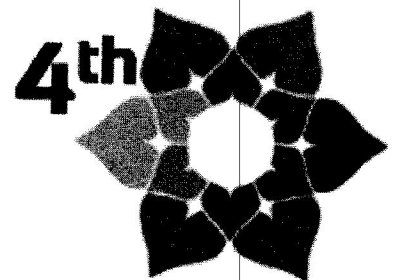


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“RESEARCH, PRODUCTION, AND BUSINESS MODEL TRILEMMA
IN THE ASEAN ECONOMIC COMMUNITY”

VOLUME 4 NO. 1 2016



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PREFACE

Thanks to God, with the almighty grace.

We are really grateful that the 4th Gadjah Mada International Conference of Economics and Business 2016 had been held successfully on November 25-27, 2016 by Faculty of Economics and Business Universitas Gadjah Mada at Jogja Plaza Hotel, Sleman, Yogyakarta. Tokens of appreciation should be rendered to our presenters, participants and all of you that made the event could be organized and carried out with the highest quality, comfort, and precision that we could give. Even though there are some mistakes that we did during the event, we apologize deeply for that. These Proceedings are compiled as a collection of all presenter's research papers. Showing the creativity of ideas that could also be seen as an art inside the field of science.

The theme of this year conference is "Research, Production, in Business Model Trilemma on ASEAN Economic Community," and this theme is manifested in the presented papers that are compiled in these proceedings, comprised of the scholarly work from this global environment and as well as the honorary speakers. Therefore, we would like to express our gratitude and credits to Journal of Indonesian Economy and Business Faculty of Economics and Business Universitas Gadjah Mada.

Professor Christopher Mannings (Crawford Schools, Australia Nationals University), Professor Dr. Mudrajad Kuncoro, M.Soc.,Sc. (Universitas Gadjah Mada), Dr.Satya P.Chattopadhyay Ph.D (University of Scranton) and Arie Setya Yudha (Molay Tacticals) for taking the time to contribute and share their expertise and experiences to the conference that have enriched our knowledge in this field.

All the scientists and researchers that have also contributed their research, ideas, results, and encouraging one another to learn more by sharing, learning, and discussion sessions. There were 119 papers from – different countries presented in the conference. Some of them have agreed to include their full papers in the proceedings.

The proceeding and presentations cover various topics, ranging from economics, marketing management, human resources management, financial management, operation management, supply chains management, and accounting.

We sincerely hope that these proceedings and the conference in particular will grant benefits to all of the participants and also the readers. Especially as a reference for further Economics and Business development in Indonesia and all over the world.

We welcome and will receive any suggestions and constructive feedback to improve the organizing strategy for the betterment and development of Gadjah Mada International Conference of Economics and Business conferences and proceedings. We look forward to see you again in our next event.

Yogyakarta, December 2016.

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Comparing of Entrepreneurial Intention Student: Before and After taking
Entrepreneurship Course

Hujjatullah Fazlurrahman and Hafid Kholidi Hadi 904

**HOW CAN THE FAMILY BUSINESS CULTURE
OVERCOME THE TRILEMMA MANAGEMENT
(LESSON LEARN FROM PEKALONGAN BATIK INDUSTRY, INDONESIA)**

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ABSTRACT

The objective of this paper is to describe how can the family business culture overcome the trilemma management: to achieve production quickly, cheaply and high quality. This research used the qualitative method and phenomenology approach based on the theory of organizational culture and social learning. Data collected by observation, interview and documentation. This study illuminates the cultural construct of batik family firm: intimacy, communication warm, hard work, long term orientation, and confidence. The trilemma management that occurs in the batik industry was able to overcome using the culture of family. Harmonious culture, cooperative and innovative encourage batik products at very competitive.

Keywords: *Family Business Culture, Trilemma Management, Batik Industry.*

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INTRODUCTION

Family's culture has in shaping a positive atmosphere within a company (Denison, Lief and Ward, 2004). The family power and family culture have a positive influence on the ambidextrous orientation in family firms and that higher levels of ambidextrous orientation lead to a better economic performance (Stubner, Blarr, Brands and Wulf, 2012; Erdem and Baser, 2010; Zachary, R.K, 2011).

Families and businesses provide resources to the entrepreneurial endeavors of family members in the form of social capital, human capital, and assets including both financial and physical capital. Social capital includes the interrelations between and among family members. For example, trust is a specific aspect crucial to entrepreneurial activity. Family businesses have an advantage over

non-family businesses due to the enhanced possibility of trust among family members. Human capital includes the human attributes of the individuals in the family such as personal time and energy, as well as emotional support (Danes et. al, 2008; see also Zachary, R.K, 2011)

Although the dominant role of the family values on these firms' cultures is accepted, the fact is too complex to explain with this effect one to one. The firm's cultural values affected intensively by the founder's personality and values in the beginning can be affected in time by other members of the family and other groups in the firm. In the other side, many factors such as the firm largeness, sectoral properties and socio-cultural environment's properties affect the firm values. Some values become in the first plan according to life cycle

of the firm. For example, ambition, reliability, responsibility, hard work, honesty and growth are the entrepreneur's values revealing mostly in the foundation of the firm. Values such as openness and ability can be concerned long-term survival and growth of the organization (Alvarez and Lopez-Sintaz, 2001).

Business trends put a company in a situation is no longer a dilemma but trilemma conditions. Not only an economic problem, profit and loss, the demands of consumer satisfaction that always want the goods with good quality, cheap and fast service turned out to be not only affects the company's corporate family at the level of small industry and middle. Many researchers have examined the relationship the company of family and work values. Job and family values of the firms attending to the research are in harmony with the values determined in family firm literature (Vallejo, 2011; Lorraine, Kellermans,

Eddlestones, and Hoy, 2010). innovative property is dominant in job values of the firms attending to their research and conservativeness in family values of them. This situation can lead to the perception that at the first sight economic and social values are contrast structures in family firms. Whereas it is seen that family firm which have accomplished to be eternal can manage the global-local dilemma successfully (Erdem and Baser, 2010).

THEORETICAL FRAMEWORK

The conceptual framework guiding this research evolved from many fields of business as organization –organizational culture and social learning. The analysis about the role of family culture which built from culture construct and its influence to overcome their trilemma management as theoretical framework of this research on figure 1.

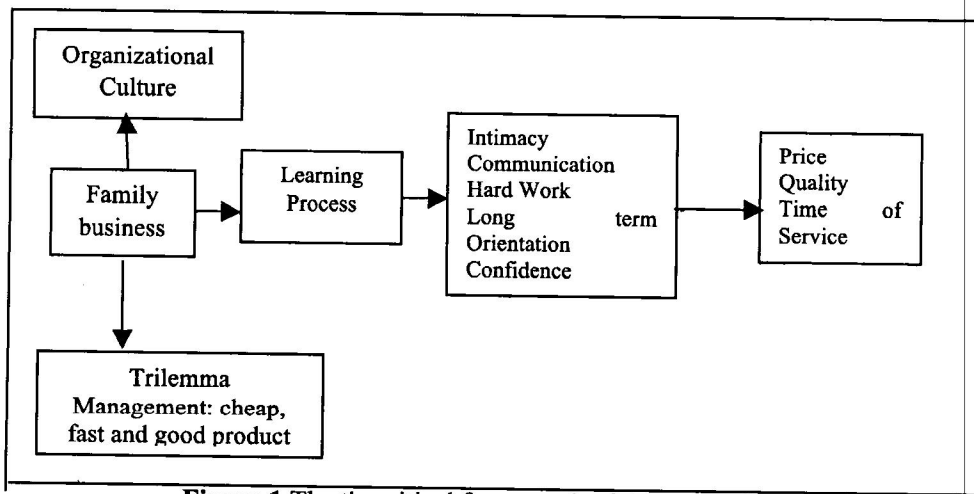


Figure 1. The theoretical framework of the research

Family Business as Organizational Culture

The strategic activities in an organizational and cultural context within one unit is needed (Barlett and Ghoshal, 1990).

As research on family firms and work on theories of family firms has progressed, the concept of "familiness" as a multidimensional continuum has gained credence (Danes, Loy and Stafford, 2008). Familiness as ranging from synergistic to constrictive. Synergistic familiness would have beneficial effects on firm performance, but constrictive familiness

would have negative effects on firm performance (Habbershon, Williams, and MacMillan (2003).

Industry as Social Learning

Rooted in the culture of an organization, market orientation is a resource that is difficult to imitate by competitors (Homburg and Pflesser, 2000). The organizational learning may help to design studies that focus on the actual pricing process (Moorman, 1995). With respect to market relationships as sources of value-informed pricing are however not

necessarily restricted to the dyads between buyers and sellers (Ingenbleek, 2007).

Family firms must strive for a culture that is explicit and open. Explicitness ensures that individuals are fully aware of what behavior is encouraged under the current culture, while openness encourages individuals to create and express new thought and ideas, which may question the firm's current culture (Hall, *et.al*, 2001).

METHODOLOGY

Research Design

The family business cases were studied through a research design which combined elements of grounded theory, ethnography, single case study and cross analysis (see Eisenhardt, 1989). In family firm researches, there are four analysis levels: individual, interpersonal/group, organizational and societal (Sharma, 2004). The aim of this

research is to explain family business culture-value based which carry on Pekalongan as the most fabulous region of batik industry in Indonesia, and how it can be used to overcome the trilemma management which consist of consumer orientation

DISCUSSION AND CONCLUSION

Batik as social and economy endurances.

Batik be one of the featured products based Regulation Of The Mayor 530/216, 2002. Pekalongan City Government Sets The 6 (Six) Regions Leading Products, besides the processing of fish, Convection, Weaving handloom, Handicraft Water Hyacinth and Natural Fibers.

Table 1. The Classification Business Actor

No.	Classification Business Actor	Total Business Unit
1.	Businesses that have IUI (Industrial Business License)	108
2.	Businesses that have TDI (Industrial Registration)	942
3.	Informal SMEs (Market Vendors, street vendors, etc.)	5.374
Total		6.424

Source: Department of Industry, Trade, and SMEs, Pekalongan City, 2015

From table 1, batik industry scattered in several categories of industry. One thing must be know that the relation between trader, maker which consists of employer and employee can be seeing clearly in *mbabar* business model of batik. Trader or the wholesaler is a businessman located outside from Pekalongan, example: Bali, Jakarta, Sumatra and other cities, he has the first order to big entrepreneur as the supplier for other different producer, until their employee. This is not ordinary patron-client relationship, their relation based on two main human interest: economic and culture. Another different thing we found that workplace and home are not different function anymore. The function of home has changed, because until this time, we can easily find that the people prefer to bring their work at home. Rationally, it's more flexible and convenient when they must

Make Sure the Management Strategy

combine the family responsibilities with their job. Even not only for make batik, they also can receive other job at their home, because job opportunity is scarce. A producer must take a strategy to gain the competitive advantage through seek a lower cost production. The business model of batik production represents not only the family kinship but also their neighbour. The positive influence of the involvement of family members in management offers more benefits than harm. With the stewardship perspective propose that involving family members in firm management allows family members to gain a better understanding of where the organization is headed, appreciate the challenges facing the firm, and make decision that they believe will maximize firm performance (Kellermen, Eddleston, Sarathy & Murhpy, 2010).

The construct of family firm culture in Pekalongan, first, intimacy that has closely

related to the suitability of individuals and organizations. Family firms suffer less from agency costs because ownership and management are in the hands of the family, and agent and shareholder have the same goals (Fama, 1980; Park and Shin, 2016).

Second, warm communication. At the workplace, the member family had to communicate with their worker in warm situation, we call it *rahat*, it's mean happy, talk each other and support between them. Strong families are good at communicating. This quality is closely related to the above qualities. Good communication takes time. They not only talk frequently, but they also know how to listen, thereby demonstrating mutual respect for all family members (Vallejo, 2008).

Third, hard work. Historically, batik not only as traditional man made or as social practiced but also about myth as belief that had strong relation with trust. By mystical culture, batik be trusted as medium of expression to conduct human world to god and goddesses world.

Fourth, long term orientation. Family business continuity requires togetherness of family and awareness to environment. To face the industrial change, its need to be aware for the family. It's important to get mentality such calmness, patient and positive thinking to adapt it. The spirituality force which try to make equality between spiritual and physical needy is very important not only for employer-employee in their relationship, but also to adapt the business change.

Patient also had been an implication for mystic expert, because patient was a key of happiness and love proved to God. This value lead a member of family to manage their firm. So, the leader must be clear regarding their own ethical beliefs and the ethical values of the approaches they adopt to change, in order to make a greatest good for the greatest stakeholder (Burnes & By, 2011). Fifth, confidence. The confidence of entrepreneurs is the main basis for business continuity.

a. Price

Family business are also often seen as very cost efficient (Anderson and Reeb, 2003). The price is, in fact, a multidimensional phenomenon and this multidimensionality hinges on the positive and negative aspects of price. There are

seven construct of consumers' price preceptions: value consciousness, coupon proneness, price consciousness, sales proneness, price mavenism, price-quality schema, and prestige sensitivity (Lichtenstein et.al, 1993).

Culture is the collective programming of the mind that distinguishes the members of one category of people from those another (Hofstede, 1980). The culture factors do have significant effects on price perception. Internal reference price has a consistent and negative effect on the overall price perception of both goods and services purchase and durable and non-durable goods purchase. However, the significant associations between price perception and overall price perception were only found in the services and non-durable goods purchase but not in the durable goods purchase. The culture also influencing the price perception (Meng, 2011).

Small and medium-sized For each industry, decision on pricing strategy is very hard. Ultimately when it faced with industry sustainability and customer satisfaction. To overcome pricing strategies managers use under different situations. The price decision system involves series of checks and balances and builds on formal and informal sources if information as well as the personal experience of the many individuals involved. Price objectives remain fairly constant over a longer period of time (Capon, 1975).

On the other hand, value-informed pricing have a big role in organizational context. It should be note that value-informed pricing is not taken for granted. Several implications for firms can be drawn.

b. Quality

The customers trade perceived price off against perceived quality, resulting in a "value perception" that is the basis of purchase intentions (Grewal, et.al. 1998). Improving the quality of an organization's products and services is fundamental to business success.

Quality has become a major strategic weapon for competing in a challenging environment. Small business owners and prospective entrepreneurs have a vital stake in quality control. Achieving high quality

standards is an attractive goal for most small business owner. It could have a positive economic impact on increasing sales, market share, profit or level of customer loyalty (Weinrauch and Natarajan, 1992). Quality is not an abstract generality, mere cheerleading, nor a popular buzzword that is now in vogue.

Employee structure of family business is unique in that there are both family and non family employees affecting firm culture where quality practices are executed (Danes, Loy and Stafford, 2008). There are eight different performance goals for quality programs: improved product quality; increased efficiency; improved customer service; cost reduction; improved decision-making; less defects; improved teamwork; and increased productivity.

c. Services

An important internal feature of family-owned firms is the nature of their employee structure; employees may include both family and non family employees. Another important internal feature is the feasibility of informal management practices and intuitive decision-making. Centralized decision making may enable a small firm to be quick, flexible, and responsive (Ellington, Jones, and Deane, 1996).

The research found that intimacy, communication warm, hard work, long term orientation, and confidence becomes foundation of management. The atmosphere was already building a work culture that is conducive for the business continuity batik. Business challenges are generally also experienced batik entrepreneurs. The consumer satisfaction at a cheap price, prompt delivery and product quality being a main problem in SMEs management. The trilemma management was able to overcome using the culture of family. Harmonious culture, cooperative and innovative encourage batik products at very competitive.

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