Analysis of the success factors for MSME succession in Surabaya: A principal component analysis

Candraningrat[1], Oktaviani[2*], Sri Suhandiah[3]

[1, 2 ,3] *Fakultas Ekonomi dan Bisnis, Institut Bisnis dan Informatika Stikom Surabaya, Jawa Timur*

A R T I C L E   I N F O

Article history:
Received 30 September 2018
Revised 16 October 2018
Accepted 16 November 2018

JEL Classification:
J-54

Key words:
Principal Component Analysis, Succession, Family Business, and MSME.

DOI:
10.14414/jebav.v21i2.1381

A B S T R A C T

This study aims to find success factors for succession in family-based MSMEs in MSMEs in Surabaya, Indonesia, where Surabaya is a metropolitan city that allows entrepreneurs to develop and be sustainable for the next generation of family businesses. The research method used is factor analysis which is an analysis technique that forms the latent variables that have not been determined before the analysis, the results of anilisation will find any factors that influence the success of succession in MSMEs. Sample in this study amounted to 100 MSMEs of family businesses that could be met in Surabaya or incidental sampling, while respondents in this study were second generation family business owners. The method of data collection is a survey with a questionnaire instrument that has been tested for validity and reliability. The data analysis technique used is the Principal Component Analysis Factor Analysis with SPSS software. The results of this study found that six factors that determine the success of succession in MSMEs in the city of Surabaya are succession preparation procedures, successor characteristics, readiness of previous generations, communication in the succession process, relationships between family members, and introduction to the business environment. This research is expected to provide references on the sustainability of family business to the next generation in the city of Surabaya, East Java, Indonesia.

A B S T R A K

Penelitian ini bertujuan unutuk mencari faktor-faktor kesuksesan suksesi pada UMKM yang berbasis usaha keluarga pada UMKM di kota Surabaya, Indonesia, dimana kota Surabaya merupakan kota metropolis yang sangat memungkinkan wirausaha bisa berkembang dan sustainable untuk generasi penerus usaha keluarga. Metode penelitian yang digunakan adalah analisis faktor yaitu suatu teknik analisis yang akan membentuk variabel laten yang belum ditentukan sebelum dilakukan analisis, hasil anilis akan mendapatkan faktor apa saja yang mempengaruhi kesuksesan suksesi pada UMKM. Sample dalam penelitian ini berjumlah 100 UMKM bisnis keluarga yang dapat di temui di kota Surabaya atau insidentil sampling, sedangkan responden dalam penelitian ini adalah pemilik bisnis keluarga generasi kedua. Metode pengumpulan data adalah survei dengan instrumen kuesioner yang telah di uji validitas dan reliabilitasnya. Teknik analisis data yang digunakan adalah Analisis Faktor Principal Component Analysis dengan software SPSS. Hasil penelitian ini menemukan enam faktor yang mentukan kesuksesan suksesi pada UMKM di kota Surabaya yaitu prosedur pernyiapan suksesi, karateristik suksesor, kesiapan generasi sebelumnya, komunikasi dalam proses suksesi, hubungan antar anggota keluarga, dan pengenalan lingkungan bisnis. Penelitian ini diharapkan dapat memberikan referensi tentang keberlanjutan bisnis keluarga sampai generasi penerus di kota Surabaya, Jawa Timur, Indonesia.

1. INTRODUCTION

It has been known that Micro, Small, and Medium Enterprises (MSMEs) have a significant role in the economy in Indonesia because they can overcome unemployment and encourage the stability of sustainable business. According to the data from BPS (Central Bureu Statistics) economic census (BPS, 2016), the growth of the number of large and medi-

* *Corresponding author, email address:* [1] *candra@stikom.edu,* [2] *okta@stikom.edu.* [3] *diah@stikom.edu*

um industries from 2010 to 2015 only grew by 2,977 companies or around 12%. Yet, for small industries and households from 2010 to 2015, they grew by 936,149 companies or around 25%. Of the total micro units to large in Indonesia, 3,385,851 million are small business units and households, which can provide employment opportunities as much as 5% of total employment opportunities. However, the contribution of large and medium industries is only 4% (Economic Census BPS, 2016).

Most MSMEs come from family businesses. The family company is a phenomenon in the business today. A company is called a family company when it consists of two or more family members who manage the company's finances (Aronoff, Stephen, and Ward, 2013). In addition, Donnelly (2002) also argues that an organization is called a family company if there are at least two generations of involvement in the family and they influence the company policy.

There are some evidences for the SMEs' growth. For example, the Credit Suisse research report in 2011, shows that the economy in Asia is very dependent on the existence of family companies. Their contribution reaches + 50%, where the dominance of the country's economy by family companies is higher in South Asia, namely India by 67% compared to North Asia. Owned market capitalization in 2010 also increased sixfold compared to 2000. Even De Vries's report (2011) mentions a higher figure, which is ninety-five percent of businesses in Asia, the Middle East, Italy and Spain, controlled by the family. About 80% of businesses in France and Germany are controlled by families.

In addition to the above evidenc, Jones (2003) found that as many as 71% of family companies in Australia are owned by the first generation, 20% by the second generation, and only 9% are owned by the third generation. One of the most contentious issues surrounding family companies relates to succession decisions. The leadership transition may play an important role in determining the prospects of the company and those as controlling family preferences, which often have two decision-making between hiring family members or people.

Of the problems that often arise in the family business is that dealing with professionalism, finally, the myth emerges, e.g., the first generation builds up, the second generation enjoy, and the third generation destroys. In addition, ABS deliberately discussed the issue of leadership in family companies, where conflict problems often occur in family businesses, succession, competence, and culture in family companies as a new paradigm offer in a family business. However, all of this can be the counter-attack to the myth. The sustainability of the family business is largely determined by the succession process chosen to lead the family business. Most studies discuss the succession process that occurs in family businesses and some are related to the company performance after succession takes place.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Leadership in the family business is essential for ensuring the success of an organization, especially for family businesses. This is due to these reasons: First, family businesses have much more different goals and objectives compared to public companies. For example, the inclusion of family members in business activities is the main thing compared to the growth or profit they obtain. Second, the process of leadership succession in the family business will be very important for business continuity (Chua, Chrisman, and Steier, 2003)

Regarding the leadership of the family business, most of the research has focused on the first generation as the leader of a family business. In general, there are fundamental differences between first-generation leadership and the next generation. This is due to the fact that the first is a person who builds a business, while his successor has a role as a manager whose job is to operate a business that has already been established (Cater and Justis, 2009). In addition, the first generation has a very dominating role in shaping corporate culture and will usually survive even though the founder is no longer active in business (Eddleston, 2008; Kelly, Athanassiou, and Crittenden, 2000).

In refrence to a study by by Family Firm Institute for the Family Business Review Hall et al. (2001) noted that only 30% of all family-owned companies can survive in the transition period between generations to the second generation, while only 12% are able to survive in the third generation and only 3% are able to develop up to the next generation -fourth and so on. This makes the myths grow in family companies that the first generation to establish, the second generation to build, and the third generation to destroy. In contrast to the founders of family businesses, the next generation usually starts a family business from a position that is not too strategic and over time will be given additional tasks to increase knowledge of family business activities (Cabrera-Suarez, De Saa-Perez, and Garcia-Almeida, 2001).

Regarding the leadership of the family business, most of the research has focused on the first generation of leadership in a family business. In general, there is a fundame\tal difference between first-generation leadership and the next generation, considering that the first is a person who builds a business, while his successor is more of being a manager, in charge of operating a business that has been established (Cater and Justis, 2009). In addition, the first generation has a very dominant role in shaping corporate culture and will usually survive even though the founder is no longer active in business (Eddleston, 2008).

As Susanto (2005) stated that creating the next generation can be done by establishing good relations between family members, mutual trust, and mutual respect between family members. Many people doubt that the next generation can lead the company like the senior generation. This doubt is due to a large number of poorly performing family companies after the founder left. Actually the Founder can anticipate this by educating the next generation to have leadership qualities and the ability to manage family companies well, fostered mutual trust, mutual respect among family members and a sense of belonging and pride in the company must also be instilled by generations senior to the next generation, so that they will work hard for the development of the company.

Some characteristics being synonymous with the successor of the family business are divided into several things (Alwis, 2016). First, high commitment in the succession process, by becoming a learner associated with a family business with a period that is not too fast will make successors more mature in receiving the relay of family business leadership (Dyck, Mauws, Starke, and Mischke, 2002). Second, the success of the successor itself, the desire of successors is not enough to run a family business but successors must have high competence so that the family business can be sustainable

Third, training and experience are important in the succession process. Successor development from internal and external companies will provide an experience that can be used in running a family business. Fourth, a positive relationship between parents begins a reciprocal relationship between the two. Family business leaders are aware of and intend to surrender their leadership in the future to their successors (Alwis, 2016).

Fifth, the succession process requires a relatively long time. The family business leader will take as much time as possible while observing, watching, and evaluating whether the successor is mature and ready to bring the family business to exist and become increasingly prosperous (Miller, Le Breton-Miller, and Scholnick, 2008). Sixth, good cooperation between family business leaders and future generations is very important in ensuring the success of the leadership transition (Cabrera-Suarez, De Saa-Perez, and Garcia-Almeida, 2001). Not only between the two, but this cooperation must also be achieved with the whole family so that successor leadership gets high legitimacy (Sharma, Chrisman, and Chua, 2003).

Seventh, it is sharing knowledge with success so that they are able to maintain and improve the performance of family businesses (Cabrera-Suarez, De Saa-Perez, and Garcia-Almeida, 2001). Parents or top-level managers as mentors for success so that they are better prepared to lead family businesses. Finally, it is a mutual respect for each of the roles that must be performed for the next generation and family business leaders. The next generation must have a high commitment to follow all the success processes, where the time is that the business is very important to understand, and the communication process goes well and successfully (Dyck, Mauws, Starke, and Mischke, 2002).

In addition, family businesses also face conflicts related to relationships between family members. Companies in many countries, both in countries such as the United States (US) and in developing countries such as Indonesia, then matters of family enterprises management and accompanying conflicts as mentioned, are very important to be understood and discussed in depth by family business leaders, therefore this research has a purpose of analyzing the success of the family business in the city of Surabay

3. RESEARCH METHOD

This research is a discriptive explanatory study done by using a type of correlational research. It is the exploratory factor analysis or primary component analysis (PCA/ Principle Component Analysis), which is a factor analysis technique in which several factors will be formed in the form of latent variables that have not determined before the analysis is carried out. In principle, exploratory factor analysis is the formation of factors or new latent variables that are random in nature, which can then be interpreted according to factors, components or constructs formed. Exploratory factor analysis is the same as main component analysis (PCA).

In exploratory factor analysis, the researchers do not have the knowledge, theory, or hypothesis that composes the structure of factors to be formed or formed, so that exploratory factor analysis is a technique to help build a new theory.

The stages of this research began with a preliminary survey, which was doing food observations about MSMEs in the city of Surabaya and the factors that were the supporters of the success of the MSME succession. Besides that, the researchers also looked for the secondary data about MSMEs in Surabaya. After finding existing problems in MSMEs, a literature review was conducted to formulate the answers to these problems and then carried out literature studies, interviews, literature studies to identify succession success factors. This is used to compile research instruments and data collection techniques as well as data analysis techniques used to obtain answers to the formulation of the problem so that we find a finding in this study.

This research was conducted in Surabaya, a metropolitan city that greatly enables MSMEs to develop. The sample was taken using Purposive Sampling, the MSMEs owned by families already the second generation before, of 100 respondents from MSME business owners in Surabaya. The data were collected using a survey on the respondents' perceptions with questionnaire that have been tested for validity and reliability. Besides that, interviews were also conducted to complete the data that is still needed.

The data analysis technique used is factor analysis, a technique used to analyze the structure of relationships between variables with a large number. Analysis is done by determining variables or factors that are much related. The general function of factor analysis is to find ways to summarize information in the form of factors (variables) into smaller factors without reducing the information that has been collected (Hair et al., 2010). And, stages of analisys for the factors as the following:

1. Descriptive analysis
   This was done by two kinds of tests:
   a. KMO dan Bariett's Test
   b. Anti Image Matrices
2. Extraction
   It was done for getting the result of the analysis as the following:
   a. Communalities
   b. Total Variance Explained
   c. Component Matrix & Rotated Component Matrix
   d. Intrepretasi Faktor

4. DATA ANALYSIS AND DISCUSSION

The Respondents' Characetristics Based on the Types of Business

The criteria of respondents are based on the type of business. Therefore, they are divided into six categories, namely culinary, merchandise, trade, shoes, convection, and herbal medicine. The number of respondents based on the type of business can be seen in Table 1.

Table 1
The Respondents' Characetristics Based on the Types of Business

Type of Buisness	Frequency	Percentage
Cullinary	11	11%
handycraft	10	10%
Trade	71	71%
Garments	4	4%
hebrs	1	1%
Livestock	3	3%
Total	100	100,0%

Source: processed Research Data

Table 1 shows the number of respondents in terms of business type, respondents who have a culinary business of 11 people or 11%, 10 people who have a handicraft business or 10%, 71 people who have a trading business or 71%, 4 people who have a convection business or 4 %, 1 person who owns a herbal medicine business or 1%, and 3 people who have a livestock business or 3%. This shows that the trading business has the most number in developing family businesses in MSMEs in Surabaya.

Respondents' Characetristics Based on Age

Characteristics of respondents based on age are divided into seven age categories namely age <30 years, age 31-35 years, age 36-40 years, age 41-45 years, age 46-50 years, age 51-55, and age> 56 years. The number of respondents based on recent education can be seen in Table 2.

As in Table 2, it can be seen that respondents aged < 30 years that is 50 people or 50%, respondents aged 31-35 years that is 19 people or 19%, respondents aged 36-40 years that is were 11 people or 11%, respondents aged 41 -45 years that is a total of 15 people or 15%, respondents aged 46-50 years that is 3 people or 3%, respondents aged 51-55 years that is 1 person or 1%, and respondents who were over 56 years that is 1 person or 1%. This shows that a successor has been given authority in holding a family business since adolescence, given that the succession process takes a long time so that successors can be ready to run a family business.

Table 2
Respondents' Charecteristics Based on Age

Age	Frequency	Percentage
<30	50	50%
31-35	19	19%
36-40	11	11%
41-45	15	15%
46-50	3	3%
51-55	1	1%
>56	1	1%
Total	100	100,0%

Source: Processed Data

Respondents' Charaecteristics based on Education
Characteristics of respondents based on education are divided into four categories, namely SMP, SMA, S1, and S2. The number of respondents based on recent education can be seen in Table 3.

Table 3
Respondents' Charecteristics Based on Education

Education	Frequency	Percentage
Juior HS	3	3%
HS	51	51%
Undergraduate (S1)	43	43%
Master Degree (S2)	3	3%
Total	100	100,0%

Source: Processd data

As on Table 3, the respondent's level of education is junior high school with 3 people or 3%, 51 high school students or 51%, Undergraduate (S1) 43 students or 43%, and Master Degree (S2) 4 people or 4%. So, the most recent education is high school and second place is S1. It indictaes that successors are also required to have a good education in order to continue the family business

Respondents' Characteristics Based on Number of Employees
The respondnets' characteristics based on the number of employees in their business are divided into four categories: <3 people, 4-6 people, 7-9 people, and > 10 people. The number of respondents based on the number of employees can be seen in Table 4.

Table 4
Respondents' Characteristics Based on Number of Employees

Total Employyes	Frequency	Percentage
<3	44	44%
4-6	43	43%
7-9	5	5%
>10	8	8%
Total	100	100,0%

Source: processed data

Table 4 shows that respondents with <3 employees are 44 people or 44%, those that have 4-6 employees, 43 respondents or 43%, with 7-9 employeees, 5 respondents or 5%, and with employees> 10 people are 8 respondents or 8%. This indicates that the sample covers various kinds of family business of MSMEs.

Respondents' Charaecteristics Based on The Length of Business Establishement

The criteria for respondents based on the length of time the industry was established were divided into five categories: <10 years, 11-20 years, 21-30 years, 31-40 years, and> 40 years. The number of respondents based on the length of industry can be seen in Table 5.

Table 5
Respondents' Charaecteristics Based on The Length of Business Establishement

Length of the Industy establsihed	Frequency	Percentage
<10 yeras	5	5%
11-20 years	37	37%
21-30 years	17	17%
31-40 years	28	28%
>40 years	13	13%
Total	100	100,0%

Source: Processed Data

Table 5 shows that industries or businesses owned by respondents have been operating <10 years with the number of 5 respondents or 5%, respondents whose industries run for 11-20 years of 37 respondents or 37%, respondents whose industries run for 21-30 year of 17 respondents or 17%, respondents whose industries ran for 31-40 years of 28 respondents or 28%, and respondents whose industries had run for> 40 years of 13 respondents or 13%.

Respondents' Characteristics Based on Turnover/ Month

The criteria for respondents based on monthly turnover are divided into five categories, namely <Rp. 5,000,000, Rp. 5,000,001-Rp. 15,000,000, Rp. 15,000,001-Rp. 25,000,000, Rp. 25,000,001-Rp. 35,000,000, and > Rp. 35,000 .001. The number of respondents based on monthly turnover are as seen on table 6.

Table 6
Respondents' Characteristics Based on Turnover/Month

Turnover/ Month	Frequency	Percentage
<Rp 5.000.000	5	5%
Rp 5.000.001-Rp 15.000.000	26	26%
Rp 15.000.001-Rp 25.000.000	19	19%
Rp 25.000.001-Rp 35.000.000	25	25%
>Rp 35.000.001	25	25%
Total	100	100,0%

Source: Processed Data

From Table 6, it can be explained that the number of respondents in this study in terms of monthly turnover is as follows: the respondents who have a monthly turnover of <Rp. 5,000,000 is 5 respondents or 5%, respondents who have a monthly turnover of Rp. 5,000,001-Rp. 15,000,000, 26 respondents or 26%, respondents who have a monthly turnover of Rp. 15,000.00-Rp. 25,000,000 in 19 respondents or 19%, respondents who have a monthly turnover of Rp. 25,000.00-Rp. 35,000,000 in the amount of 25 respondents or 25%, and respondents who have monthly turnover> IDR 35,000,001 a total of 25 respondents or 25.

Factor Analysis

Factor analysis was done to find the new factors from 28 variables by looking at their importance. Therefore, they could be analyzed further. Factor analysis method, the study used because researchers want to analyze factors that are the key to success in succession in MSMEs in Surabaya. This factor analysis consists of two stages, namely KMO and Bartlett's Test and extraction.

Kaiser-Meyer-Olkin (KMO), Anti Image Matrices, and Barlett's Test of Sphericity.

The aim of KMO and Bertlett's Test is to see the variables and the samples if they are sufficient for analysis. Yet, the number of 0.758 was found with a significance level of 0.000. The KMO and Bartlett's Test shows above 0.5 and the level of significance is below 0.05, so that the next step is the extraction process (Hair et al., 2010).

Tabel 7
KMO dan *Bartlett*

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.758
Bartlett's Test of Sphericity (sig)	0.000

Source: Processed Data

The existence of Anti-image Matrices is used to see the feasibility of each variable when factor analysis is performed. The existence of the letter "a" in some numbers with the formation of a diagonal line on each variable means the magnitude of the MSA (Measure of Sampling Adequacy) variable with conditions greater than 0.5 (Hair, 2010). In this study, the value of MSA in the first experiment there are the three variables that have a value of less than 0.5, namely X5 with a value of 0.456, X8 with a value of 0.344, and X21 with a value of 0.411. Of the three variables must be deleted in order to improve the MSA value so that it can be said that the three variables cannot be continued to the next stage. In the second experiment by removing the variables X5, X8, and X21, the MSA value was higher than 0.5 so it can be concluded that all variables are feasible to analyze

Extraction

a. Communalities

Communalities are the first process of extraction whose function is to find out how closely the statement relates to the factors formed. The extraction column shows how much factors will be formed that can explain the variance of a factor, so the greater the value of communalities, the more closely the relationship with the factors formed (see Table 8).

Table 8
Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.541	31.419	31.419	7.541	31.419	31.419	4.357	18.154	18.154
2	2.461	10.255	41.674	2.461	10.255	41.674	3.031	12.629	30.783
3	2.095	8.731	50.405	2.095	8.731	50.405	2.312	9.633	40.417
4	1.269	5.286	55.691	1.269	5.286	55.691	2.234	9.307	49.723
5	1.203	5.012	60.703	1.203	5.012	60.703	1.694	7.056	56.780
6	1.085	4.520	65.223	1.085	4.520	65.223	1.618	6.740	63.520

b. Variance Explained

Total variance explained serves to extract a number of variables into several new factors. From 25 variables extracted to six factors by looking at the eigenvalue value, which has more than 1 condition (Hair, 2010).

c. Component Matrix, Rotated Component Matrix and Structure Matrix

The Component Matrix contains the coefficients used to declare the standard variable called as a factor of eight new factors was formed. The loading factor coefficient explains the correlation between the origin variable and the factor. A large correlation value states a close relationship between the original variable factors, so the variables can be used to form factors. To facilitate interpretation, the Component Matrix is rotated by orthogonal rotation or oblique rotati.

1. Rotation Method *Orthogonal* (*Varimax*)

The results of the orthogonal rotation method can be seen in the rotated component matrix column in Table 9. The new factor chosen is a factor that has a loading factor> 0.6, with consideration of practical significance not statistical significance (Hair et al., 2010) to obtain 18 variables new.

2. Oblique Rotation (Promax)

The results of the oblique rotation method can be seen in the matrix pattern column on table 9. The new factors chosen are factors that have a loading factor> 0.6 (Hair et al., 2010) and 17 new variables are obtained. Because orthogonal rotation results in more and more appropriate variables and the continuity formed in the results of factor analysis, the researcher uses the results of analysis of orthogonal rotation rather than oblique rotation.

The next stage was done by giving new names to the new factors. For the first factor, the variables formed are related to the motivation of the previous generation, providing training, and coercion from the previous generation, introduction to business processes, introducing the business early to successor, and describing the tasks and obligations of the previous generation. From these variables, the researcher gave the name "Succession Preparation Procedure" in the first factor.

The second factor, it is done by discussing generations before choosing successors from the sexes of the successors, in determining the time of succession of age became a consideration, and focused on successor competencies, so the researcher gave the name of the successor characteristics for the second factor. In the third factor, it contains the participation of the previous generation in successor monitoring and willingness and greatness of self-esteem. Thus, the researcher gave the name "Previous Generation Readiness" on the third factor.

Table 9
Summary of Rotated Component Matrix

	Components					
	1	**2**	**3**	**4**	**5**	**6**
X3	0.649					
X7	0.661					
X9	0.603					
X11	0.771					
X15	0.676					
X18	0.808					
x10		0.758				
X12		0.764				
X20		0.683				
X1			0.611			
X13			0.754			
X6				0.771		
X16				0.633		
X26				0.754		
X23					0.667	
X28					0.806	
X2						0.648
X17						0.859

Source: Processed Data

The fourth factor, it is to explain the involvement of family members in succession, the frequency of communication with the previous generation, and the content of intergenerational communication accompanied by discussion of business. Therefore, the researcher gave the name "Communication in the Succession Process" on the fourth factor. The fifth factor, explained the relationship with the previous generation and justice between family members, so that the fifth factor was named "Family Member Relations". The sixth factor, describes the introduction of successors to consumers and the introduction of successors to competitors, so that the sixth factor is named "Introduction to the Business Environment".

Table 10 describes the results of Factor Analysis so that the new factors are created.

The next step is to determine the factors that have the greatest weight, as stated by Groh and Wich (2009) that the weight of each factor can be obtained from the value of Total Variance Explained.

The explained total variance formed is 65.22%, which means that the factors formed already represent ± 65% of the 28 initial variables. From the data on Table 10, as they were obtained, the greatest weight is in the Procedure for Session-Preparation Procedures of 31.42% followed by Characteristics of Successors, Previous Generation Readiness, and Communication in the Succession Process, Relationship of Family Members, and Introduction to the Business Environment at the last position. This explains that the factors in the Succession Preparation Procedure have the highest level of importance compared to the other five factors.

Table 10
Results of the Factor Analysis

New Factors	Variables
I	Motivtion from the previous generation (X3)
	Giving Training (X7)
	Coercion/ Force by the previous generation (X9)
	Introduction to the business processs (X11)
	Introducing the business from the beginning to the successors (X15)
	Describing the tasks and responsibilities from the previous generation (X18)
II	Previous generation chose the successor from the type of their Genders (X10)
	In determinign the the time of changing the successors, their age is the consideration (X12)
	Empasising on the successors' competency (X20)
III	The participation fo the previosu generation is used to determine the successors (X1)
	Voluntary and wisdom of the founders (X13)
IV	The family involvement determines the succession (X6)
	Frequency of communication with the previosu generation (X16)
	The content of commuication among the generation that has often discussed the busienss (X26)
V	The relationship with the previous generation (X23)
	The fairness among the family members (X28)
VI	Introdtcion to the consumers (X2)
	Introduction to the competitors (X17)

Table 11
Summary of the Total of Variance Explained

Factors	Name of Factors	Variance (%)
I	Procedure of succession Preparation	31.419
II	Successors' Characetristics	10.255
III	The Previous Generation Prepaidness	8.731
IV	Communication in Succession Process	5.286
V	Relationship among the Family Members	5.012
VI	Introduction to the BusinessEnvironment	4.520

5. CONCLUSION, IMPLICATION, SUGGESTIONS, AND LIMITATION

Based on the results of analysis, the success factors of a succession in MSMEs in Surabaya, it can be concluded that there are six factors that respond to the success of MSME succession in Surabaya. Factor I "Succession Preparation Procedure" which includes the motivation of the previous generation, Providing training, coercion or force from the previous generation, Introduction to Business Processes, Introducing the business early to the successor and describing the tasks and responsibilities of the previous generation.

Factor II "Successor characteristics" which includes the generation before choosing a successor , in determining the time of successor succession is the age that is taken into consideration, and focusing on successor competence.

Factor III "Previous Generation prepaidness" includes the participation of previous generations in mentoring successors and the wsidom and greatness of the founders.

Factor IV "Communication in the Succession Process" includes the involvement of family members in succession, the frequency of communication with the previous generation and the content of communication between generations that often talk about business.

Factor V "Relationship of Family Members" includes relations with the previous generation and justice between family members.

The sixth is "Introduction to the Business Environment" that includes an introduction to consumers and an introduction to competitors.

The six variable factors can be said as new variables that influence the success process of succession in MSMEs in Surabaya, so that it can be concluded that MSMEs that will carry out succession can focus more on six factors from 18 variables which have been grouped into six factors.

As referred to the conclusion, some suggestions can be given. Factor I "Succession Preparation Procedure", in this case the MSMEs that will implement the succession are advised to prepare early on for the succession preparation procedure by always motivating the successor to continue the family business repeatedly to give enthusiasm to the successor as willing to continue family business. In addition, it is recommended that successors should provide the training directly by the previous generation of business processes and describe the duties and obligations that will be carried out if the successor holds a family business, = to prepare a successor to be the successor of the family business.

Factor II "Characteristics of Successor", in this case MSMEs are advised to start preparing the next generation by looking at successor generation competencies by preparing expertise through experience or formal and non-formal education. This is useful for improving and preparing successor competencies in order to develop a family business. In addition, prepare a successor by looking at the right time for the successor to continue the family business accompanied by considering the age of successor in the mature category to continue the family business.

Factor III "Previous Generation Readiness" in carrying out succession requires the readiness of the previous generation by emphasizing willingness and discipline to give overall authority to the successor. This is because successors will feel trusted by the previous generation to run a family business. But in providing this trust, the previous generation must also monitor the next generation so that the next generation is really capable of running a family business.

Factor IV "Communication in the Succession Process", in the succession process it is best to involve all family members so that there is transparency in determining the successor of the family business. Intergenerational communication should be well-established, namely intense communication so that successors also learn from experience in developing business and stories about failures that have been carried out by the previous generations. By doing so, the next generation does not happen again. In addition, the communication for business development is also necessary for preparing for successors and after the successors has held a family business.

Factor V "Relationship of Family Members", in this case the previous generation must maintain inter-family relations and be fair to all family members. This is useful to create harmonious relationships between siblings and can minimize the occurrence of conflicts related to leadership in the family business.

Factor VI "Introduction to the Business Environment", in this case the previous generation must introduce the business environment. This is the beginning of the succession process for successors to run the business more easily. In addition, also by introducing the consumers or customers that usually buy in that place so that the consumers and successors can communicate without feeling awkward and give successor knowledge about which competitors could develop the right strategy so as not to lose or advance the competitors of the family business.

REFERENCES

Alwis, A Chamaru De. 2016. Stakeholders Influence on Successful Business Succession. *International Journal of Business Administration* 7(4): 79–86.

Aronoff, Craig E., McClure, Stephen L and Ward, John L. 2003. Family Business Succession. *Family Business Enterprise*

BPS. 2016. Sensus Ekonomi.

Cater, J., and Justis, R. 2009. The development of successors from followers to leaders in small family firms: An exploratory study. *Family Business Review* 22 : 109-124

De Vries, K. 2011. *The hedgehog effect: The secrets of building high performance teams*. John Wiley and Sons.

Donnelly, Robert G. 2002. *The Family Business*

Dyck, B., Mauws, M., Starke, F. A., and Mischke, G. A. 2002. Passing the baton: The importance of sequence, timing, technique and communication in executive succession. *Journal of Business Venturing* 17 143-162.

Eddleston, K. A. 2008. The prequel to family firm culture and stewardship: The leadership perspective of the founder. *Entrepreneurship Theory & Practice* 32(6): 1055-1061.

Groh, A. and Wich, M. 2009. *A Composite Measure to Determine a Host Country's Attractiveness for FDI*. University of Navarra. Barcelona.

Hair, J.F., et.al. 2010. *Multivariate Data Analysis.* Edition 7. New Jersey: Pearson.

Hall, A., Melin, L., & Nordqvist, M. 2001. Entrepreneurship as radical change in the family business: Exploring the role of cultural patterns. *Family Business Review*. 14: 193-208.

Jones, A. 2003. Family Business. *Family Business Review* 17(4) 506.

Sharma, P., Chrisman, J. J., and Chua, J. H. 2003. Predictors of satisfaction with the succession process in family firms. *Journal of Business Venturing*, 18: 667-687.

Susanto, A., B. 2005. *World Class Family Business*. Jakarta: Jakarta Consulting Group.