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Influence of Family Business Generation in Indonesia: First, Second, and Third Generational Ownership and Institutional Ownership As Moderation

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Abstract

Family company research is a vastly interesting study since family companies are super complex and dynamic business entities with unique characteristics in ownership patterns, management governance, and leadership succession. This study proves the phenomenon occurring that only 30% of family businesses survive from generation I to generation II, and 12% successfully make the transition from generation II to generation III. This study examines the effect of generational ownership in generations I, II, and III on company performance using ROE and ROA proxies with institutional ownership moderation. It uses the theoretical basis, namely agency theory, in family companies that have the potential to experience conflicts of interest between family shareholders and non-family shareholders. This research is quantitative research and uses a sample of 113 family companies during 2010-2020 years in Indonesia using unbalanced panel data obtained from the Indonesia Stock Exchange through OSIRIS. The analysis technique uses regression analysis and moderation regression analysis. The analysis results show the difference in the influence of generations I, II, and III on family companies in Indonesia. The results show a difference in the generational ownership influence in generations I, II, and III. In generation I, the results of generational ownership (go1) have a positive and significant effect on the company's performance on ROE and ROA. While generation II shows that generational ownership (go2) has a negative and significant effect on ROE, but it does not affect ROA. For generation III, it shows that generational ownership (go3) has no effect on ROE and has a positive and significant effect on ROA.

Keywords: *Business generation, Generational ownership, Institutional ownership, Company performance.*

1. Introduction

A family company is a complex and dynamic business entity, rich in intangible resources with unique characteristics (Barney, 1991; Martínez-Alonso et al., 2020). Family involvement in the company is a relationship-based characteristic built over time that is the most valuable and difficult resource to replicate. There are unique characteristics in

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terms of ownership patterns, management governance, and leadership succession (Aloulou, 2018).

A family company is defined using two criteria: (1) The share ownership of a family founder, and (2) The presence of family members on the management team or board with a minimum share ownership of 5% (Kang &; Kim, 2020; Villalonga & Amit, 2006; Zhou et al., 2017). Family involvement is an ongoing competitive advantage as it is unique, inseparable, synergistic, and difficult to replicate (Martínez-Alonso et al., 2020; Martinez & Ramalho, 2014). The peculiarity of a family business is the interaction between two organizational devices, family and business, which forms the basic character of business (Flynn &; Duesing, 2020). When analyzing the effect of family involvement, it is distinguished between two dimensions of family involvement in ownership and family involvement in management (Martínez-Alonso et al., 2020). The existence of family involvement in the company is a relationship built by the family over time, which is the most valuable resource and challenging to replicate (Martínez-Alonso et al., 2020).

There are interesting facts about company ownership in Asia, as well as company ownership in America and Europe. Companies in America and Europe are generally owned by various parties on a spread basis, while companies in Asia are generally owned by families. For example, Toyota Motor Corporation has been traditionally owned by the Toyota family. Not only that, families typically also have a group of companies consisting of several companies, both listed and not listed (Chen et al., 2020). Business development in family companies is indeed inseparable from the influence of leadership succession applied by every generation leader. According to research (Arifai et al., 2018) in a family company in Indonesia, the first generation is the company's founder. Family business was in the pioneering phase at that time, strengthening several fields. In terms of organization, it is generally not maximally formed because the founder still dominates the company's leadership. Then, the second generation is a crucial generation that acts as a bridge between the first generation as founder and the next generation. In the second generation, management and leadership styles begin to change to become more systematic and professional. The person who will replace the company's founder must be willing to develop from the bottom level, directly handle small things, and not directly occupy a high position in the company without process. The second generation must have competence, leadership, vision, and mission.

Meanwhile, the third generation is the next generation of the second generation, which has an increased life expectancy. The family success in the third generation is also supported by the awareness of company management by implementing good corporate governance as an essential pillar to maintain business continuity. The third generation serves as a binder that can make family relationships stronger. As a consequence, the existence of the third generation is expected to help balance business companies and family expectations. Finding the company generation is explained based on the company's age in the year of company establishment and calculated during the current year with a period of 25 years (Bansal, 2021). Accordingly, the generation of family companies in Indonesia can be classified as generation I with the age of 1-25 years running time, generation II with the age of 26-50 years running time, and generation III with the age of ≥ 50 years running time.

In the first generation, there are 40 family companies that have been listed on the Indonesia Stock Exchange. Meanwhile, in the second generation, there are 64 family companies that have been listed on the IDX. Likewise, in the third generation, there are 9 family companies that have been listed on the IDX in the time period of 2010-2020. In Indonesia, only 5% of family companies can survive to the fourth generation; the rest fall into the second and third generations; thus, the myth circulates that "the first generation builds, the second generation continues, the third generation destroys" (Chen et al., 2020). When several generations, i.e., second, third, and subsequent generations, are involved in the ownership and management of the family company, then the priorities and nature of the problem may begin to change (Gersick, 1997). When family members are involved in different roles within the company, agency issues will arise and occur between the principal and the agent (Fletcher, 2004). This happens because there are opposing opinions and goals, and the agent tries to pursue interests that conflict with the principal (Hiebl &; Li, 2020).

The company's performance in this study is measured using financial performance. Financial performance is used to determine the internal performance of the company. According to Kowalewski et al. (2010), to find out the company's financial condition in generating profits, Return on Equity (ROE) and Return on Assets (ROA) are used. ROE is beneficial as a consideration in choosing shares that can potentially provide profits. By using ROE, investors will be able to easily make decisions in investing in shares (Kowalewski et al., 2010), while ROA is the ratio of net profit generated with capital that has been invested in assets (Kowalewski et al., 2010). ROA is used to assess the extent to which investment capital can be invested so that it can generate profits by the expected results in investment (Tsouknidis, 2019). ROA shows the company's ability to generate profits from its assets; the higher the ROA value, the more influential the company will be in generating profits. This study identifies various aspects of family influence, explaining that the family can influence the business. This is how the family can be a helper and also an obstacle for the company that impacts the company's performance (Chatterjee &; Bhattacharjee, 2020; Hansen & Block, 2020). Explaining the family influence dimension of the generational ownership variable in generations of I, II, and III which are expected to affect the company's performance is then necessary.

According to (Kellermanns & Eddleston, 2007), generational ownership is defined as the level of generation's share ownership. Finding out the generation of the company is explained based on the company's age in the year of the company establishment and calculated during the current year with a period of 25 years (Bansal, 2021). Therefore, generations in the company can be classified over a period of 25 years running to show the classification of generation I, generation II, and generation III. When ownership is spread across generations, the company is most likely at a later stage of development with widespread ownership. Conversely, if ownership is concentrated in one generation only, it involves the founder or controlling owner of the next generation who leads the family company (Fletcher, 2004; Hiebl &; Li, 2020). Generational ownership is a critical factor, considering only 30% of family companies survive to the second generation and only 15% survive to the third generation. Common reasons why family companies do not pass through generations are a lack of planning and integration from the next generation, ignoring inputs and opinions from the next generation, and failing to manage conflicts (Basco, 2013; Molly et al., 2010; Remiasa &; Wijaya, 2017; Siebels & Zu Knyphausen-Aufseß, 2012).

According to (Kellermanns et al., 2012), generational ownership in one generation positively affects performance, while family companies with generational ownership in cross-generation will positively affect on company performance but with various conflicts. In companies where ownership is spread through several generations, each generation of families tends to have different perspectives and desires, so that the potential for conflict can increase. This is due to the fact that in the first generation the growth rate rises, while in the next generation, agency conflict will occur, which will reduce the company's performance (Molly et al., 2010). When ownership is spread across generations, the company is most likely at a later stage of development with widespread ownership. Conversely, if ownership is concentrated in one generation only, it involves the founder or controlling owner of the next generation who leads the family company (Fletcher, 2004; Hiebl &; Li, 2020). Family involvement management is required to determine the extent to which family members control ownership of the company and participate in the company's management structure (Alayo et al., 2021; Basco, 2013; Gallucci et al., 2015). Family involvement in business makes family businesses unique.

Family involvement in management has a positive and significant relationship with the company's financial performance. Family-connected management positively influences on company performance (Anderson & Reeb, 2003; Chrisman et al., 2018).

Viewed from the aspect of ownership structure, companies with a high level of institutional ownership will have corporate governance which gets better as the higher the level of institutional ownership, the stronger the supervision (controlling) is carried out by institutional shareholders on the company management conducted by the board of directors (Meckling and Jensen, 1976). Institutional ownership is an effective monitoring mechanism as a result of its involvement in the company’s strategic decision-making. Institutional ownership’s monitoring function is run through the controlling of the dividend payment ratio, not only considering the wishes of family shareholders but also considering other companies’ needs related to the utilization of investment opportunities (Jensen & Meckling, 2019). Through this approach, the interests of minority shareholders remain protected. According to (Meckling and Jensen, 1976), institutional ownership is the ownership of company shares owned by institutions, such as insurance companies, investment companies, and ownership of other institutions. Institutional ownership has an essential meaning in monitoring the management on the grounds that institutional ownership will encourage more optimal supervision improvement. Such monitoring will undoubtedly ensure the prosperity for shareholders.

Institutional ownership influence as supervisory agents is highlighted by their considerable investment in the capital market. Institutional ownership is cast as a monitoring agent who carries out optimal supervision of management behavior in playing its role in managing the company. (Jensen &; Meckling, 2019; Meckling and Jensen, 1976) states that institutional ownership is one of the tools that can be used to reduce agency conflict. The higher the level of institutional ownership, the stronger the level of control carried out by the external parties over the company; therefore, agency conflict within the company will decrease, and the company’s value will increase. According to Global Business Indonesia (2016), about 30% of family businesses survive the transition from first generation to second generation, while only 12% survive the transition from second to third place. Only few family companies can endure the fourth generation; the rest fall second and third. A myth even says that 'the first generation builds, the second generation continues, the third generation destroys' (Chen et al., 2020).

When the first, second, and subsequent generations are involved in the family company’s ownership and management, the problem’s priorities and nature of the problem will probably begin to change (Gersick, 1997). When family members are involved in different roles within the company, agency issues will arise between the principal and the agent (Fletcher, 2004). This happens because of different opinions and objectives where the agent pursues interests that conflict with the principal (Hiebl &; Li, 2020). Conflict will occur when the second, third, and subsequent generations are involved in running the family company (Alayo et al., 2021; Maseda et al., 2019). In this study, we would like to acknowledge the influence of generational ownership on the company’s performance. Researchers would develop a moderating effect from institutional ownership on the influence of generational ownership. Researchers find out if moderating institutional ownership at generational ownership in family companies will be able to maintain the sustainability of the company that has been built for an extended period of time and maintain the ownership of companies from generations I, II, and III in family companies. This is not found in previous studies. The research was conducted from 2010 – 2020 on family companies listed on the Indonesia Stock Exchange. Hence, institutional ownership moderation research may affect generational ownership and be interesting to research. The existence of the sustainability phenomenon is an interesting issue to be studied in family companies in Indonesia.

2. Literature Review

Agency Theory

A company is a place of interaction between principals and agents. The agency relationship perspective is the basis for understanding the relationship between agents and principals. The relationship between agent and principal is a form of social interaction when there is a separation of management functions and ownership functions, where one party (agent) acts as one of the representatives of the other party (principal) in decision-making. This is what can eventually cause the occurrence of agency problem which is the basis of its agency theory formation. (Meckling and Jensen, 1976) Agency theory explains the agency conflicts occurrence in companies that are widespread due to relationships in which owners engage managers to perform some services (manage the company) on their behalf. In such companies, decision-making authority is delegated to the agent. If both parties in the relationship are maximizing the utility, then the agent is not always acting in the company's interests. The agent acts in his own interest so that agency conflict occurs, which leads to the incurring of agency fees.

The occurrence of agency fees arises when the agent's interests do not match the principal's interests and influence the choices in duties, negligence, and decisions based on one's own interests so as to reduce the welfare of the principal. Agency theory describes the contractual relationship between the parties who delegate a particular decision (of the principal) and the party who receives the delegation (of the agent). In family companies, there is the potential for interest conflicts between family shareholders and non-family shareholders. This happens for the reason that the goals of the principal and agent are different (Maseda et al., 2019). Family shareholders tend to share some or all of the larger family goals as well as achieve their own goals that may conflict with the family's overall goals (Villalonga & Amit, 2006). The control implementation at the company is based on the principles of agency theory. The purpose of control is to reduce moral hazard problems in family companies. The source of the problem occurs when the family owner pursues economic and non-economic interests, which will ultimately harm the interests of non-family stakeholders (as minority shareholders). In addition, parental altruism and self-control problems are related to differences in intra-family interests associated with generational evolution (Monterrey & Ramirez-solis, 2019).

Agency theory describes issues arising from conflicts of interest and asymmetric information between two contracting parties (Jensen & Meckling, 2019). One of the fundamental assumptions of this theory is that agency costs arise through the separation of ownership and control. Agency costs will be minimized in family companies if the involvement of private ownership prevents them from taking over shareholder wealth through additional income and available resources (Sakawa &; Watanabel, 2020). As more generations are involved and ownership becomes more and more dispersed, different agency issues will arise, while some of the previous agency issues become less prominent. In addition, family companies are controlled by family managers rather than professional managers who do not have significant ownership, which can reduce agency problems between owners and managers. Additionally, the search for solutions to this problem can generate unique double agency costs through the creation of governance mechanisms to pursue family-oriented noneconomic benefits, namely Socio-emotional Wealth (SEW). It is a non-financial aspect that meets family affective needs such as identity, the ability to exercise family influence, and the continuity of family dynasties (Sakawa &; Watanabel, 2020).

Company Performance

The main objective of a company, according to company theory, is to increase the value of the company. Company value is highly crucial in as much as a high value will be followed by high shareholder prosperity. The value of shares will increase if the company's value increases, characterized by a high rate of return on investment to shareholders. High company value is believed not only to reflect the company's current performance but also to describe the company's prospects in the future. Therefore, the company must be able to manage company management well. The existence of an ownership structure in the company is able to affect the course of the company which ultimately affects the company's performance in achieving the company’s goals, that is, maximizing company value.Some studies state that family involvement in managing a business can affect company performance. The presence of family members in company management can improve company performance due to more efficient resource management (Gallucci et al., 2015). The involvement of families can create a balance between supervisory and management functions resulting in more effective monitoring of company management (Arifai et al., 2018).

To measure company performance by using ROE and ROA proxies, ROE and ROA are financial performance measurements since these ratios can represent returns on company activities. Return on equity is used to determine the extent to which the company uses its resources to generate equity profits (Hansen &; Block, 2020). ROE as net income is divided by shareholders' equity (Kowalewski et al., 2010). With the increase in ROE, it becomes information that shows that companies are finding effective ways to generate return on equity. Yet, on the contrary, if it is found that the ROE value has fallen, it shows that the company is experiencing problems in the company management. Comparing the ROE value will be able to provide clues for investors to determine the amount of investment given to the company (Kowalewski et al., 2010). The following proxy to measure company performance is Return on Assets (ROA). ROA is a ratio that compares a company’s net profit with the capital invested in an asset (Anderson & Reeb, 2003). If the ROA value is closer to 1, it shows the better company's profitability, as every existing asset can generate profits (Kowalewski et al., 2010).

Family Company

A family company is a complex and dynamic business entity by the cause of family involvement. It is a source of competitive advantage as long as it is unique, inseparable, synergistic, and difficult to replicate (Barney, 1991). Family companies have two criteria; 1). The share ownership existence by the founder of the company, 2). Family members who work on the company's management have a minimum share ownership of 5% (Kang &; Kim, 2020; Villalonga & Amit, 2006; Zhou et al., 2017). Calculating the generation in the company is based on the age of the company from the year of the company’s establishment to the current year of the company. The generation of family companies in Indonesia can be classified into generation I, which is the age of the company ranging from 1 to 25 years running. While in generation II, it is calculated starting from 26 to 50 years of company establishment, and in generation III, it is calculated more starting from 51 years of company establishment time (Bansal, 2021).

(Kellermanns & Eddleston, 2007) explain that the generation of the family company is an important factor to consider when there is conflict in the family business. The generation of the family will not directly affect the conflict. Founders tend to dominate the decision-making; meanwhile, family members in next-generation companies are more likely to have equality in decision-making. In accordance, the generation of family companies can affect how conflicts occur and affect company performance (Bövers &; Hoon, 2020; Siebels & Zu Knyphausen-Aufseß, 2012; Sonfield & Lussier, 2016) (Bansal, 2021) explains that family ties become weaker with the involvement of more generations because each generation puts their individual needs above the organizational needs. The risk of intrafamily conflict is found to increase with the increasing number of generations. As a result, good corporate governance is needed to manage the company management with generational involvement in the company.

Generational ownership

Generational ownership is very substantial considering that only 30% survive to the second generation and only 15% survive to the third generation. In family companies that cannot survive in the next generation, this occurs due to a lack of planning and integration from the next generation, ignoring input and opinions from the next generation, resulting in a failure to manage the company (Eddleston et al., 2008; Franco & Piceti, 2020; Kellermanns & Eddleston, 2007). In addition, according to (O'Boyle et al., 2010) and (Hansen & Block, 2020), generational ownership and corporate governance are found to positively affect the performance of family companies. At generational ownership of high cross-generation, there will be competition for the interests of family members so that it will reduce company performance. According to (Kellermanns & Eddleston, 2007), generational ownership describes the shareholding ratio held by a generation as a management team or board. Generational ownership is an essential factor to consider when there is conflict in a family business. In the first generation, founders tend to want to dominate the decision-making, while family members in the next generation of companies are more likely to have equality in decision-making so that the generation of family companies can influence conflicts that occur in the company (Martinez & Ramalho, 2014; Siebels & Zu Knyphausen-Aufseß, 2012).

According to (Gallucci et al., 2015), family involvement in the management will impact branding strategies in communicating with families related to family history, values, and identity, as family branding will have another impact on business growth in family companies. Meanwhile, according to (Kellermanns et al., 2012), generational ownership existence refers to ownership level in one generation. Low ownership indicates that ownership is held by one generation, while high ownership indicates that several generations hold ownership of the family company. When ownership is spread over multiple generations, the company is likely at a later stage of development, with ownership widely held by later generations (O'Boyle et al., 2010; Sonfield & Lussier, 2016). Thus, when ownership is concentrated in generation I, the founder or owner as the controller of the company will then continue the ownership in generation II and generation III (Monterrey & Ramirez-solis, 2019).

The sustainability of ownership will cause problems for generation II and generation III companies because founders still continue to participate in important company decisions that will interfere with the next generation’s leadership and control (Maseda et al., 2019). As the family business matures, there will be an overlap between the family and the business system so that it will increase conflict (Monterrey & Ramirez-solis, 2019). Management comes along with the threat of organizational paralysis as the presence of the next generation will cause conflict for founders, which can cause conflict between families (Kellermanns & Eddleston, 2007). Founders are reluctant to share information with the next generation about different management procedures and goals, and a lack of professionalism at work becomes a source of conflict. Conflict can also occur when there is a paternalistic role that is more dominant in the family company so that this can trigger internal conflicts in the family (Eddleston et al., 2008; Kellermanns et al., 2012; Kellermanns & Eddleston, 2007).

Many family companies cannot survive in the next generation due to a lack of planning and integration, neglect of input and opinions from the next generation, and failure to manage conflict effectively (La Porta et al., 1999; Moores & Barrett, 2013). Accordingly, generational ownership seems to be an essential factor for knowing the family company’s sustainability when there is a conflict that can affect the company's performance (Kellermanns & Eddleston, 2007; Remiasa &; Wijaya, 2017).

Institutional ownership

Institutional ownership is cast as monitoring agents who carry out optimal supervision of management behavior in playing its role in managing the company. (Meckling and

Jensen, 1976) states that institutional ownership is a tool that can be used to reduce agency conflict. The higher the share ownership by the institution, the stronger the control level exercised by external parties over the company; therefore, the agency conflict within the company will decrease, and the value of the company will increase (Gallucci et al., 2015; Kowalewski et al., 2010).According to (Choi et al., 2011), institutional investors contribute to reducing agency costs since they are more incentivized to pressure managers to focus more on company performance. Institutional investors play an important coordinating role among internal and external stakeholders, which consequently puts pressure on companies to pursue long-term success visions for social welfare rather than maximizing short-term profits. In addition, the role of institutional investors as regulators for corporate governance and financial markets can substantially influence managers' investment decisions and behavior.

According to (Meckling and Jensen, 1976) of the ownership structure, a company with high institutional ownership will have better governance as the higher the institutional ownership level, the stronger the control exercised by institutional shareholders over the company management carried out by the board of directors. Institutional ownership is an effective monotoring mechanism by reason of the institutional ownership’s involvement in making strategic decisions for the company, including determining the utilization of net profit (Jensen & Meckling, 2019). According to (Sakawa & Watanabel, 2020), the existence of institutional investors plays a role in monitoring the company so that it is expected to strengthen the company through higher growth opportunities. This explains that institutional shares contribute to improving sustainable corporate performance and being able to build sustainable corporate governance mechanisms in a stakeholder-oriented system. Institutional investors play a more vital role in overseeing companies with higher growth opportunities, which means institutional shareholders more effectively monitor companies with higher growth projects, resulting in higher future profitability. While according to (Sakawa et al., 2020), the institutional ownership role is shareholder-oriented to stakeholders. This study shows that the institutional part of shareholders functions effectively in the company. These results indicate that institutional ownership positively affects the company's performance. The monitoring function of institutional ownership is run through controlling the dividend payment ratio that considers the wishes of family shareholders and other companies’ needs related to the utilization of investment opportunities (Jensen & Meckling, 2019).

In the presence of institutional ownership, the generation of companies will contribute to reducing agency costs because the incentive can pressure agents to focus more on company performance. The existence of institutional ownership will reduce conflicts since the higher the shareholding in institutional ownership, the stronger the control level over the company. Thus, agency conflict in the company is decreasing, and the impact of company performance and company value will increase (Jensen & Meckling, 2019). The sustainability phenomenon is an interesting issue to be studied. Many examples show that family companies cannot survive when the succession process fails to be carried out by the company. Building and sustaining corporate sustainability from generation I to the next is the hallmark of a family company. Based on the above background, the hypothesis in the study is formulated as follows:

1. Is there a difference in the influence of generational ownership on company performance in generations I, II, and III in family companies in Indonesia.

2. Is institutional ownership able to moderate the influence of generational ownership on company performance in generations I, II, and III in family companies in Indonesia.

The aim and objectives of the study

The sustainability phenomenon is an interesting issue to be studied. There are many instances where family companies have had to crumble when the next generation fails to carry on the baton. Building and maintaining a family company for generations to remain strong is not an easy matter (Hatak et al., 2016; Rosen et al., 2019). The life of family companies is relatively short; accordingly, only 30% of family companies successfully make the transition from the first generation to the second generation. After that, only 12% successfully transitioned from the second generation to the third generation (Molly et al., 2010). This study identifies various aspects of family influence. It explains that the family can exert influence over the business. It is that the family can be a helper and also an obstacle for the company that has an impact on company performance (Chatterjee & Bhattacharjee, 2020; Hansen & Block, 2020). This explains the family influence dimension of generational ownership variables in generations I, II, and III, which are expected to affect company performance.

The objectives of this study include:

1. To find out the difference in the influence of generational ownership in generations I, II, and III on company performance in family companies in Indonesia.

2. To find out the moderation of institutional ownership that can affect generational ownership in generations I, II, and III of company performance in family companies in Indonesia.

3. Method

The sample data used in this study is secondary data in the form of unbalanced panel data, a combination of cross-section and time series data in 2010-2020 family companies listed on the Indonesia Stock Exchange. Data from the financial statements of non-financial go-public companies from various sectors are listed on the IDX as family companies through the official websites of OSIRIS and ICMD. The sample consisted of 113 companies with 992 observations.

Research model

Model 1:

$$\mathrm{ROE.it} = \beta_0 + \beta_1\mathrm{GOit} + \beta_2\mathrm{IOit} + \beta_3\mathrm{SIZEit} + \beta_4\mathrm{AGEit} + \beta_5\mathrm{LEVit} + \beta_6\mathrm{GROWTHit} + \epsilon \ldots\ldots\ldots\ldots \quad (1)$$

$$\mathrm{ROA.it} = \beta_0 + \beta_1\mathrm{GOit} + \beta_2\mathrm{IOit} + \beta_3\mathrm{SIZEit} + \beta_4\mathrm{AGEit} + \beta_5\mathrm{LEVit} + \beta_6\mathrm{GROWTHit} + \epsilon \ldots\ldots\ldots\ldots \quad (2)$$

Model 2

$$\mathrm{ROA.it} = \beta_0 + \beta_1\mathrm{GOit} + \beta_2\mathrm{IOit} + \beta_3\mathrm{GO} * \mathrm{IOit} + \beta_4\mathrm{SIZEit} + \beta_5\mathrm{AGEit} + \beta_6\mathrm{LEVit} + \beta_7\mathrm{LEVit} + \epsilon \ldots \quad (3)$$

$$\mathrm{ROA.it} = \beta_0 + \beta_1\mathrm{GOit} + \beta_2\mathrm{IOit} + \beta_3\mathrm{GO} * \mathrm{IOit} + \beta_4\mathrm{SIZEit} + \beta_5\mathrm{AGEit} + \beta_6\mathrm{LEVit} + \beta_7\mathrm{LEVit} + \epsilon \ldots \quad (4)$$

The dependent variable in this study is the performance of companies that use ROE and ROA proxies. ROE gives investors an idea of whether the invested capital is being used best to generate profits (Kowalewski et al., 2010). ROE plays a role in measuring how successful management is in managing a business (Hansen & Block, 2020). In addition, ROA is a ratio used to calculate a business in relation to assets and capital, where ROA can provide fundamental information to determine the company's next steps in the future (Kowalewski et al., 2010; Villalonga & Amit, 2006). The independent variable is Generational Ownership (GO), which is defined as the ratio of shareholdings that a family owns in a generation (Kellermanns & Eddleston, 2007). To find out the generation of the family, it is explained based on the company's age in the year of company establishment and calculated during the current year with a period of 25 years (Bansal, 2021). In generation I, companies start from a period of 1-25 years. In generation II, companies start from a period of 26-50 years, and in generation III, they start from a period of > 50 years.

Moderation variables are Institutional Ownerhip (IO), which is defined as ownership of company shares owned by institutions such as companies, insurance companies, and ownership of other institutions. The existence of monitoring will certainly ensure prosperity for shareholders (Meckling and Jensen, 1976; Sakawa &; Watanabel, 2020). On the control variables, they are: 1). Size, namely the company size, is used as it shows the capacity and ability of the company to manage all its operational and financial activities in order to achieve company goals (Maseda et al., 2019). 2). The company's age is known from the beginning of the company until this research was carried out (Bansal, 2021). 3). Leverage uses ratios that are used as the company's ability measure to meet its long-term obligations (Bansal, 2021). 4). Growth results are calculated as the percentage change in assets at a given time against the previous year. Based on the above definition, it can be explained that growth is a change in total assets in the form of both increases and decreases experienced by the company during one period (Bansal, 2021).

Table 1. Variable Definition

Variable	Definition	Source
Dependent		
ROE	Net income divided by total equity	OSIRIS
ROA	Net income divided by total assets	OSIRIS
Independent		
GO	Family shareholding divided by the total number of circulating shares	OSIRIS
IO	The number of shares controlled by the institution divided by the number of circulating shares	OSIRIS
Control		
Size	Ln total assets of the company	OSIRIS
Age	Natural logarithm of company age in years	OSIRIS
Leverage	Total liabilities divided by total assets	OSIRIS
Growth	Total year-end assets minus total assets at the beginning of the year and divided by total assets at the beginning of the year	OSIRIS

4. Results

This section explains, among others, research data, data processing, and the results of hypothesis testing. Data processing in this study used panel data regression with unbalanced data. On data processing, the Ordinary Least Square with regression used Microsoft Excel Software, and hypothesis testing used STATA14. Some analyses to generate reasonable hypotheses used the robustness test.

Descriptive Statistics

Table 2 describes the sample selection process using panel data and excluding financial institutions from the sample as they have different characteristics.

Table 2. Sample Criteria

Criterion	Sum
A go-public listed company on the IDX as a family company	135
Companies registered for at least two years during the observation	(22) 113
Companies that published financial statements during the period of 2010-2020	113
Company reports are presented in dollars and rupiah	113
Total sample	113

Source: processed data

It uses a sample of companies that correspond to the characteristics of the family company. Data were obtained from 2010-2020 using unbalanced data with at least two observations during the study. There are 113 family companies listed on the IDX consisting of various sub-sectors with a total of 992 observations.

Table 3. Sample Distribution

SIC	INDUSTRY	GEN 1		GEN 2		GEN 3		TOTAL	
		N	%	N	%	N	%	N	%
0	Forestry and Fisheries	63	22%	23	4%	17	23%	103	100%
1	Mining	60	21%	69	11%	11	14%	140	100%
2	Construction	22	8%	211	33%	11	14%	244	100%
3	Manufacturing	23	8%	201	32%	11	14%	235	100%
4	Transportation, Communication, and Utilities	38	13%	29	4.5%	11	14%	78	100%
5	Wholesale and retail trade	24	9%	29	4.5%	11	14%	64	100%
7	Service Industry	53	19%	64	10%	5	7%	122	100%
8	Health, Legal Services, Education and Consulting			6	1%			6	100%
TOTAL		283	29%	632	64%	77	7%	992	100%

Source: processed data

In Table 3, there are 992 observational data consisting of 283 observations in generation I companies, then in generation II, there are 632 observations, and in generation III, there are 77 observations. In generation I, it is known that companies having extensive observations are companies in the forestry and fisheries sector (SIC 0). After that, there are companies in the mining sector (SIC 1) with 60 observations and service industry companies (SIC 7) with 53 observations. While in generation II, it is known that there are 632 observations spread across several sectors, namely the construction sector (SIC 2), numbering to 211. In addition, in the manufacturing sector (SIC 3), there are 201 observations, while in the mining sector (SIC 1), there are 69 observations. For generation III, it is known that there are 77 observations divided into several sectors, including the forestry and fisheries sector (SIC 0), numbering to 17 observations. For the mining, construction, manufacturing, transportation, and trade sectors are 11 observations each.

Table 4. Descriptive Statistic

Variable	Obs	Mean	Std.Dev	Min	Max
roe	992	0.0378	0.6425	-7.704	13.655
roa	992	0.0276	0.3342	-1.723	9.743
go1	283	0.2950	0.2151	0.055	0.946
io1	283	0.4702	0.2892	0	0.971
go2	632	0.3094	0.2367	0.05	1.075
io2	632	0.4876	0.2731	0	0.994
go3	77	0.3458	0.2521	0.071	0.986
io3	77	0.4614	0.3042	0	0.986
Size	992	27.8033	1.6622	21.852	32.317
Age	992	33.0655	19.0026	2	119
Lev	992	0.5313	0.6097	0	11.844
growth	992	0.3012	5.8147	-18.481	177.673

Source: processed data

In Table 4, there are 992 observations in the family company for generations I, II, and III. The ROE value was obtained by a mean of 0.0378 with a standard deviation of 0.6425. This result explains the company's average performance of 0.0378. The maximum value is 13,655, and the minimum value is -7,704. For the ROA value, a mean of 0.0276 was obtained with a standard deviation of 0.3342. These results explain the company's average performance of 0.0276. The maximum value is 9,473, and the minimum value is -1,723. In generation I companies, there were 283 observations divided into 40 company samples. On generational ownership (GO1) variables, it was obtained a mean value of 0.2950 with a standard deviation of 0.2151; the result explains the average share ownership (GO1) in generation I of 0.2950. The maximum value is 0.946, and the minimum value is 0.055. For institutional ownership (IO1) variables, it was obtained a mean value of 0.4702 with a standard deviation of 0.2892. The maximum value is 0.971, and the minimum value is 0.

In the second-generation family company, there were 632 observations divided into 64 company samples. On generational ownership (GO2) variables, it was obtained a mean value of 0.3094 with a standard deviation of 0.2367; this explains the existence of share ownership (GO2) in generation II with on average of 0.3094. The maximum value is 1.075, and the minimum value is 0.05. At the same time, institutional ownership (IO2) indicates a mean value of 0.4876 with a standard deviation of 0.2731. This result explains institutional ownership (IO2) of 0.4876. The maximum value is 0.994, and the minimum value is 0. In the third-generation family company, there were 77 observations divided into 9 company samples. On generational ownership (GO3) variables, it indicated a mean value of 0.3458 with a standard deviation of 0.2521. This explains the average value (go3) of 0.3458. The maximum value is 0.986, and the minimum value is 0.071. While institutional ownership (IO3) variables show a mean value of 0.4614 with a standard deviation of 0.3042, the result explains the average value of institutional ownership (IO3) 0.4614. The maximum value is 0.986, and the minimum value is 0.

On the control variables, namely; Size, it was obtained a mean value of 27,803 with a standard deviation of 1,662; this result explains that the size value in the company obtained an average of 27,803. The maximum value is 32,317, and the minimum value is 21,852. For age variables, the mean value is 33,065, with a standard deviation of 19,003. The maximum score obtained is 119, and the minimum value is 2. For Leverage variables, the mean value is 0.5313 with a standard deviation of 0.6097. This result shows that the average leverage value is 0.5313. The maximum value is 11,844, and the minimum value is 0. For Growth variables, the mean value is 0.3012 with a standard deviation of 5.8147. This result explains that the company's growth averaged 0.3012. The maximum value is 117,673, and the minimum value is -18,481.

Table 5. Regression Equation Results

	(1)	(2)	(3)	(4)	(5)	(6)
	roe	roa	roe	roa	roe	roa
go1	0.137**	0.054**				
	(2.241)	(2.307)				
io1	0.069	0.026				
	(1.520)	(1.608)				
size	0.008	0.002	0.018***	0.012***	-0.042	-0.010
	(0.671)	(0.408)	(3.268)	(6.962)	(-1.636)	(-1.170)
age	0.003	0.001	-0.000	-0.000	0.001	-0.000
	(1.531)	(1.092)	(-0.045)	(-0.044)	(1.126)	(-0.227)
lev	-0.331***	-0.099***	-0.045	-0.156***	0.303*	-0.157***
	(-3.744)	(-4.246)	(-0.874)	(-10.650)	(1.709)	(-3.026)
growth	0.197***	0.060***	0.135*	0.110***	0.073	0.164**
	(3.353)	(2.659)	(1.777)	(2.878)	(0.370)	(2.200)
go2			-0.159***	-0.011		
			(-3.647)	(-0.978)		
io2			-0.016	0.013		
			(-0.433)	(1.211)		
go3					0.166	0.087**
					(1.545)	(2.270)
io3					-0.156	-0.056
					(-1.591)	(-1.472)
_cons	-0.191	-0.028	-0.379**	-0.256***	1.031	0.372
	(-0.592)	(-0.234)	(-2.399)	(-4.994)	(1.407)	(1.519)
r2	0.180	0.146	0.055	0.380	0.133	0.498
N	283	283	632	632	77	77

t statistics in parentheses

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

The regression equation in this study used ordinary least square (OLS). In this study, to determine the influence differences in generational ownership and family involvement management inter-generational on the company's financial performance. Regression analysis results used a robustness test. Table 5 on generation I shows that generational ownership (GO1) has a positive and significant effect on ROE with a significance value of $p < 0.05$ and a coefficient value of 0.137. While the ROA shows the results that generational ownership (GO1) has a positive and significant effect on ROA with a significance value of $p < 0.05$ and a coefficient value of 0.054. This means that the existence of share ownership in generation I (GO1) will affect the company's performance. The greater the ownership of generation I shares, the better the company's performance is.

The study results in generation II show that generational ownership (GO2) has a negative and significant effect on company performance (ROE) with significance $p < 0.01$ and a coefficient value of -0.159. This explains that an increase in generation II (GO2) share ownership will cause a decrease in company performance (ROE). The greater the share ownership in generation II, the more decreased the company's performance is. Meanwhile, generational ownership (GO2) has no significant effect on company performance (ROA). This result explains that the existence of share ownership in generation II has no effect on company performance (ROA). The study results in generation III show that generational ownership (GO3) has no significant effect on company performance (ROE). This result explains that the existence of share ownership in generation III does not impact improving company performance (ROE). While generational ownership (GO3) in generation III has a positive and significant effect on company performance (ROA) with a significance of $p < 0.05$ and a coefficient value of 0.087. This shows that the existence of share ownership will improve company performance (ROA). The higher the share ownership, the more the company's performance (ROA) will increase.

Table 6. Results of Analysis Regression Moderation

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	roe	roe	roa	roa	roe	roe	roa	roa	roe	roe	roa	roa
go1	0.137**	0.133	0.054**	0.054								
	(2.241)	(1.219)	(2.307)	(1.544)								
io1	0.069	0.066	0.026	0.026								
	(1.520)	(0.963)	(1.608)	(1.088)								
size	0.008	0.008	0.002	0.002	0.018***	0.017***	0.012***	0.012***	-0.042	-0.063**	-0.010	-0.020**
	(0.671)	(0.687)	(0.408)	(0.408)	(3.268)	(3.218)	(6.962)	(6.905)	(-1.636)	(-2.261)	(-1.170)	(-2.158)
age	0.003	0.003	0.001	0.001	-0.000	-0.000	-0.000	-0.000	0.001	0.001	-0.000	-0.000
	(1.531)	(1.490)	(1.092)	(1.090)	(-0.045)	(-0.017)	(-0.044)	(-0.017)	(1.126)	(1.141)	(-0.227)	(-0.186)
lev	-0.331***	-0.331***	-0.099***	-0.099***	-0.045	-0.042	-0.156***	-0.155***	0.303*	0.277	-0.157***	-0.170***
	(-3.744)	(-3.730)	(-4.246)	(-4.215)	(-0.874)	(-0.822)	(-10.650)	(-10.557)	(1.709)	(1.575)	(-3.026)	(-3.161)
gro	0.19	0.19	0.06	0.06	0.13	0.13	0.11	0.11	0.0	0.06	0.16	0.15

wth	7***	7***	0***	0***	5*	4*	0***	0***	73	0	4**	8**
	(3.353)	(3.331)	(2.659)	(2.638)	(1.777)	(1.769)	(2.878)	(2.872)	(0.370)	(0.315)	(2.200)	(2.220)
goio1		0.008		-0.001								
		(0.053)		(-0.015)								
go2					-0.159***	-0.119	-0.011	0.002				
					(-3.647)	(-1.592)	(-0.978)	(0.085)				
io2					-0.016	0.016	0.013	0.024				
					(-0.433)	(0.265)	(1.211)	(1.200)				
goio2						-0.083		-0.028				
						(-0.555)		(-0.762)				
go3									0.166	-0.451***	0.087**	-0.218***
									(1.545)	(-3.441)	(2.270)	(-3.138)
io3									-0.156	-0.439***	-0.056	-0.196***
									(-1.591)	(-3.031)	(-1.472)	(-3.390)
goio3										0.986***		0.488***

										(4.473)		(4.137)
_cons	-0.191	-0.191	-0.028	-0.028	-0.379**	-0.388**	-0.256***	-0.259***	1.031	1.800**	0.372	0.753**
	(-0.592)	(-0.579)	(-0.234)	(-0.234)	(-2.399)	(-2.415)	(-4.994)	(-4.989)	(1.407)	(2.159)	(1.519)	(2.601)
r2	0.180	0.180	0.146	0.146	0.055	0.056	0.380	0.380	0.133	0.180	0.498	0.575
N	283	283	283	283	632	632	632	632	77	77	77	77

t statistics in parentheses

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Based on Table 6 on generation I family companies, it is known that institutional ownership (goio1) does not moderately influence generational ownership on the company's performance both ROE and ROA. This explains institutional ownership (goio1) on generational ownership having no influence on the company's performance in both ROE and ROA. In generation I companies, it was found that family members prioritized family goals over business goals (Bansal, 2021). Generation I focuses more on monitoring management decisions to reduce failures in the company. Therefore, the existence of generation I share ownership becomes increasingly important to improve management efficiency and effectiveness (AL-Najjar, 2015). The existence of institutional investors in the company is considered to have a weak role in monitoring the company so that the existence of institutional investors has not been able to provide benefits to the company (AL-Najjar, 2015; Sakawa et al., 2020).

Likewise, in generation II family companies, the role of institutional ownership (goio2) moderation on generational ownership is unable to moderate the influence of generational ownership on company performance, namely on ROE and ROA. This explains that institutional ownership moderation at generational ownership (goio2) cannot affect the performance of the company in both ROE and ROA. This shows that institutional ownership is unable to influence share ownership in the company. In the second-generation family company, it is explained that there are several generations in the company that results in scattered ownership, causing agency problems (Jensen & Meckling, 2019; Meckling and Jensen, 1976). Consequently, to maintain business continuity in generation II, leadership succession planning is needed. The existence of leadership regulations is expected to maintain business continuity in the future and the results will also affect the company's performance (Morris et al., 1997; Rosen et al., 2019).

Generation III’s known results show that institutional ownership (goio3) moderation can moderate the generational ownership influence on company performance (ROE) with significance $p < 0.01$ and a coefficient value of 1.240. This means that the presence of institutional investors in the company will affect the share ownership numbers in generation III. The higher the institutional ownership, the greater the influence on the share ownership of generation III companies is so that it will have an impact on increasing company performance (ROA). Moreover, institutional ownership (goio3) can also moderate the influence of generational ownership on company performance (ROA) with a significance $p < 0.01$ and a coefficient value of 0.486. This result explains that the existence of institutional shareholding in the company can affect shareholding in generation III. The higher the institutional shareholding, the more the third-generation shareholding in the company will increase because they realize that the increase in company assets will cause prosperity for shareholders so that it will have an impact on increasing company performance (ROA).

5. Discussion and Results

The influence of generational ownership on company performance in generation I

The study results explain that generational ownership in generation I (go1) has a positive and significant effect on the company's performance on ROE and ROA. This research is in line with an opinion (Kellermanns et al., 2012) that companies existing in one generation will have a positive effect on company performance. In the first generation, founders tend to dominate the decision-making because of a solid commitment to the company. They realize that the company’s survival and family harmony depend on their effectiveness level in managing the company (Martinez & Ramalho, 2014; Siebels & Zu Knyphausen-Aufseß, 2012). According to (Kellermanns et al., 2012), the first generation is defined as a family-owned and managed company with more than one family member involved, but only the founding generation. In the first-generation company, the founder will oversee the company effectively since all decision-making is based on the founder or owner so that the founder can make decisions quickly and precisely with no interference from the next generation, which will have a positive impact on the company's performance.

The family involvement in the company's share ownership is a competitive advantage because of the long-term commitment to advance the company (Hansen &; Block, 2020). However, cross-generational family involvement in family companies will be weak as each generation puts their individual above organizational needs (Bansal, 2021). The risk of cross-generational conflict was found to increase as the number of mutigenerational family members involved in managing the company increased (Bansal, 2021; Martínez-Alonso et al., 2020). In addition, the results of this study align with (Hansen & Block, 2020; O'Boyle et al., 2010), finding that generational ownership and corporate governance affect the performance of family companies. In generational ownership of high cross-generation, there will be competition for the interests of family members so that it will reduce company performance. Moreover, (Kellermanns et al., 2012; Kellermanns & Eddleston, 2007) explain that generational ownership in one generation positively affects performance. While a family company with cross-generational ownership will negatively affect company performance since it will increase intrafamily conflict. Conflict happens as founders tend to dominate the decision-making, whereas the family members in next-generation companies are more likely to have equality in decision-making. Consequently, the generation of family companies can affect how conflicts will occur so that it will cause a decrease in company performance (Kellermanns et al., 2012; Kellermanns & Eddleston, 2007).

In generation I companies, the family founder is involved in the business and shares the same fate with the company as well as there is an agreement on family and business goals. The founder, as a family member, is involved in ownership, governance, and management to reduce the occurrence of agency issues (Maseda et al., 2019).

The influence of generational ownership on company performance in generation II

The research results on generation II family companies show that generational ownership has a negative and significant effect on company performance (ROE). This explains that the existence of generation II share ownership will reduce the company's performance (ROE). The higher the share ownership in generation II, the more it will reduce the company's performance (ROE). The study results are in line with (Moores & Barrett, 2013; Morris et al., 1997). Companies in generation II focus more on business and non-financial aspects. Non-financial aspect is one of the indicators used to measure the company’s success. The existence of cross-generational ownership will trigger intrafamily conflict and information asymmetry. The occurrence of different goals in achieving profits and the participation of the founding generation in decision-making will cause conflict between agencies.

According to (Meckling and Jensen, 1976), the occurrence of agency conflicts is due to the interests of different family members. When family members are involved in various roles, agency issues may arise between the principal (the family shareholders) and agents (the family members involved in management governance) as opposing opinions and goals increase and agents pursue their interests that conflict with the principal's interests (Chrisman et al., 2018; Maseda et al., 2019). In generation II companies with cross-generational involvement in company management, the company’s sustainability can survive, namely with a high level of share ownership, which is the main factor in surviving in business competition (La Porta et al., 1999). As a family-controlled business, leadership succession planning is one of the strategic steps to maintain the sustainability of the company's life (Rosen et al., 2019). The occurrence of agency conflict in family companies is not only due to the ownership and control problems in addition to agency conflicts of shareholders and managers but also due to the shareholders majority (family of controlling owners) and shareholders minority in the company. In addition, there are family members in different roles in the business (Alayo et al., 2021; Jensen &; Meckling, 2019; Maseda et al., 2019; Meckling and Jensen, 1976).

In generation II, family shareholders who become shareholders majority tend to have goals that may differ from those of the founding family. Thus, this shows that in companies where ownership is spread through several generations, each generation of families tends to have different perspectives and desires so that the potential for conflict can increase (Alayo et al., 2021; Bansal, 2021; Maseda et al., 2019). This is because in generation I, the growth rate increases, while in the next generation, it will create agency conflict, which will reduce the company's performance (Molly et al., 2010). Furthermore, the results showing generational ownership (go2) did not have a significant effect on company performance (ROA). This explains that the existence of share ownership does not have an impact on company performance (ROA). In family companies, family involvement leads to families relationships so that it is a unique, synergistic, and interactive relationship that is established in business (Monterrey & Ramirez-solis, 2019). In generation II, successors tend to be more conservative and interested in preserving the family’s wealth so that there is no guarantee of increasing financial success that will impact the next generation in maintaining business sustainability. They tend to focus on financing to pursue group benefits without looking at the assets that have been used in financing so that it can result in a decrease in family wealth (Kellermanns et al., 2012; Kellermanns & Eddleston, 2007).

Problems that often occur in generation II companies can be caused by the founders continuing to participate in important company decisions that can interfere with the leadership and control of the next generation. As a family business matures, the overlapping families and business systems can increase conflict. Conflict can occur when the founding generation is reluctant to share information with other family members. Brothers and sisters, aunts and uncles argue about managerial roles, ownership, control, and the future direction of the family (Kellermanns et al., 2012; Kellermanns & Eddleston, 2007). In successful multigenerational family companies, the ruling generation and the next generation are encouraged to communicate ideas, offer feedback, and encourage shared learning regarding the company's overall goals (Kellermanns et al., 2012). To support the achievement of company goals, the company must have a strategic plan for improving business progress. A strategic plan is built on the company’s goals, vision, and mission. The existence of this strategic plan can create company progress through leadership succession planning (Morris et al., 1997). The leadership regeneration in the company will create a new atmosphere and increase company growth, which will ultimately have an impact on the sustainability of the company's generation (Moores & Barrett, 2013; Rosen et al., 2019).

The influence of generational ownership on company performance in generation III

The research results in generation III show that generational ownership (go3) has no effect on company performance (ROE). This result explains that the ownership of shares in generation III does not have an impact on improving company performance (ROE). This shows that in generation III companies, there is cross-generational shareholding, consequently, in discussing organizational and managerial problems, family business owners do not only construct from the past but also present events (Fletcher, 2004). In generation III companies, the shadow of the founding generation may affect important processes in the organization. This can hinder leadership regeneration so that it will have an impact on company performance (Sonfield & Lussier, 2016). As businesses move from one generation to the next, the complexity of the problem increases. Family dominance decreases with the retirement of generation I. The more families involved, the more complex the family dynamics will be, which will trigger conflict agency (Flynn &; Duesing, 2020). Therefore, strategic planning is needed for leadership regulation in generation III, with leadership succession expected to have a positive influence on company performance (Flynn &; Duesing, 2020; Rosen et al., 2019). This result explains that the success of generation III companies is measured not only by financial performance indicators but also by non-financial indicators, namely leadership succession planning (Flynn & Duesing, 2020; La Porta et al., 1999; Moores & Barrett, 2013). Generation III companies consisting of family members across generations tend to have larger goals that may conflict with the main family goals, so that intra-family conflicts will arise (Alayo et al., 2021; Maseda et al., 2019). Accordingly, to maintain the company's sustainability, it is necessary to have strategic planning for the company's future by regenerating leadership in the company (Flynn & Duesing, 2020; Morris et al., 1997; Rosen et al., 2019).

The existence of share ownership in families that are part of a larger group will affect the company's control (Maseda et al., 2019; Villalonga & Amit, 2006). The higher the family's share ownership, the more it will increase the company's wealth so that the family will tend to pursue maximum profits (Anderson & Reeb, 2003; Kowalewski et al., 2010). Therefore, generation III companies must have strategic planning related to the company's leadership relay. The existence of family members consisting of cross-generations will have an impact on the company's strategic decision-making so that it will hamper the company's performance (Kellermanns et al., 2012; Kellermanns & Eddleston, 2007). In addition, the research results in generation III show that generational ownership (go3) has a significant effect on company performance (ROA). This result explains that the ownership of shares in generation III companies will have an impact on improving company performance. The higher the share ownership in generation III, the more the company's ROA performance will increase. The results of this study agree with (Chen et al., 2020), explaining that the cross-generational shareholding in the company will influence the decision-making, among others, to allocate more financial assets, factors that influence the next generation in decision-making which will ultimately have an impact on company performance. The next generation's involvement is an essential factor in the assets' financialization. The next generation is more likely to invest more financial assets in the company. The lower the level of market competition, the more likely it is that family companies will financialize assets (Chen et al., 2020).

The effect of institutional ownership moderation affects the generational ownership on company performance in generation I

The results show that institutional ownership cannot moderate generational ownership (goio1) of company performance, namely ROE and ROA. This result explains that the existence of institutional investors cannot affect share ownership in generation I. This is because the founder prioritizing the company's vision and mission still sticks to family values and traditional culture that exist in the company so that the dominance of share ownership is attached to the founder's family (Moores & Barrett, 2013; Poza, 2010). Generation I tends to work to pursue maximum profits in order to achieve company goals (Kowalewski et al., 2010). Generation I companies are unique in managing the company, maintaining the founding family in the company ownership majority to influence the company’s decision-making and maintain the company’s sustainability. The involvement of family in the company leads to families which has unique characteristic, strategic resources, and the ability of families to interact (Monterrey & Ramirez-solis, 2019).

The presence of family ties can affect individual attitudes towards cooperation, differences in goals, and information asymmetry. This family bond will be strong in generation I because the founder is able to influence strategic decisions for the betterment of the company, and the founding family can minimize the presence of information asymmetry (Blanco-Mazagatos et al., 2016).The company’s success is measured not only by financial indicators but also by non-financial indicators, namely through succession planning in family companies (Rosen et al., 2019). Family habits will affect the performance of company leaders, which depends on the level of transparency and regulations in achieving company excellence, including leadership succession planning (La Porta et al., 1999). Indonesia is experiencing a phenomenon that explains that leadership transitions in family companies are not a few that fail. The lack of company preparation in preparing the next generation of leaders who have good skills and abilities sometimes still contradicts the cultural values, norms, that, in the end, there will be two choices, namely the company will be able to develop, or the company will experience a decrease in effectiveness in its management. Consequently, the company's vision and mission are crucial to maintain the company sustainability in the next generation (Chan et al., 2020).

The effect of institutional ownership moderation affects generational ownership on company performance in generation II

The research results by generation II family companies show that institutional ownership moderation cannot affect the generational ownership (goio2) on company performance, namely ROE and ROA. These results explain that institutional ownership cannot affect the shareholding in family companies. The existence of institutional investors cannot increase share ownership in generation II. In generation II companies, family ties become weak with more generations in shareholding in the company. Each generation puts individual needs above the interests of the company. Thus, the risk of cross-generational conflict increases with the increasing number of generations in the company (Bansal, 2021). When companies are cross-generational, the involvement of company ownership and management, as well as the nature of the problem will begin to change (Hiebl &; Li, 2020). Conflict will occur when the interests of family members differ, and agency relationships between family members are based on economic and non-economic preferences (Chrisman et al., 2018). When family members are involved in different roles, agency issues arise between the principals and the agents, as opinions and goals are opposite, and agents pursue their own interests (Maseda et al., 2019).

(AL-Najjar, 2015; Saepudin &; Yunita, 2019) explain that institutional ownership cannot affect the company's performance. This is because institutional investors are not effective supervisors in supervising companies. The existence of institutional investors has not been able to contribute more to the progress of family companies (Saepudin &; Yunita, 2019). Additionally, in generation II companies, a company's strategic plan is needed to maintain the sustainability of family companies. The importance of succession planning is one of the valid indicators used to achieve company success (Chrisman et al., 2018). The ownership transfer of the family company to the next generation requires careful preparation and planning. Not all transitions are not problematic because founders who have been managing the company for so long will often feel reluctant to make leadership transitions (Moores & Barrett, 2013). The successful succession will indirectly be able to improve the company's performance, so that the company will experience profits and be able to carry out the company's continuity, so that succession is critical to be carried out (Chrisman et al., 2018; Rosen et al., 2019).

The effect of institutional ownership moderation affects the generational ownership on company performance in generation III

The research results in generation III show that institutional ownership moderates the influence of generational ownership (goio3) on company performance (ROE and ROA). These results explain that institutional ownership moderates shareholding in generation III. The existence of institutional ownership can increase generation III shareholding in family companies, which will have an impact on company performance, namely ROE and ROA. Institutional investors are expected to be able to strengthen the company through higher growth opportunities since institutional investors contribute to improving sustainable company performance and building corporate governance mechanisms so that will increase shareholding in shareholders (Sakawa et al., 2020; Sakawa &; Watanabel, 2020). Institutional ownership plays a role in corporate governance and as monitoring so that it can influence managers in making investment decisions (Sakawa et al., 2020). This is in line with the research of (Martinez & Ramalho, 2014; Meckling and Jensen, 1976; Sakawa et al., 2020) stating that institutional ownership in family companies can provide monitoring and supervise the company’s management course. This is in accordance with the fact that the company, in the short term, can generate profits and in the long term, can provide more investment to shareholders (Sakawa et al., 2020).

These results agree with the research of (Choi et al., 2011), which states that institutional ownership can be a counterbalance for the family shareholders who are the majority and are expected to reduce agency problems between shareholders majority and minority. The existence of institutional shareholders can be monitoring agents who effectively supervise intensively to limit management behavior and actions, in this case, opportunistic family shareholders, such as misuse of corporate profits by management to improve their own welfare. While according to (Sakawa et al., 2020), the existence of institutional investors will contribute to effective monitoring in a stakeholder-oriented management system. First, institutional investors can help mitigate information asymmetry among investors. Second, shareholder activities can pressure company managers according to management needs so that the active involvement of institutional investors in monitoring has the potential to increase company value. The existence of high institutional ownership is expected to affect business decision-making and share ownership in generation III companies. This is because institutional investors are willing to use their ownership rights to pressure managers to act to produce the best interests of the company's shareholders. In this way, institutional investors can act as a mechanism to monitor the quality of management decisions (Tsouknidis, 2019).

6. Conclusion

The results show a difference in the generational ownership influence in generations I, II, and III. In generation I, the results of generational ownership (go1) have a positive and significant effect on the company's performance on ROE and ROA. While generation II shows that generational ownership (go2) has a negative and significant effect on ROE, but it does not affect ROA. For generation III, it shows that generational ownership (go3) has no effect on ROE and has a positive and significant effect on ROA. The results of moderation research show a difference in the influence of institutional ownership moderation. In generation I, the results of institutional ownership (goio1) cannot moderate the influence of generational ownership on company performance. Generation II shows the results that institutional ownership (goio2) cannot moderate the influence of generational ownership on company performance. Generation III shows the results that institutional ownership (goio3) moderates generational ownership of company performance.

Conflic of interest

The autors declarate that they have no conflict of interest in relation to this research, whether financial, personal, authorship or otherwise, that could affect the research and its results presented in this paper.

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Data availability

Data wiil be made available on reasonable request

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