
The Influence of Family Leadership Style on Family Business Performance

Redi Ismail¹, Ihsanul Kamil², Safira Nada Januar³, Mira Nurfitriya⁴, Azizah Fauziyah⁵

^{1,2,3,4,5}UPI Kampus Daerah Tasikmalaya, Universitas Pendidikan Indonesia, Indonesia

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ABSTRACT

Family businesses play a significant role in the global economy, yet leadership styles within families are often unique and complex. Performance in family business has been a focal point concerning the influence of family leadership style on family business performance. This research aims to analyze the influence of leadership style within the family context on family business performance. The study employs a quantitative method with a descriptive-verification approach to collect and analyze data. Quantitative data is obtained through surveys distributed to family members involved in the family business. The research focuses on family businesses owned by Entrepreneurship students at Universitas Pendidikan Indonesia. These family businesses are selected to represent diversity in leadership styles and their business sizes. The results of this study indicate that family leadership style significantly influences family business performance. The findings provide valuable insights into how families can enhance their business performance through effective family leadership styles.



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Corresponding Author:

Redi Ismail

UPI Kampus Tasikmalaya, Universitas Pendidikan Indonesia,

Dadaha street No. 18, Tasikmalaya, Indonesia

Email: rediismail@upi.edu

1. INTRODUCTION

Family-owned businesses continue to dominate various business sectors across almost the entire world, including Indonesia. Data indicates that the contribution of family-owned companies is significant, not only to the national economy but also globally. According to information from the International Finance Corporation (IFC) in 2018, approximately 95% of corporate companies in Indonesia were classified as family-owned businesses. Furthermore, according to the Central Statistics Agency, family businesses in Indonesia play a crucial role by contributing around 82.44% to the country's Gross Domestic Product (GDP).

When an activity is underway, its success is highly dependent on the demonstrated performance, not only at the individual level but also at the organizational level, such as in family businesses that

directly interact with family members. The performance of family businesses reflects the outcomes that encompass both qualitative and quantitative aspects, acquired by Human Resources (HR) while carrying out tasks according to the assigned responsibilities (Anwar Prabu, 2013: 67). This performance plays a crucial role in ensuring effectiveness and efficiency in achieving the objectives of an activity.

Business performance is one of the crucial indicators for measuring the reputation and performance of a company. Therefore, companies consistently strive for the achievement of optimal business performance within their organization. Business performance is the accumulation of outcomes from activities carried out within the company itself (Prasetyo and Harjanti, 2013). Fairouz et al. (2010) define business performance as the outcomes derived from organizational goals achieved through the effectiveness of strategies and techniques.

Factors influencing performance, according to Sondang P. Siagian (2002:168), are stated to include compensation, work environment, organizational culture, leadership style and work motivation, work discipline, job satisfaction, communication, and other factors. Mitchell, as cited in Yusrizal (2008:1), suggests that performance is a function of capability and motivation factors. This implies that any changes in the function of these factors will directly impact the respective performance.

Each leader possesses unique qualities, traits, and characteristics influenced by both inherent factors and those developed within the work environment. The diverse array of different leadership qualities and characteristics is known as leadership styles. Various theories on leadership styles involve concepts such as authoritarian leadership, participative leadership, and delegative leadership, as articulated by Hasibuan (2016:172).

In Indonesia, family-owned businesses play a crucial role in the economic structure. Family ownership proportions encompass more than half of the business entities in the country, as revealed by Setiawan et al. (2016). One example is the business owned by the family of entrepreneurship students at the Universitas Pendidikan Indonesia. Despite the acknowledged significant influence on the economy, studies specifically investigating the impact of family leadership styles on the performance of family businesses in Indonesia are still limited.

Previous research on the influence of leadership styles on performance has shown varied evidence, with some researchers stating that leadership styles have an impact on employee performance, while others claim there is no influence. Research supporting the influence of leadership styles on performance has been conducted by Susanty and Baskoro (2012), Wiratama and Sintaasih (2013), Putra (2014), Iqbal et al. (2015), Chandra (2016), Fathia et al. (2018), Jayanti & Wati (2019). However, research with different results was conducted by Ariyani and Ariyanto (2011), concluding that leadership styles have no influence on business performance.

The limitations and differences in these results motivate the author to conduct research to comprehensively prove the impact of family leadership styles on the performance of family businesses. This study focuses on family businesses owned by the families of entrepreneurship students at the Universitas Pendidikan Indonesia. Families of entrepreneurship students from that university bring diverse backgrounds and cultures. This diversity implies that the implemented leadership styles in family businesses can also vary because an individual's leadership style tends to be influenced by their origin. Therefore, there is a need for leadership styles capable of handling and managing the existing human resources while considering this diversity.

The main objective of this research is to investigate in-depth how family leadership styles applied in family businesses owned by entrepreneurship students at the Universitas Pendidikan Indonesia affect the performance of human resource management within the company. Additionally, this research aims to determine the extent of the contribution of family leadership styles to the overall

company performance. It is hoped that the results of this research can provide clearer insights into the role of leadership styles in the context of family businesses run by the families of entrepreneurship students at the Universitas Pendidikan Indonesia.

Based on the above description, the research hypotheses are formulated as follows:

H0 (Null Hypothesis): There is no significant influence between family leadership style and family business performance.

H1 (Alternative Hypothesis): There is a significant influence between family leadership style and family business performance.

Family businesses are a type of business that involves at least two generations in its production activities, where the second generation has a significant influence in determining company policies (Setiawan & Susanto, 2018). Family businesses have specific characteristics, such as ownership of shares by one family exceeding 50%, and company management conducted by the majority of family members and major shareholders (Bizri, 2016). In addition to this basic definition, family businesses can also be distinguished based on several criteria such as ownership, control, board of directors composition, management, the company's recognition of family status, cross-generational succession, dual-generation roles, and the application of family values in their business operations (Diéguez-Soto et al., 2015).

Performance is the accumulation of results from activities carried out within the company itself (Prasetyo and Harjanti, 2013). Performance refers to an individual's achievements or accomplishments related to the tasks assigned to them. Performance can be interpreted as a combination of work results (the goals an individual must achieve) and competencies (how an individual achieves them) as explained by Marwansyah (2012:228). An employee's performance is individual because each employee has a different level of ability in completing their tasks. According to Hasibuan (2002:94), employee performance is the work results that can be achieved by an individual in carrying out tasks assigned to them, based on skills, experience, sincerity, and time invested.

Leadership style is an inseparable entity as it is a unity. A leader should possess leadership qualities, which are formed through a process over time to shape leadership characteristics. A leader, fundamentally, is someone who has the ability to mobilize resources, especially human resources, to work together in achieving goals. An effective leadership style is one that can motivate subordinates. Employees' understanding of the leader's effectiveness is reflected in the level of satisfaction they feel from their overall work experience.

Several previous studies on the relationship between dependent and independent variables have been conducted. For example, a study by Hanaya Maulini (2020) titled "The Influence of Leadership Style on Employee Performance at CV. Karya Mitra Sukses." A study by Arini Yulianita (2017) titled "The Influence of Leadership Style and Motivation on Employee Performance at CV. Cipta Nusa Sidoarjo." There is also a study by Agus Jamaludin (2017) titled "The Influence of Leadership Style on Employee Performance at PT. Kaho Indah Citra Garment Jakarta." A study by Ryani Dhyana Parashakti and Dede Irfan Setiawan (2019) titled "Leadership Style and Motivation on Employee Performance at Bank BJB Tangerang Branch." Finally, a study by L Lamere and C. Kirana (2021) with the title "Analysis of the Influence of Leadership Style and Work Ethic on Employee Performance at Bappeda." The results of these five studies consistently show that leadership style has a significant influence on business performance.

2. METHOD

This research employs a quantitative method with a descriptive-verification approach. This method combines data collection and analysis to gain a profound understanding of the influence of leadership styles on the performance of family businesses owned by entrepreneurship students at

Universitas Pendidikan Indonesia. The quantitative approach was chosen to obtain measurable data that can be statistically analyzed, providing an objective overview of the relationship between the variables under investigation.

The research population consists of family businesses owned by entrepreneurship students at Universitas Pendidikan Indonesia. The sample will be selected using purposive sampling techniques, with inclusion criteria being active family businesses managed or owned by family members.

Data collection will involve distributing questionnaires to family members involved in the leadership and management of the business. The questionnaire will focus on aspects of applied leadership styles and the evaluation of business performance. The collected data will be analyzed using descriptive statistical techniques to describe sample characteristics and data distribution. Subsequently, regression analysis will be employed to identify the relationship between leadership styles and business performance, utilizing statistical software such as SPSS.

The primary instrument used is a specifically designed questionnaire to measure independent and dependent variables. This questionnaire includes structured questions related to leadership styles and indicators of family business performance.

The independent variable in this study is Family Leadership Style, encompassing aspects such as nature, habits, temperament, character, and personality. The dependent variable is Family Business Performance, evaluated based on criteria such as quality, quantity, timeliness, effectiveness, and self-sufficiency.

3. RESULTS AND DISCUSSION

Data Responden

Tabel 1. Statistics

		Respondents Based on Batch	Respondents Based on Family Business Generation	Respondents Based on Gender
N	Valid	18	18	18
	Missing	0	0	0

(Source: Data processing results from SPSS)

Based on the statistics table, N indicates the total number of processed data, which is 18. From the data gathered through 18 respondents, various responses were obtained for all the questions listed in the questionnaire. The questionnaire distributed consisted of 18 questions, and all of these questions were provided with Likert scale response options ranging from 1 to 5, as follows:

- 1 = strongly disagree
- 2 = disagree
- 3 = neutral
- 4 = agree
- 5 = strongly agree

Table 2. Respondents Based on Batch

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2019	1	5.6	5.6	5.6
	2021	5	27.8	27.8	33.3
	2022	5	27.8	27.8	61.1
	2023	7	38.9	38.9	100.0

Total	18	100.0	100.0
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(Source: Data processing results from SPSS)

Based on the table above, the frequency indicates the number of respondents based on the academic year. In the 2019 batch, there is 1 person or 5.6% of respondents, in the 2021 batch, there are 5 people or 27.8% of respondents, in the 2022 batch, there are 5 people or 27.8% of respondents, and in the 2023 batch, there are 7 people or 38.9% of respondents. Therefore, the overall total number of respondents is 18 people.

Table 3. Respondents Based on Family Business Generation

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 2	17	94.4	94.4	94.4
3	1	5.6	5.6	100.0
Total	18	100.0	100.0	

(Source: Data processing results from SPSS)

Based on the table above, it shows that the majority of respondents belong to the second generation in their family business, with a total of 17 or 94.4% of respondents. Meanwhile, respondents from the third generation in their family business are only one person, accounting for 5.6%.

Table 4. Respondents Based on Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	13	72.2	72.2	72.2
Female	5	27.8	27.8	100.0
Total	18	100.0	100.0	

(Source: Data processing results from SPSS)

Based on the table above, it is evident that the male respondents are 13 individuals, constituting 72.2%, while the female respondents are 5 individuals, making up 27.8%. Therefore, the total number of respondents is 18. Consequently, it can be concluded that the number of male respondents is higher than the number of female respondents. From the valid percent column, it can be observed that all the entered data is valid, with a total cumulative percent of 100.

Result

Descriptive statistical measurements for these variables are crucial to provide an overview of the data, including the mean, maximum value, minimum value, and standard deviation for each variable, namely Family Leadership Style (X) and Family Business Performance (Y). The results of the descriptive statistical test for this study can be observed in the following table:

Table 1. Hasil Uji Statistik Deskriptif

	N	Minimu m	Maximu m	Mean	Std. Deviation
Family leadership style	18	28.00	48.00	37.722 2	4.86047
Family business Performance	18	25.00	38.00	30.777 8	3.00109
Valid N (listwise)	18				

(Source: Data processing results from SPSS)

Based on the above Descriptive Test results, the distribution of data obtained by the researcher can be described as follows:

1. Family Leadership Style Variable (X), from this data we can describe that the minimum value is 28 while the maximum value is 48 with the average value being 37.7222. The standard deviation of leadership style data is 4.86047
2. Family Business Performance Variable (Y), from this data we can describe that the minimum value is 25 while the maximum value is 38 with the average value being 30.7778. The standard deviation of leadership style data is 3.00109

Table 2. Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	Family Leadership Style ^b		. Enter

(Source: Data processing results from SPSS)

- a. Dependent Variable: Family Business Performance
- b. All requested variables entered.

The first part of the output (variable entered/removed): the table above explains the variables entered and the method used. In this case, the variables entered are the family leadership style variable as the independent variable and family business performance as the dependent variable and the method used is the enter method.

Table 3. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.794 ^a	.630	.607	1.88061

(Source: Data processing results from SPSS)

- a. Predictors: (Constant), Family Leadership Style

Second part output (model summary): the table above explains the magnitude of the correlation/relationship (R), which is 0.794. From this output, a coefficient of determination (R square) of 0.630 is obtained, which means that the influence of the independent variable (family leadership style) on the dependent variable (family business performance) is 63.0%.

Table 4. Anova^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	96.524	1	96.524	27.292	.000 ^b
	Residual	56.587	16	3.537		
	Total	153.111	17			

(Source: Data processing results from SPSS)

- a. Dependent variable: family business performance
- b. Predictors: (constant), family leadership style

Third part output (Anova): from the output it is known that the calculated F value = 27.292 with a level of $0.000 < 0.05$, so the regression model is used to predict participation variables or in other words there is an influence of the family leadership style variable (X) on family business performance variable (Y).

Table 5. Coefficients^a

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients		
1	(Constant)	12.285	3.568		3.443	.003
	Family Leadership Style	.490	.094	.794	5.224	.000

(Source: Data processing results from SPSS)

Dependent Variable: Family Business Performance

Fourth part output (coefficient): it is known that the constant value (a) is 12.285, while the leadership style value (b/regression coefficient) is 0.490, so the regression equation is written

$$Y = a + bx$$

$$Y = 12.285 + 0.490X$$

This equation can be translated:

- A constant of 12.285 means that the consistency value of the participation variable is 12.285
- The X regression coefficient of 0.490 states that for every 1% increase in the family leadership style value, the participation value increases by 0.490. The regression coefficient is positive, so it can be said that the direction of influence of variable X on Y is positive

Decision making in simple regression test results

- Based on the significance value: from the coefficient table, a significant value of $0.000 < 0.05$ is obtained, so it can be concluded that the family leadership style variable (X) influences the family business performance variable (Y).
- Based on the t value: it is known that the calculated t value is $5.224 > t$ table 2.120 so it can be concluded that the family leadership style variable (X) influences the family business performance variable (Y)

Note: look for table

$$t \text{ table} = (@/2 : n-k-1)$$

$$= (0.05/2 : 18-1-1)$$

$$= (0.025 : 16) \text{ (seen in the distribution of t table values)}$$

$$= 2,120$$

Discussion

Based on the research findings, it is discovered that the Family Leadership Style variable (X) has an influence on the Family Business Performance variable (Y). This is indicated by the regression coefficient calculation results, which show a positive value, indicating a positive direction of the influence of variable X on Y. Additionally, the significance value obtained from the coefficient table is $0.00 < 0.05$, leading to the conclusion that the Family Leadership Style variable (X) significantly affects the Family Business Performance variable (Y). This finding aligns with previous research by Khairizah (2018), Wa Ode (2014), and Wardhani (2016), which demonstrates that leadership style has a significant impact on performance improvement.

In this context, an individual's leadership style plays a crucial role as a determining factor in enhancing or decreasing family business performance. Therefore, the importance of effective leadership style becomes evident, considering that good performance is a key determinant of the success of a family business activity. Without optimal performance, it becomes challenging for a family business to achieve its goals effectively and efficiently. Hence, understanding and

implementing effective leadership styles in every family business are essential efforts to enhance its success and operational efficiency.

4. CONCLUSION

Conclusion:

There is a correlation between family leadership style and family business performance. Family leadership style significantly influences family business performance, as leadership style is a process of influencing organized activities within a business group to achieve a predetermined goal. Entrepreneurship students participating in this research show a tendency that leadership styles providing support, motivation, and involving family members in decision-making tend to positively impact their family business performance. Effective leadership styles can create a positive work environment, enhance motivation, and support innovation within the family business.

Recommendations:

It is recommended that family businesses maintain and improve their family leadership styles, as the family leadership style variable significantly influences family business performance.

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