Pandemic is over, but they remain confident with their financial performance for the near future.

Regarding family values and traditions in times of crisis, PT I-3 has no strong feelings about it since they are doing so well financially now; they view it just as something in the background. However they also noticed that tradition is making implementing (non-Pandemic related) technological investment more challenging since older generations are less willing to adapt to new technology and systems.

### **Case Study of PT I-4**

PT I-4 is a masterbatch manufacturer for many different types of plastic applications that started operation in 1998 with production facilities in Indonesia and overseas. The founding family currently leads the company, and the upper management is occupied by members of the family and external candidates. While the rest of the positions are open to non family members, the role of the CEO is held by the family.

In this pandemic, the sales and revenue of PT I-4 are affected at all. The company business remains steady since the company supplies materials for many different types of consumer goods and food and beverages and many other industries deemed as critical by the government, allowing PT I-4 to remain operational during the Pandemic.

PT I-4 altered their operation to conform with the government requirement. The administrative office of PT I-4 was closed at the beginning of the Pandemic, and the company supplied mobile modem and internet allowances to their employees while the factory remained operational with government safety protocol in place. PT I-4 is quite a technologically sophisticated company given that they have implemented ERP and other systems, their expertise in IT has allowed the company to shift to remote work relatively quickly. The main challenges for PT I-4 during the Pandemic are in their supply lines. Some materials required by PT I-4 are imported from overseas, and the difficulty in transportation at the time and reduced output from factories overseas caused some difficulty in PT I-4 daily production.

Regarding their post-pandemic plans, PT I-4 does not see any significant change given they are not significantly affected even during this Pandemic. However, with the lessons learned during this Pandemic, they will plan their supply chain differently to ensure the safety of raw material supply and sign a price contract with their supplier to keep the raw material cost in check. Permanent health protocols going forward are also discussed internally in the company. To ensure the company remains operational during future disruptions, establishing a production facility in a different area than the existing ones. Financially PT I-4 is not affected by the Pandemic currently and sees no threats to their financial situation.

While there are no strong feelings regarding tradition and family values in the company, there is also no significant financial or operational strain causing them to reassess this. In Indonesia, the company has shown care for their employees by providing COVID tests and financial support for their employee's medical bills should they need it during this period. However, for their overseas operation, tradition and family values are more of a concern; since the overseas operations are relatively new, the company culture, tradition, and trust

have yet to take root. The usual method for PT I-4 to monitor their overseas operation is for the members of upper management to travel there and monitor the situation in person, but this Pandemic situation does not allow them to do so. New Systems and Programs to monitor performance are considered to use in their overseas operations, unlike the personal monitoring done by the upper management done here in Indonesia.

### **Case Study of PT I-5**

PT I-5 is a contractor and supplier for Industrial Automation formed in 1992. The founding family runs the company, but non-family members also populate the upper management ranks. The company's upper management is open to external candidates, but there are no plans to relinquish the top leadership position to outsiders.

Given the nature of their business, namely Industrial Automation, PT I-5 focuses on investment projects done in factories and other companies and other big-ticket items. At the beginning of the Pandemic in 2020, many companies held off investments in this kind of project, causing the company to have cash flow issues in 2020 due to increased material prices and late payments from their customers.

Similar to other companies, PT I-5 implemented the government-mandated health protocol. Nevertheless, a combination of reduced cash flows and increased medical expenditures requires the company to cut expenditures from other places, such as field allowances for their project teams. Technology-wise, they purchased subscriptions for video conferencing services, but that is the only technological investment they made during this Pandemic.

In 2021, the Pandemic has become more of a slow burn in Indonesia, PT I-5 is recovering, their clients begin to invest in their production facilities, and the cash flow situation has improved. They reassess their pricing and margins in the future if the current Pandemic worsens or to prepare for a future pandemic, since due to competition PT I-5 has to price their products and services aggressively, and this margin is not enough when a global disruption such as these happened.

PT I-5 does their best to retain their tradition and family values of taking care of the employee and being a very customer-oriented company (not leaving projects unfinished etc) despite their difficulty since they take the long term view that retaining these values will pay off in the long term. They are also concerned with the increased professionalization and the use of systems by their client. The customer-oriented approach will no longer be relevant in the future since, by design, it removes the personal element of the business processes and feels that their client is only concerned with their metrics and not how PT I-5 has helped or supported them in the past.

### **Case Study of PT I-6**

PT I-6 is a manufacturer of plastic packaging for many types of applications started in 2018. The company CEO is a member of the founding family and will remain that way, but nonfamily member given the proper credentials can also enter the upper management ranks. This company supplies their product into many industries; during the Pandemic, according to their data, they have seen drops in sales toward the F&B sector, while an increase in Online Shop Packaging and Medical Sectors. So the sales and revenue do not change, but the sale composition does.

PT I-6 manufacturing facilities outside of the Jakarta area; therefore, the restrictions are not as strict and allow them to remain operational during the Pandemic. The company implemented the government health protocol in their office and factory. They also change work hours, provide masks and hand sanitizers to their worker, and install a disinfection chamber. Another problem that they encounter during the Pandemic is with their internet provider; since part of the workforce has to work from home, the company's unreliable internet providers are troublesome. PT I-6 also in the planning stage of utilizing software to monitor their productivity, inventory, and work progress.

PT I-6 sees no immediate threat to their financials; there are late payments from the F&B Sector but nothing particularly serious. The company predicted that its sales composition will return to its original composition post-pandemic but does not see any significant fluctuations in sales and revenue post-pandemic.

In matters of family value and tradition, PT I-6 provides additional benefits and leniency toward their employees during this Pandemic, especially if the matters are COVID related. However, some employees remained unwilling to change despite the severity of the Pandemic and caused some difficulty in implementing hygiene and health protocol in the beginning.

### **Effect of the Pandemic on the Company by Industry Types**

The industry types are affected. Differently, we find that some industry thrives during this Pandemic. The six companies that participated in our interview are separated into three categories, a critical industry, a critical adjacent industry, and a non-critical.

PT I-3 is the only one that is considered as a critical industry according to the government during the Pandemic, and PT I-2 is the only one in the non-critical category. PT I-1, PT I-4, PT I-5, and PT I-6 are in what we call "critical adjacent" category. We defined the critical adjacent category as an industry that directly supplies something required by the 11 critical industries, but whether it can be considered part of the industry is up for debate.

From the data that we found, the sole respondent PT I-3 that operates in the critical industry has their business thriving; if analyzed further, the combination of being part of a critical industry hence allowed to be operational and their products are seen as a countermeasure against COVID significantly boosted the company's sales.

PT I-1, PT I-4, PT I-6, sales, and revenue are not particularly affected during this period. Their critical adjacent nature helps their sales number because the industry/clients they supply their products and services can remain operational. Furthermore, the core products sold by these companies can be considered as consumable staples required for their clients to remain operational. These two factors seem to contribute significantly to the financial well-being of these companies.

Among the six companies, PT I-2 and PT I-5 fare the worst during this Pandemic; PT I-2 suffers because it is categorized as a non-critical industry, and the items they sell can be considered as a big-ticket luxury item in a period where people are cutting spending. Similar to PT I-5, which operates in a critical adjacent industry, their main product is also a significant investment, in a period where companies are also holding off from any significant investments. To a certain extent, this can also be seen from the Project Division of PT I-1, which also suffered a significant drop in sales.

We agree with Chua et al. (1999), family-owned businesses dominated by family members. However, from the evidence we collect from interviews, we also see something is interesting to discuss, during a pandemic, the options only two, whether business runs by the family business will still conduct day to day activities, similar to before a pandemic or may a U-turn, or make a change. When Usman et al. (2020) state COVID affects everything, it also affects family-owned business, especially when running their business along with labor and minimizing disruption. There are some challenges faced by a family-owned business, for example, just like Tugiman (1995) mentioned the characteristics of the family business (although this is limited only to small business). On the other hand, this is also interesting to consider by the family business, such as securing key positions, financial matters managed by the family, no mechanism is too strict for business members, and stimulating work motivation and specificity in management. However, we find that specificity will help family-owned businesses keep the business running during a pandemic through this research.

For future plans. The most successful among all the companies interviewed, namely PT I-3, has no future plans regarding the Pandemic, given that their business is doing very well. PT I-2, the one that fared the worst and has not recovered its business performance, remains focused on turning things around in 2021 by focusing more on the online aspect of the business instead of focusing on its traditional retail channel. PT I-1, PT I-4, PT I-5, and PT I-6 all planned to boost their IT infrastructure and support their company operations in performance monitoring or remote working capability. Furthermore, PT I-4 has plans to secure a better supply line to prevent raw material shortages and diversify their production areas, while PT I-5 will alter their pricing strategy to better absorb the cost caused by the subsequent global disruption pandemic or otherwise.

Regarding the nonfamily member in the upper management involvement, we have noted that all companies except PT I-3 are willing to put nonfamily members in the Upper Management. However, none of the companies interviewed are planning to give up the CEO role for an external candidate. Moreover, last, regarding tradition and family values, we found most of the companies interviewed except PT I-2 are similar in how they feel about Tradition and Family Values. Many of them view it as something that is always in the background and guides how the company operates somehow but has no strong feelings. Of course, it has to be taken into account that everyone besides PT I-2 is financially not significantly affected by the Pandemic, making it relatively easy for them to keep doing what they have been doing. PT I-5 faced significant challenges in 2020, but they take a long-term view that they believe that tradition and family values will pay off in the future. Remembering that the PT I-5 situation has improved in 2021, retaining that tradition and values are becoming easier. While in the case of PT I-2, where they still have tremendous difficulty even in 2021 are forced to

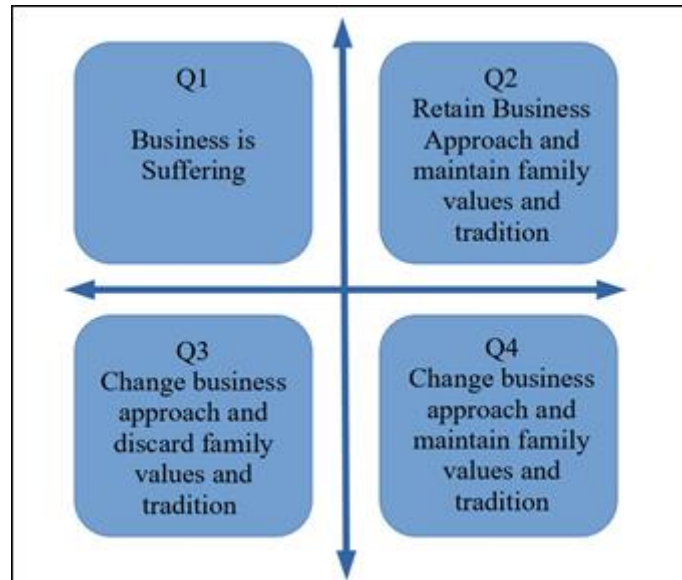


become more practical in their approach, with tradition and values that do not actively assist the company are discarded.

### Family-owned Business: Business Mitigation Model During Pandemic

After we display results and discussion, then we build a model to illustrate business mitigation undertaken by family-owned businesses during a pandemic. As follow

**Matrix 1.** Business Mitigation Model During Pandemic



## 5. Conclusion

In conclusion, this study has found that the COVID 19 Pandemic affected companies differently based on the company's product and services. We find that big-ticket / luxury items (for consumers) and investment projects (for companies) fared the worst during this pandemic since both the consumers and companies are not spending on anything that they do not deem critical in this time of crisis. The effect can be amplified further, like in the PT I-2, where they are deemed as a non-critical industry, or PT I-5, where capital investment is the primary revenue source.

Critical and critical adjacent Industries can weather this pandemic particularly well since they are allowed to remain operational or have a steady demand as long as their primary revenue stream does not rely solely on expensive investments or big-ticket items. For these companies' plans, the company (PT I-3) that fares the best has no post-pandemic specific plan since they have performed exceptionally well. Beyond what they have originally planned, they do not possess any post-pandemic specific plans.

While companies that are minimally affected or have achieved recovery in 2021 have planned specific strategies to deal with future disruptions, with either the implementation of new technology that allows more automation, remote working capabilities, and a more resilient supply line. Companies that fared the worst (PT I-2) have to rethink their entire business model and marketing effort; while the trend of buying online for most purchases has been happening for a while, this pandemic has accelerated the trend further.

On the topic of traditional and family values in the company, those that are minimally affected by the pandemic does not think that it adds something or making things more difficult for the company, while those that are facing difficulty either believe that maintaining such values will pay off in the future (PT I-5) or discard everything that does not immediately benefit the company (PT I-2). However, another observation draw is that the COVID-19 pandemic has accelerated technology implementation and changes in the work process; many of these companies have found that tradition hinders this change process.

## 6. Limitation of the Studies and Future Directions

The study is limited because among the companies being interviewed are composed of One Critical Industry, One Non-Critical Industry, and 4 Critical Adjacent Industry. While Critical Adjacent Industry represented, both the Critical and Non Critical Industry are not. We are limiting the amount of insight in these two specific categories.

A future study on how the pandemic specifically affected the Critical Industry and Non-Critical Industry can address these limitations on how the pandemic affected those industries specifically in better detail. Study how the pandemic affected the 11 critical industries can perform to see if all 11 critical industries are thriving like PT I-3 during this pandemic.

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## Appendix

**Table 2: Interview Results Summary (PT I-1 to PT I-3)**

	PT I-1	PT I-2	PT I-3
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Impact of Covid-19 on Indonesian Family Business And Future Plans: Case Studies

Type of Industry	Industrial Chemicals & Industrial Equipment Supplier	Musical Instrument Supplier	Fruit and Vegetables Importer
Classification	Critical Adjacent	Non Critical	Critical
Effect of Pandemic	Minimum Negative Effect, Industrial Chemical only minimally affected, Equipment and Machinery Division severe negative effects	Negative (Severe), Ongoing. Retail channels are closed	Very positive, increased interest in healthy eating greatly boost sales
Changes to Business Operation	Follow government regulation, Provide extra medical benefits for employee	Follow government regulation, cutting hours and wages to reduce expenditures Additional focus toward online sales	Besides following government regulation, no change
If you knew Pandemic is coming, what would you do differently	More investment in communication capability and IT infrastructure	More push toward online sales, creation of system to help with remote working	None, business is booming
Pandemic Effect Mitigation	Investment in IT infrastructure	Reducing Hours and Wages of Employees, and looking for new investors	None, business is booming
Business after Pandemic	About the same, return to normal growth	Still struggling, hope to return to normal	Strong performance for short term, expect reduction in sale post pandemic
Approach to keep family values	Family values are maintained and the company provides extra medical benefits for employees	Not considered, focus on company survival	Family values are maintained
Non family member as part of upper management	Yes, but not for CEO Role	Yes, but not for CEO Role	No
Technology in Business	More investment in remote work	Critical, especially online marketplace	Implementation of new accounting systems

	capability and IT infrastructure		and cloud storage
Financial Issue	None, hoping to return to the normal growth rate	Severe	None, Business is booming
View on Tradition during the time of crisis	Good, because the employee feel that the company will take care of them.  Tradition does not always provide the best way to do things, the company have to have the flexibility to do things differently	Anything not helping with company survival will be disregarded	No specific feeling and no difficulty maintaining it.  Find tradition creates a challenge when introducing changes in business processes

**Table 3: Interview Results Summary (PT I-4 to PT I-6)**

	<b>PT I-4</b>	<b>PT I-5</b>	<b>PT I-6</b>
Type of Industry	Masterbatch Manufacturer	Industrial Automation Equipment Supplier	Plastic Packaging Manufacturer
Classification	Critical Adjacent	Critical Adjacent	Critical Adjacent
Effect of Pandemic	No Difference, able to apply for government exemption	Negative in 2020 due to companies holding off investments, Recovering in 2021	No Difference, but customer composition changed during the pandemic
Changes to Business Operation	Follow government regulation, provide extra medical benefit for the employee	Follow government regulation, reduce expenditures by cutting project benefits	Follow government regulation, increased spending in medical expenses
If you knew Pandemic is coming, what would you do differently	Prepare a stronger supply line, prepare a standard health protocol	Increase project margins to be able to absorb pandemic related expenses	Find a better Internet provider, and create hygiene protocols

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Pandemic Mitigation	Effect	Supplying mobile modem for employees and implementation of health protocols	Company is recovering, so none besides following government regulation	Different break house for employees, provide mask, sanitizer and disinfection chamber
Business after Pandemic		About the same	Business is recovering, hope for a more stable demand	About the same, customer composition returns to normal
Approach to keep family values		Family values are maintained and the company provides extra medical benefits for employees	Challenging to maintain, but maintained because of belief that it will pay off in the long run	Family values are maintained and the company provides extra medical benefits for employees
Non family member as part of upper management		Yes, but not for CEO Role	Yes, but not for CEO Role	Yes, but not for CEO Role
Technology in Business		Technologically advanced company with ERP and CRM systems already implemented	Good, because with this pandemic industrial automation will be more attractive	Plan to implement software to improve productivity, inventory monitoring and work progress
Financial Issue		None Pandemic related	Cashflow issues, but better than last year	Some concerns with late payments
View on Tradition during the time of crisis		No particular feeling locally in Indonesia,  But Tradition is challenging to implement in overseas facility	Concerns with professionalization of the customer (ISO etc), the company customer oriented ness will no longer be considered	Belief that taking care of employee will pay off in the long run, tradition also causes challenges to implement the new hygiene protocols