

Sustainability Of Family Business In Perspective Of Financial Accounting

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Abstract: Family business plays an important role in the growth and development of entrepreneurship. Family business also dominates economic growth and improves people's welfare. Therefore, sustainability of family business becomes important to be analyzed. Because, not many family businesses that can survive in several generations. This interesting fact raises an important question: "how is the family business sustainability strategy in the scope of small and medium businesses?" The purpose of this study is to know and analyze the family business sustainability strategy in the perspective of financial accounting, especially in the scope of small and medium businesses. Analysis of the study using qualitative descriptive method. The analysis was conducted based on the result of structured interviews with informants, that is peoples of the family business in the "batik and bordir" sector in Banyuwangi, Indonesia. The results of the analysis show that there are two important strategies for family business to continue, that is: (1) maintaining the balance of family values. This is important to minimize conflict of interest among family members; and (2) the application of modern management. That, the management of family businesses by applying financial accounting practices becomes important to maintain the sustainability of family business.

Keywords: sustainability, family business, financial accounting

1 INTRODUCTION

Family business is defined as a business that is established and managed by a family. Ownership and management of a business that is controlled by family members indicates a tendency for business sustainability problems. Therefore, business sustainability is a strategic issue in a family business. The term sustainability refers to the duration of existence or a relatively long sustainability [1], [2], [3], [4], [5], [6]. Family companies are one of the foundations of the business community. Family business is seen as an important aspect for the growth and development of entrepreneurship, because it contributes to employment, economic growth of the country, and improvement of community welfare. However, not many family businesses are able to maintain sustainability. This is partly due to a lack of resources (such as capital, human resources, technology), business management that depends on founding figures and conflicts of interest between family members [3], [7], [8], [9], [10]. Some successful and sustainable family businesses in Indonesia, that is: 1) Sampoerna, currently managed by families from the third generation; 2) Indofood Sukses Makmur, currently managed by families from the second generation; 3) Djarum, currently managed by families from the second generation; and 4) Bakrie Group, currently transitioning of business management to the second generation. However, there is also a family business that was recently declared bankrupt, that is Teh Sariwangi, collapsed in the hands of the second generation. Puspitaningtyas [11] revealed that small and medium-sized businesses that are managed by family businesses tend not to implement proper financial management in accordance with financial accounting principles, so that business people do not know for certain the financial condition of their business and the business decisions taken do not take into account accounting information.

This phenomenon underlies the study of important family business sustainability for analysis. The purpose of this study is to find out and analyze family business sustainability strategies (in the scope of small and medium businesses) reviewed from a financial accounting perspective. The formulation of this study question is how is the family business sustainability strategy reviewed from a financial accounting perspective? Review of financial perspectives focused on applying accounting practices in business financial management. This study uses a qualitative descriptive approach. Analysis of the study was carried out based on the results of structured interviews with informants, that is family business people in the "batik and border" sector in Banyuwangi, Indonesia.

2 LITERATURE REVIEW

2.1 The Concept of Going Concern

Every business is certainly intended to continue to grow. Going concern is one of the important concepts in financial accounting standards. In fact, going concern has become a postulate in accounting. As a postulate, going concern states that an entity is able to continue to operate to carry out its operational activities. Going concern is meaningful as a condition where a business can continue to operate in the future. The going concern assumption is based on the assessment of the financial performance of a business through the analysis of financial statements [12], [13], [14], [15], [16], [17]. In other words, a business has the ability to sustain its business. This ability depends on its business performance, especially financial performance. Failure to maintain going concern can threaten business sustainability. One of the causes of failure to maintain going concern is poor business management.

2.2 The Business Financial Management

Financial position shows business financial performance in a period. Financial performance can be achieved through good financial management [18], [19], [20], [21], [22]. Conversely, poor financial management will bring the company to bankruptcy, thus failing to maintain the sustainability of its business. Business sustainability analysis becomes important for users of financial statements as a consideration in making

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business decisions. Effective business financial management is a method to maintain the stability of the flow of funds. An important step in managing business finance is to do business financial planning. Saerang and Maramis [23] argued that business financial planning is a study of business finance by placing conceptual and systematic sharing of financial attributes both in the short and long term. Sundjaja [24] states that there are six steps that need to be done in preparing business financial planning, that is: (1) knowing the position and performance of business finances, (2) determining business objectives, (3) analyzing the financial problems that are happening, (4) compile the stages to achieve business goals, (5) implement all stages that have been compiled, and (6) evaluate various business activities that have been carried out.

3 METHODOLOGY

This study was conducted using a qualitative descriptive approach. Qualitative research is intended to describe and understand the phenomenon of what is experienced by research subjects. Qualitative research is oriented to a deep understanding of a reality [25]. The aim is to describe phenomena related to the efforts made by family business people in order to maintain the sustainability of their business. Analysis of the study was carried out based on the results of structured interviews with informants, that is family business people in the "batik and bordir" sector in Banyuwangi, Indonesia, a number of three people called the initials of informants A, B, and C. The selection of intentional informants, that is business people who are carried out together in the family, in the scope of small and medium businesses, and has been operating for more than five years.

4 RESULTS AND DISCUSSION

4.1 Sustainability of Family Business in Perspective of Financial Accounting

Financial aspects are a critical part of a product sustainable [26]. Although, Stewart [27] states that the sustainability of family businesses should be explored from various fields of science, besides accounting, economics, and finance. Financial accounting products are information that reflects the company's financial performance and are useful for business decisions. Financial performance analysis is useful for predicting business sustainability. The statement of the going concern opinion is given by the auditor, when assessing whether the financial statements have been presented fairly and consistently with generally accepted accounting principles [16]. Then, what about the family business? In general, family businesses, especially in the scope of small and medium businesses, do not apply accounting principles in financial management. In fact, it is considered that the family business does not need to present financial statements as the responsibility of the manager to the business owner, because the tendency of the business finance manager is a member of his family. This was as revealed in the study by Puspitaningtyas [11], Astuti, [28], and Puwanti [29]. Some of the previous studies revealed that small and medium businesses tend not to record transactions in accordance with financial accounting standards. This is reflected in the financial statements that are presented are still relatively simple, incomplete, and even some that have not presented financial statements, one of the obstacles is not understanding financial

accounting standards so that they tend to think that they do not need the presentation of financial statements. Following are the results of interviews with informants regarding their understanding of financial accounting implementation:

1. Informant A: "I understand that financial statements are important for business sustainability, but sometimes it is difficult to implement even though several times have taken financial management training. The financial recording of our business is still very simple."
2. Informant B: "We do simple accounting records for all transactions that occur. Based on the results of the business financial records, we can find out the operating income received. Previously what we understood was that we saw operating income only from sales revenue, without calculating expenses. In my opinion, our understanding of the application of financial accounting is lacking, we still need to learn and practice."
3. Informant C: "I know that financial statements are not just a form of accountability. The financial statements also have various functions such as helping management to find out financial risks, helping all parties to find out financial conditions, assessing the percentage of profits that can be achieved, to making business plans. However, how is the practice, we do not understand and have not fully implemented the management of our business. The hope is that we can implement financial accounting practices well in the future, so that our business can be sustainable."

The results of the interview revealed that business people are still limited to recognizing basic financial statements. Knowledge and basic understanding of financial accounting owned by informants, one of them is because the informant assumes that the knowledge of the financial statements held is sufficient to help the business sustainability process, although only limited to knowing the difference between income and expenses, recording cash in and cash out, and not being able to present financial statements as a measure of overall business performance.

4.2 Family Commitment to Business

Efforts to maintain family business sustainability requires commitment to business among family members. Pangeran [30] revealed that family commitment to business will influence behavior in business financial management through the establishment of owner-manager attitudes. Family commitment to the business will encourage the emergence of loyalty and pride towards the family business, so that it tends to strive to maintain the sustainability of its business. In addition, family commitment to business will encourage increased interaction between family members and mutual responsibility in business decision-making processes. How to build family commitment to business? Following are the results of interviews with informants:

1. Informant A: "This business was founded by our parents. We are two brothers, since childhood we have learned to make batik. Since a long time indeed it has been prepared to continue the family business. To be able to maintain the sustainability of this business, commitment is indeed needed. Family commitment is needed to increase interest and active role in all business activities. Aligning perceptions about the business objectives we build, so that family

values are maintained. Our task is to be able to continue this business with our children."

2. Informant B: "I built this business ten years ago. From the beginning I tried to involve children and brothers to jointly manage the business, both in finance and marketing. Family commitment to business is important to be built through togetherness, maintaining solidarity, mutual trust, mutual respect. Maintain family values. Always remember the purpose of maintaining the sustainability of the family business."
3. Informant C: "The capital to establish this business comes from parents. Parents' desire is for me and my siblings to have a job and get money to support life. I and my siblings together learned "bordir", until now we always work together to meet market demand. Maintaining family values will strengthen family commitment to business sustainability. Working together to develop business. If there is a conflict, then discuss together to get a solution."

Based on the results of the interview, it indicates that the strategy undertaken as an effort to build family commitment to the business is to maintain the balance of family values. Family value is an attitude that is built to unite family members. Family value is a guideline for building shared commitment to business. The balance of family value can minimize conflicts of interest between family members. Jailani [31] argues that creating family values is useful for providing direction, motivation, and building responsible awareness in the souls of family members. The balance of family values can strengthen business, this is because family members are dedicated to their family business. Simanjuntak [32] revealed that as a business that is owned and controlled by the family, business management tends to be influenced by the family's vision and mission (family values).

4.3 Knowledge of Financial Accounting in Business Financial Management

Good business financial management is needed by applying financial accounting standards as an effort to maintain the sustainability of the family business. Financial accounting practices are influenced by the knowledge of individuals or groups. Behind the actual financial accounting practices there are also a set of ideas that underlie these practices in the form of basic assumptions, concepts, descriptive and reasoning that all form the field of accounting knowledge [33], [34], [35]. Knowledge and understanding of financial accounting is very important in the management of business finance, being the basis for solving business problems with reason that can be ethically accountable. Good financial accounting practices can be useful in maintaining business sustainability.

1. Informant A: "In recent years, our business finances have been arranged. Business finance and family finances have been separated. All who are involved in this business activity are family members, and all have received a salary in accordance with the family agreement. Our business finance manager has carried out accounting records even though it is still very simple, based on these records we can find out the money we have."
2. Informant B: "We both learned to manage this business. The financial manager is one of our family

members. Business finance and family finances have been separated. The management of our business finances has been done recording the cash in and cash out. We have participated in business management training organized by "Dinas Koperasi dan UMKM, Banyuwangi, Indonesia". We can apply the results of the training in managing this business."

3. Informant C: "Our business finances have been separated between business finance and family finances. There are family members who are capable and trusted to manage business finances. He has attended financial management training and cost accounting training to calculate production costs and determine selling prices. We have applied simple accounting records. Production costs have been calculated correctly, so we can calculate the profits we will get. Our target is to be able to increase production capacity so that it can meet market demand."

Based on the interview results indicate that the strategy to maintain the sustainability of the family business is the application of modern management, one of which is by implementing financial accounting practices well and in accordance with financial accounting standards.

5 CONCLUSION

Based on the results of the analysis, this study concludes that there are two important strategies for family business in the scope of small and medium businesses to sustainable, that is: (1) maintaining the balance of family values. This is important to minimize conflicts of interest between family members; and (2) the application of modern management. That, the management of family businesses by implementing financial accounting practices is important to maintain the sustainability of the family business. Based on the results of this study, efforts are needed to maintain the sustainability of the family business, sepecially in the scope of small and medium businesses, through trainings and mentoring to improve knowledge and understanding of financial accounting for business people. The aim is that the application of financial accounting practices in business management can be done well and in accordance with financial accounting standards. Further studies also need to be done in an effort to find factors that can support increased knowledge and understanding of financial accounting for family businesses in the scope of small and medium businesses.

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