

Succession of Family-Based Small Businesses (Case Study at the Traditional Pottery Industry Center in Pulutan Village, North Sulawesi)

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ABSTRACT

Family Business is a form of business that involves some family members in the ownership or operation of the business. Problems that often arise in family businesses, especially the issue of professionalism and business inheritance from the previous generation to the next. The effort to find a successor who will become a leader in a family business is not easy and requires a long time. This study focuses on the process and strategy of entrepreneurial succession in the effort to exist small family-based businesses by taking a case study background in the traditional pottery craft business center in Pulutan Village, Minahasa Regency. Specifically, this study reveals: a. the process of business succession in the context of the existence of family-based businesses, b. sources of media for acquiring knowledge to carry out succession, c. who is involved in business succession, and d. factors that support the implementation of business succession. The results of this study indicate that the succession process within the framework of the existence of family-based businesses occurs in several stages, namely: (1) pre-business stage, (2) introduction stage, (3) implementation and development stage, and (4) maturity and pre-succession stage. The sources of media for acquiring knowledge and being involved in succession consist of: (1) Parents as the main media, (2) friends/members of craftsmen groups, and (3) the government.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are considered the most effective way to improve a nation's welfare. Legally, MSMEs are regulated by Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises. MSMEs constitute the largest group of economic actors in the Indonesian economy and have proven to be a savior of the national economy during times of crisis, as well as a dynamic driver of economic growth. In addition to being the business sector with the largest contribution to national development, MSMEs also create significant job opportunities for the domestic workforce, thus significantly assisting efforts to reduce unemployment and poverty.

The Indonesian government pays close attention to the development and sustainability of MSMEs. Various programs have been launched to assist and support their existence. Current developments and advancements have indirectly created intense business competition. This requires MSMEs to continually strive to improve their competitiveness to survive in the market. MSMEs must also continually innovate in line with changing times, a concern given that most MSMEs are home-based or family-owned businesses.

A family business is a form of business that involves some family members in the ownership or operation of the business. People's motivations for starting a family business vary; some consider it their primary source of income, while others consider it merely a side hustle, a way to pursue interests and hobbies, or to continue the family business.

In several developed countries, family economic challenges are addressed by engaging in family-based businesses. Many develop family-based micro-enterprises to reduce dependence on government-owned and private companies for employment. The high number of entrepreneurs in these countries significantly supports economic growth. In Indonesia, this trend has begun to emerge, evident in the rise of franchise businesses, such as fast food chains, retail stores, service businesses, and so on.

A crucial factor in ensuring business continuity is managing a family business professionally. Professionalism in running a family business is not as easy as running a business with others. Subjective assessments of family members contribute to unprofessionalism in management. The first step a business leader must take is to align the expectations and business vision among family members. Each family member must share the same perspective and goals for the business. Although business is a way for the family to meet their financial needs, family integrity must remain a top priority. The pursuit of material wealth should not be sacrificed. In running a family business, managers must be able to separate family issues from business matters to prevent disruption to the business itself.

The existence of a family business doesn't just happen naturally; it takes time and effort to build. According to research conducted by The Family Business Institute (2019), 88% of family business owners believe their family members will continue the business in the next five years. However, in reality, only 30% survive to the second generation, 12% to the third generation, and only 3% survive to the fourth generation and beyond. This indicates that finding a successor to become

a leader in a family business is not easy. Most family business succession failures are caused by a lack of succession planning. This plan may lack clarity, especially regarding important factors such as when and to whom the company will be inherited. Therefore, it is best to plan family business succession as early as possible. In a family business, inheritance is more likely to be successful if there is effective communication from the start. The earlier a business succession plan is prepared, the more mature the results and quality of management by the next generation.

This research focuses on the process and strategies of entrepreneurial succession in the pursuit of the existence of family-based small businesses, using a case study of the traditional pottery craft center in Pulutan Village, Minahasa Regency. Specifically, this research reveals:

1. The process of business succession within the framework of the existence of family-based businesses
2. Media sources for acquiring knowledge to carry out succession
3. Who is involved in business succession?

LITERATURE REVIEW

Family Business

Andres, in Susanto (2007), classifies a family business as a company in which at least 25% of the shares are owned by a specific family, or if less than 25% of the shares are held by a family member holding a position on the company's board of directors or commissioners. Furthermore, some studies use 5% as the number of shares required to be owned by the family, or may use additional criteria requiring at least two family members to hold positions on the board of commissioners or directors. Furthermore, according to Ward and Arnoff, in Susanto (2007), a business is considered a family business if it consists of two or more family members who oversee the company's finances. There are two types of family businesses: (1) family-owned enterprises (FOE), which are companies owned by the family but managed by professional executives from outside the family circle. In this case, the family acts as the owner and does not involve themselves in field operations to ensure the company's management is professional. This division of roles allows family members to optimize their supervisory role; and (2) family business enterprises (FBE), which are companies owned and managed by the founding family. So both management and ownership are held by the same people, namely the family. This type of company is characterized by key company positions held by family members.

Family Business Succession

A family business plays a vital role in the economy, so its continuity requires close attention. Long-term business sustainability requires a well-thought-out succession plan involving various components within the family business and must be achieved with a high level of awareness and diligence. Negrea (2008) states that the succession planning process ensures smooth continuity. The most important issue in family business sustainability is succession. There are seven steps in family business succession (Susanto, 2007):

1. Evaluating the ownership structure,
2. Developing a vision of the desired structure after the succession,
3. Evaluating the family's wishes,
4. Developing a selection process,
5. Training and monitoring the future successor,
6. Conducting family team-building activities and creating an effective board of directors,
7. Introducing the successor at the right time.

Yong Wang, as cited in Mikhail and Mustamu (2013), states that it's important to initially understand that family businesses have both positive and negative aspects. The positive aspect is a strong commitment to the company because they are essentially the owners. However, this can become a negative when this sense of ownership turns into subjectivity, which can reduce the accuracy of decision-making.

Succession Plan

According to Rothwell (2010), a succession plan is a means of identifying key management positions, starting at the project manager and supervisor level and extending to the highest positions in the organization. According to Lumpkin and Brighman (2011), a succession plan is a thorough planning process involving several components within a family business and is pursued with a high degree of awareness and diligence to ensure the long-term sustainability of the company. According to Baur (2014), an effective succession model consists of four components:

1. **Successor Qualification.** An effective successor has a comprehensive, business-relevant educational background and continuously invests in personal development. Effective successors undertake comprehensive, intensive training both internally and externally.
2. **Entrepreneurial Orientation.** An effective successor has a strong entrepreneurial orientation. They possess a tenacity, a willingness to take risks, and a willingness to be agile and flexible. They take the initiative to create something new and add value.
3. **Willingness to Take Over Responsibility.** An effective successor demonstrates a strong desire to take over responsibility, based on deep-rooted motivation and early involvement in the family business.
4. **Personality Traits, Management, and Leadership Skills.** An effective successor possesses politeness and self-confidence. An effective successor must also foster good relationships with the older generation, utilizing the management knowledge and leadership skills of the older generation.

METHODOLOGY

This research uses a qualitative approach with a case study design. Qualitative research is a research procedure that produces descriptive data in the form of speech, writing, and behavior from the people (informants) themselves (Bogdan and Biklen, 1992). The case study design was chosen because this

research will reveal the phenomena that occur in the entrepreneurial succession efforts practiced by pottery craftsmen in Pulutan Village, Minahasa Regency.

The presence of researchers in the field acts as the main instrument (key informant) as well as data collector assisted by members of the research team. Moleong (2015) said that qualitative researchers are planners, data collectors, data analysts, data interpreters, and also as research reporters. Therefore, researchers must try their best to be selective, careful and serious in collecting data according to the reality in the field so that the data collected is truly relevant and its validity is guaranteed. Complementary instruments in qualitative research are in the form of observation guidelines, interview guidelines, voice recorders as voice recorders, digital photo cameras and video cameras. Data collection techniques in qualitative research will be carried out by means of: (1) In-depth interviews, (2) Participant observation, and (3) Documentation studies.

Research data is collected in various ways (observation, interviews, document abstracts, tape recordings) through note-taking, typing, editing, or transcribing, usually organized into expanded text. Data analysis activities consist of three simultaneous streams of activities: data reduction, data presentation, and conclusion drawing/verification. Occurring simultaneously means that data reduction, data presentation, and conclusion drawing/verification are intertwined, forming a cyclical and interactive process before, during, and after data collection in parallel, building a general understanding called analysis. Data analysis techniques used in qualitative research include interview transcripts, data reduction, analysis, data interpretation, and triangulation. Data reduction is defined as the process of selecting, focusing on simplifying, abstracting, and transforming raw data that emerge from written field notes. Data reduction activities are ongoing, especially during qualitative-oriented projects or during data collection. During data collection, data reduction stages occurred, including summarizing, coding, exploring themes, creating clusters, creating partitions, and writing memos. In addition to data reduction, researchers also employed triangulation techniques to verify data validity (Moloeng, 2004).

RESEARCH RESULT AND DISCUSSION

Overview of Research Location

Pulutan Village is a village located in Remboken District, West Java Regency. Minahasa which has existed since 1916. The distance from Manado City is 45 km, or 28 km from Tondano (the capital of Minahasa Regency), and 6 km from Remboken (the capital of Remboken District).



Figure 1. Overview of Pulutan Village

The name Pulutan was given to this village because its soil is rich in clay, which the locals call Tanah Pulut. The village's potential lies in agriculture and industry (particularly pottery). Using the abundant clay (pulut) available around the village, the residents developed pottery products that have become famous internationally. Various pottery crafts produced by craftsmen in Pulutan village, such as porno (the name used by local residents) Minahasa for stoves, pots, flower vases with various patterns and sizes, as well as various kinds of crafts that can be used as home decorations.



Figure 2. Pulutan Village Pottery Craft Products

Pulutan Village has a population of 1,120 people, comprising 296 families, and the majority of the population is (85%) working as a crafts man pottery. The potential of this village has received attention from the District Government. Minahasa and the North Sulawesi Provincial Government. Through relevant agencies, the Regency and Provincial governments provide guidance and training to artisans. This includes establishing a training center in Pulutan Village, introducing various technologies to improve the quality of pottery products.

The Process of Business Succession Within the Framework of the Existence of Family-Based Businesses

Succession in a family business is the process of forming and planning a successor to the family business that is tailored to the needs of the owner, family and company. Succession issues in family businesses are crucial for the company's sustainability. Succession is a lengthy planning process aimed at ensuring the continuity of a business from one generation to the next. Succession takes time, ensuring thorough preparation for the successor. Preparing for a successor requires sound management and a successful plan. Succession preparation involves several stages, including:

1. Pre-business stage

At this stage, parents or owners introduce the next generation, who are members of the family, to the family business. The goal of this stage is to lay the foundation for the next stage. Typically, parents begin to cultivate an early desire to experience pottery making from an early age, by allowing their children to play with clay (pece).

2. Introduction stage

At this stage, parents or owners introduce the next generation to the people they work with so they can communicate effectively and share experiences while introducing the company's operational activities, such as production, finance, and marketing. As the children grow, the artisans allow them to play with and create clay figures around their parents' workspace. This allows the children to directly observe examples of the shapes and techniques used in pottery.

3. Implementation and development stage

At this stage, the next generation with potential participates in the business on a small scale. Once the successor understands the goals and general business concepts, the previous generation begins to guide them in contributing to the company's activities. The successor's contribution is not significant, and they don't want to burden them, as they are currently studying while attending school.

4. Maturity and presuccession stage

At this stage, the next generation becomes observers and participates in work direction. They begin to actively participate in crafting as their primary source of income, as they mature and start families. This stage also marks the final stage, a transitional process, where they begin to fulfill their role of passing on the business to their children.

Media Sources for Acquiring Knowledge to Carry Out Succession

Of all the resources available in a family business, knowledge is the most valuable. Family businesses are rich in individually specific knowledge, owned by an individual, specifically the company leader. Knowledge is acquired through a long process. It must be transferred to the right person for its future use. In this case, knowledge transfer occurs during the family business succession

process, from owner to successor, or more precisely, from parent to child. Owners tend to choose family members as potential successors to the company because of the strong bond between family members. Both predecessors and successors must ensure a smooth knowledge transfer process so that all the knowledge possessed by the predecessor can be fully transferred to the successor.

In the corporate succession process, three essential elements must be ensured: the transfer of power, the transfer of managerial responsibility, and the transfer of knowledge. The foundation of this entire process is the transfer of knowledge. However, in reality, the transfer of knowledge in family businesses is considered automatic (a natural process from parents to children), and therefore, it is not a concern or even a priority for the parents.

The media for acquiring knowledge about the business succession of pottery craftsmen in Pulutan Village are divided into:

(1) Parents as the main media

One of the primary responsibilities of parents is to consistently instill positive values. This is achieved by setting a good example for their children and consistently enforcing family rules at home. Gradually, children begin to develop aspirations and role models for their future careers. If a child is curious and interested in something related to their parents' work, there's no harm in introducing them to it further. It's possible for a child's aspirations to develop early, and thus their talents to be optimally honed. Parents can provide the infrastructure to stimulate the development of a child's talents. It's possible for those talents to transform into proud achievements through continuous honing. As the wise saying goes: *practice makes perfect*. Not wanting to force personal will on children, but providing opportunities and guidance.

(2) Friends/members of the craftsman group

The existence of a pottery artisan group is essential for several purposes, including ensuring the sustainability of the pottery industry in Pulutan Village. The group will provide assistance in the event of any unforeseen circumstances related to the development of the pottery industry. Furthermore, the pottery artisans must actively participate in spearheading pottery development in their area. This will not only impact the artisans themselves but also the village's overall economic well-being.

The existence of a pottery group can serve as a learning platform for developing pottery, enabling them to discover new innovations that are in demand in the market. This group is expected to foster collaboration among artisans and organize other artisans who wish to join in, achieving artistic value in pottery making.

(3) Government

The village government is expected to participate and be able to develop the pottery industry in Pulutan Village. The village government's effectiveness in organizing pottery artisans is expected to be there for the purpose of developing the pottery industry, so that artisans can be organized and can facilitate the sustainability of the pottery industry. Training activities for

developing pottery innovation and mentoring have been provided by the Department of Cooperatives and Industry of Minahasa Regency and North Sulawesi Province. In addition, several artisans have been given the opportunity by Bank Indonesia to participate in training and comparative studies at the Pottery Industry Center in Kasongan Yogyakarta, training from lecturers and students of the Fine Arts Department of the Faculty of Arts and Culture, Manado State University, and a Collaborative project with Canada.

Through the cooperation program of the village, district, provincial and Canadian governments, a Ceramic Industry Center has been established which is a center for the development of the pottery industry and product innovation for craftsmen in Pulutan Village, and a pottery and ceramics learning center for students and university students in North Sulawesi as one of the tourist destinations of North Sulawesi, especially those in Minahasa Regency.

Parties Involved in Business Succession

Succession is one of the most difficult decisions a family business must make, and one of the most crucial. A well-structured succession can sustain the business for future generations. Succession is the process of transferring power and leadership, carried out through various steps to ensure business continuity from generation to generation. The process of a company founder transferring knowledge and intellectual capital to the next generation of family members takes time to develop and must be managed to succeed. The success of the pottery craft business in Pulutan Village to date cannot be separated from the role of several parties.

Based on interviews with the government, administrators of craftsmen groups, craftsmen and the people of Pulutan Village, it can be concluded that the determining factors for the success of family-based entrepreneurship in the pottery industry center of Pulutan Village are:

(1) Parents/family members

Several researchers have interpreted the involvement of family members and kinship within the family as contributing to the success of a family-based pottery business. Family kinship is divided into four groups. The first group is the descending line (children and their descendants, along with their spouses). The second group consists of the ascending line (parents and siblings, both male and female, and their descendants). The third group consists of grandparents, and ancestors upwards. The fourth group consists of the descending line and other relatives up to the sixth degree. This classification is usually related to the order of priority in inheritance.

(2) Friends/group members

Not every family member running a family business necessarily possesses the management skills and experience to develop this inherited business. Human resources and education influence the development of the pottery craft business in Pulutan Village. Skilled and professional human resources will produce high-quality products that are in high demand and influence the craft business they run. Therefore, although the pottery business in Pulutan is family-based, as it

develops, it requires partners/members of a mentored group to work together to develop the ability to produce various forms of craft with high artistic value. After they apply the skills they have acquired, they produce pottery of high quality and artistry that is sought after by consumers.

(3) Government

One of the obstacles facing small-scale pottery artisans is the poor management of their small-scale pottery artisans. Therefore, it is crucial to develop them, as this is a significant issue for artisans. The small-scale pottery industry is the engine of economic growth for the community and preserves the cultural heritage of the ancestors in Pulutan Village. Therefore, small-scale industries need to be properly nurtured and developed to increase their contribution to the village economy. Other government roles include market access and business locations, access to technology, human resource development, and government policymaking. It is important to understand that the ultimate goal of this endeavor is to improve the welfare of the Pulutan Village community, with skills acquired through generations and still using traditional technology. Consequently, the quality of the products produced is relatively low and the product design appears monotonous, making consumers more likely to bring the design they ordered. Solving this problem is not easy; developing a strategy is also not an easy task for the government, especially since small-scale pottery artisans have a low level of education and knowledge, especially regarding how to develop a business.

CONCLUSION

The process of business succession in the context of the existence of a family-based pottery craftsman business in Pulutan Village, Minahasa Regency occurs in several stages, namely: (1) pre-business stage, where parents or owners introduce the next generation to the family business they own, (2) Introductory stage where parents or owners introduce the next generation to the parties who work with them so that they can communicate well, and can share experiences while introducing the company's operational activities such as production, finance, and marketing processes (3) implementation and development stage, where the next generation who has the potential to participate in the business on a small scale, and (4) Maturity and pre-succession stage, where the next generation becomes an observer and is involved in work direction and begins to actively participate in making crafts as the main livelihood to earn income because they are adults and have a household.

The sources of media for acquiring knowledge as well as the parties involved in the business succession of pottery craftsmen in Pulutan Village, Minahasa Regency are divided into (1) Parents as the main media, (2) friends/members of craftsmen's groups, and (3) the government which plays a role as the organizer of pottery innovation development training and mentoring so far.

RECOMMENDATION

Pulutan Village is currently a North Sulawesi tourism asset that deserves preservation. The existence of this tourist village is inseparable from the presence of pottery artisans who have been present for generations, from the village's ancestors to the present day. To ensure its continued sustainability, this entrepreneurial succession process is expected to continue and be maintained, thus continuing to serve as a tourism asset and providing employment for the village community. Therefore, this research suggests the following:

1. There needs to be good cooperation between craftsmen and owners of industrial groups, local government and the involvement of academics in maintaining the existence of family-based business succession in Pulutan Village, Remboken District, Minahasa.
2. For the government, efforts are needed to maintain the infrastructure of the place, policies related to the production and marketing of pottery craft products.

ADVANCED RESEARCH

Future research on family-based small business succession, particularly in traditional industries such as pottery in Pulutan Village, should focus on developing an integrative model that combines cultural inheritance, entrepreneurial education, and government intervention in a sustainable framework. Advanced studies could explore how digital transformation and creative industry policies can strengthen intergenerational knowledge transfer, especially in rural contexts where traditions are deeply rooted. Moreover, further research may employ a mixed-method approach to measure the economic, social, and cultural impacts of succession planning on community resilience. By examining the role of innovation, technology adaptation, and global market access, such research could generate practical strategies for preserving local craftsmanship while enhancing its competitiveness and sustainability in the modern economy.

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