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DETERMINANTS OF FAMILY BUSINESS SUSTAINABILITY: EVIDENCE FROM INDONESIAN LISTED FIRMS

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ABSTRACT

This study aims to investigate the impact of family ownership, family involvement, and family openness on the sustainability of family-owned businesses. The determinant factors are also explored, given the focus on the primary reasons why family businesses fail to survive from one generation to the next. The sample comprised family businesses listed on the Indonesia Stock Exchange from 2018 to 2022, comprising 119 companies and totaling 595 observations. The collected data were analyzed using binary logistic regression (logit). The study results indicate that family ownership, dual family involvement, and family openness can harm the sustainability of family businesses. However, family businesses will be more likely to survive if family members are represented on the Board of Commissioners and as Board Directors. This explains that the increasing concentration of families in the company will threaten the sustainability of family businesses. Moreover, the practical implications of this study are that family business managers must organize and develop strategies to maintain family involvement and control, while also reducing family domination within the company in order to sustain the long run and across generations.

Keywords: sustainability of family businesses; family ownership; family involvement; family openness.

INTRODUCTION

Hadi Cahyadi's book *Go Perpetuate: How to Beat the Third Generation Curse* (Cahyadi, 2023) claims that just 30% of Indonesian family firms can pass on their operations to the second generation, 13% to the third, and 3% to the third and beyond. This suggests that family businesses tend to decline in performance over time. It can be driven by the separation between ownership, management, and family identity (Family Firm Institute, 2018), which weakens governance, commitment, and strategic coherence in family firms. In Indonesia, if a company has at least 20% family ownership, it is considered a family business (PSAK 15, 2013), but Poza (2014) characterizes a family business as a special combination of the following: (1) at least 15% of the company is controlled by two or more family members or a family partnership; (2) Family members who serve on the executive board, advisory board, or as shareholders have a strategic impact on the company's management; (3) family members prioritize relationships; and (4) family members expect to keep the company going for generations. To maintain control of the business, family members typically have specific

management roles. Family firms typically concentrate more on their aspirations of transferring management and leadership to the following generation. La Porta et al. (1999) and Anderson and Reeb (2003) define a family firm as any company run by a founder, a member of the founding family, or a founding individual who either owns a share of the company or serves on the board.

One feature that distinguishes family businesses from other kinds of firms is transgenerational continuity. The goal of the intergenerational transfer procedure, known as transgenerational, is to guarantee the survival and continuation of family identity within the organization, including the family name. If a family firm can transfer ownership to the following generation, it is said to have survived. According to Jamil et al. (2025), sustainability is the capacity to maintain or improve the state and availability of desired resources or circumstances over a long period of time. Numerous elements that affect family sustainability have been documented in the literature, including long-term orientation, relationships with stakeholders, family involvement, and the size of family businesses (Ropega, 2016; Broccardo et al., 2019). Family businesses are compelled by long-term orientation to take into account both financial and non-financial variables, such as family identity, the ability to employ family influence, the company's longevity within the family dynasty, or socio-emotional wealth (Gómez-Mejía et al., 2007). One important aspect of family businesses is the interaction between the company and the family, which is included in the idea of socio-emotional wealth (SEW). It clarifies their strategic decision-making priorities through business openness, family ownership, and family involvement. Moreover, Pradeliana & Margaretha (2024) emphasize that effective succession planning is essential for the success of family-owned businesses. Therefore, the ability of the company to pass it on to the next generation and preserve the family identity within the company can be used to determine the sustainability of family businesses. Unfortunately, Waqar et al. (2020) and Ferreira et al. (2021) found that only 50% of the sustainability rate of family businesses exceeds five years.

Research on family-run enterprises, including Muttakin et al. (2014), Bensaadi (2023), and Gavana et al. (2023), generally employs agency theory and stewardship theory as approaches to analyze family business issues. The foundation of agency theory is the possibility that family management may act opportunistically to further their own interests at the detriment of the business. However, if the manager is pro-organization, as is usually the case in a family business, they will participate in developing the company. Since family businesses concern navigating their strategic decisions (Roida, 2020), SEW has a central theoretical framework to maintain its survival. The agency and stewardship approaches focus more on the potential for conflict within family businesses that could threaten business sustainability, while SEW emphasizes the long-term, non-economic goals of maintaining a family business. Empirically, there has been limited research into the SEW aspects and the sustainability of family businesses. Therefore, this study is crucial in interpreting the SEW dimensions (Berrone et al., 2012), such as family ownership, family involvement, and family openness, in maintaining a balanced role within the business. The SEW perspective would possibly alter predictions made about the family business's sustainability. In order to manage ownership and managerial engagement and increase the degree of sustainability of family enterprises, practical and policy consequences are proposed. Thus, there is a theoretical inconsistency of the previous empirical studies that this research can fill and set the prospects for a fruitful understanding of the conditions that lead to the maintenance of family business sustainability.

Family involvement can be seen from the family ownership concentration in a company. Family ownership refers to the percentage of shares held by family members in a company (La Porta et al., 1999). To be categorized as a family business, a firm must have at least 20% family ownership in Indonesia (PSAK 15, 2013). The highly concentrated ownership structure can result in a lack of separation within the family between family ownership and company management. This can happen because the family, as the owner, manages and runs the company. This implies that the family that runs and controls the business will determine its future. In order to strengthen the alignment of interests inside the company, family-owned businesses frequently employ family members as both owners and managers (Anderson & Reeb, 2003).

The non-financial purpose of socio-emotional wealth highlights the endowment effect associated with family ownership. When someone asks for more in exchange for something than they are willing to pay for it, it's known as the endowment effect (Thaler, 1980). However, in reality, managers can act opportunistically and make choices that, because of divergent preferences, are not in the best interests of the business owner (Jensen & Meckling, 1976). Owners who own and control the company will value their business more highly than their ownership stake. However, the endowment effect can seriously affect minority shareholders (Roida, 2020). As a result, power and information disparities between managers who are family members and minority shareholders can result in agency issues in family businesses. The long-term viability of the business is therefore adversely affected by family ownership.

However, from the perspective of stewardship theory, family members tend to have a greater emotional commitment and responsibility to maintain the company's sustainability (Donaldson & Davis, 1991). The SEW approach suggests that the family, as the owner, will make decisions that support the company's sustainability, even though it may not always be financially profitable. Thus, based on the stewardship perspective, there is no need to monitor managers, unlike the agency approach. This is in line with Williams et al. (2013), Muttakin et al. (2014), Zraig et al. (2018), and Razzak et al. (2019), who stated that family ownership can improve company performance in the long term and achieve transgenerational sustainability. The following interpretation of the hypothesis can be made in light of the aforementioned arguments:

H1: The likelihood of the family business surviving is increased when ownership is concentrated in the hands of family members.

Family engagement shows how family members with roles within the company make corporate decisions, which can affect the operations and long-term viability of the family business. Family participation is measured by the number of family members holding high leadership positions inside the company, such as the CEO (the board of directors) and the board of commissioners. Because family firms are typically diverse, they can hire experienced managers or appoint individuals they trust to important positions like the board of commissioners. One dimension of SEW is maintaining control and influence over the company's operational activities. This aims to ensure that families maintain and uphold their identity in the company. Roida, (2020) asserts that family members' participation in corporate decision-making signifies a sustained dedication to maintaining the company's viability for future generations.

Following the stewardship theory, which posits that managers act in line with the company owner's goals, family involvement is expected to enhance the company's operational decision-making process in harmony. In addition, agency tensions can also be lessened by family participation in the business (Madyan et al., 2021). Supported by the SEW approach, which states that family involvement in the board can strengthen SEW values because they frequently give more thought to the family's and the business's reputation, as it will be passed on to the following generation. Therefore, family involvement in the company board can be one factor that supports and ensures the company's sustainability. This is in line with Williams et al. (2013), Ine et al. (2019), and Bensaadi (2023), who have stated that family involvement has a positive influence on a company's sustainability.

However, the stronger the involvement and influence of family members in the company, the lower the value and perception of the company by the public and investors. This is because the company is perceived as being too dominated by the family. According to Roida (2020), companies with too strong family dominance tend to be worse at overcoming agency problems. This statement is supported by Gavana et al. (2023) and Poutziouris et al. (2015), who found that excessive family involvement through roles in management and monitoring has been shown to have a negative association with company performance from a market perspective, which in turn threatens the company's sustainability. Board members who are family members frequently struggle to strike a balance between their personal and business interests. In view of the above-described arguments, the second hypothesis can be understood as follows:

H2a: Family businesses will be more likely to survive if family members are represented on the Board of Commissioners.

H2b: The likelihood of family-owned businesses rises when family members are represented on the board of directors.

H2c: A family-owned business's chances of surviving are diminished when a family member serves on both the Board of Directors and the Board of Commissioners.

Regarding the external environment of family businesses, corporate transparency and openness are crucial to enhance investor and public trust. With increasing investor and public trust in the company, its value will also rise. Due to the company's increasing worth, the market may become more optimistic about its performance and prospects (Rohaeni et al., 2018). The number of independent commissioners on the company's board is one indicator of corporate transparency. The corporation appoints independent commissioners to the board, who are not connected to or actively participating in the business. For firms listed on the Indonesia Stock Exchange (IDX), board independence typically comprises at least 30% of the total number of commissioners.

From the stewardship perspective, the non-financial goals can offer a longer-term perspective for internal directors than independent directors, which means that independent boards will share the same goals as the company's owners. SEW believes that the family as the company owner will make the best decisions for the company because they act as stewards, not agents. Independent boards are selected and appointed by the family to oversee the company, and they may not have sufficient competence. Thus, independent boards seem unnecessary in the company. This is consistent with the findings of Gavana et al. (2023), Leung et al. (2014), and Kweh et al. (2019), who claimed that although independent boards share the owners' objectives, they do not enhance corporate success. However, excessive family engagement may harm the company's value and reputation (Patrisia et al., 2019).

This is because the family is perceived as having too much influence over the company. Therefore, the company's independent board of commissioners is expected to reduce family dominance and indicate family openness. An independent board can ensure that decisions align with and support the company's values and long-term goals. Following the agency perspective, an independent board can help reduce the potential for conflicts of interest in the company. According to Hu et al. (2022), independent boards can enhance the company's sustainability. Independent boards can transfer skills to balance family members who lack strong skills but are compelled to serve as directors or commissioners, ultimately positively impacting the company's sustainability. The following hypothesis can be interpreted in light of the aforementioned arguments:

H3: Family openness, as measured by board independence, increases the propensity for sustainability of a family-owned firm.

METHODS

This study aims to investigate the effects of SEW factors on the long-term sustainability of family businesses, including family ownership, family involvement, and family openness. Panel data analysis is used. Gujarati & Porter (2013) claim that because panel data is company-related and gathered over time, it can overcome heterogeneity. The financial reports of companies that are listed on the Indonesia Stock Exchange (IDX) provided the study's data. The company's website, which may be accessible through annual reports, and the Indonesia Stock Exchange website serve as the data sources.

The dependent variable is the success of family businesses. Family ownership, family involvement in the board of directors, family involvement in the board of commissioners, family involvement in both the board of directors and the board of commissioners, as well as family openness, are the independent variables utilized. Several firm characteristics, such as growth opportunities, profitability, and firm size, are the control variables.

The ability of a business to transfer its legacy to the following generation through transgenerational continuity is known as firm sustainability, or denoted as SUST. Company sustainability is measured by the presence or absence of cross-generational practices in the company as a binary variable, where 1 (one) is used if it has exceeded the age of 20 years and has carried out transgenerational practices, and 0 (zero) if it has not exceeded the age of 20 years and has not carried out transgenerational practices. The age used for 1 (one) generation in this study is 20 years (Poutziouris et al., 2015). According to Parada et al. (2019), a family council may also be established 20–30 years after a corporation is established. This implies that the company has outlived its founders.

Family ownership (denoted as FO) is the proportion of a company's total shares that are owned by family members (La Porta et al., 1999). According to Anderson and Reeb (2003), family share ownership is determined by dividing the total number of shares held by family members by the total number of outstanding shares, which is at least 20%.

Taras et al. (2017) state that family engagement on the board of commissioners (denoted as BC) is quantified by the presence or absence of family in the post as a binary variable, where 1 (one) indicates the presence and 0 (zero) if there is not. The presence or absence of family members in the board of directors' position is a binary variable that measures involvement on the board of directors (denoted as BD), with 1 (one) representing the presence of family members and 0 (zero) representing their absence. The number of family members holding positions on the board of directors and commissioners (referred to as DUALITY) is a

measure of family participation, as a dummy variable, where 1 (one) represents the presence of family members and 0 (zero) if there is not.

Family openness (denoted as BI) refers to a company's ability to inform and disclose its activities and outcomes to outside parties, such as investors and the general public. According to Lestari and Harindayani (2017), corporate transparency is measured using the percentage of independent commissioners over the entire board.

Firm size (denoted as SIZE) is a measurement scale that characterizes the operational activities of businesses and classifies them according to their size (big or small). The size of the corporation is calculated using the natural logarithm of its total assets (Setia-Atmaja et al., 2009). Profitability, denoted as PROFIT, is the capacity of a business to generate profit using its capital. Profitability is measured using the Return on Assets (ROA) ratio, which is calculated by dividing net profit by total assets. Growth potential, denoted as GROWTH, is the capacity of a business to increase its size and make profitable investments (Muttakin et al., 2014). Growth opportunity is calculated by dividing the market value of stock by its book value, according to research by Roida, (2020).

The study's population consists of all family firms that are listed on the Indonesia Stock Exchange (IDX) and have observation years between 2018 and 2022. Family businesses that meet certain requirements and are registered on the IDX make up the sample. Purposive sampling is the method used for sampling. This technique chooses samples according to specific standards, which are at least 20% owned by the company (PSAK 15, 2013) and/or took an active role in strategic decision-making via executive or board roles. These standards align with previous literature on family businesses (Anderson & Reeb, 2003). The sample was chosen through purposive sampling to ensure that only companies meeting the family ownership criteria and having comprehensive financial and governance data throughout the observation period were included. Although this method enhances data uniformity, it could introduce selection bias by omitting companies with partial disclosures or varying ownership structures. Thus, the results need to be understood in relation to the chosen sample, and care should be taken when extending the findings. Table 1 provides specifics about the sample selection procedure and the final sample size.

Table 1. Number of Observations

	Number
Population	
Family Firms listed on IDX during 2018-2022	226
Does not meet criteria	
During the observation years, family businesses that lacked a comprehensive annual report	(107)
Final sample size	119
Final data observations (5 years)	595

Source: Authors, 2026

The logistic regression (logit) method is used in a panel data analysis. The value of one element will be predicted using this connection based on the value of the other factor. Given that the dependent variable is binary, logistic regression serves as a suitable estimation technique. Despite the dataset containing repeated firm-year observations, pooled logistic regression is utilized, as the focus of the study is to determine the average relationship between governance variables and the probability of the outcome across different firms. A logistic estimator was examined; however, the restricted within-firm variation in numerous explanatory variables would significantly decrease the effective sample by omitting firms

lacking variation in the dependent variable. Robust standard errors clustered at the firm level are utilized to address potential dependence within firms. The panel data regression equation utilized in this study is as follows:

$$\text{SUST} = \alpha + \beta_1\text{FO} + \beta_2\text{BC} + \beta_3\text{BD} + \beta_4\text{DUALITY} + \beta_5\text{BI} + \beta_6\text{SIZE} + \beta_7\text{PROFIT} + \beta_8\text{GROWTH} + \varepsilon \dots (1)$$

In this study, classical assumption tests, including multicollinearity, will be conducted. Binary logistic regression testing will include the Hosmer-Lemeshow goodness-of-fit test and model accuracy. In addition, hypothesis testing will encompass pseudo-R-squared, simultaneous R-squared, and partial R-squared. Finally, the marginal effect test will be performed to evaluate the alteration in probability caused by a one-unit increment in the predictor variable.

RESULT AND DISCUSSION

The descriptive statistics are presented in Table 2. It shows that the average Indonesian family business has an 82.35% survival rate. This implies that Indonesian family enterprises are typically strong and capable of transferring ownership to the following generation. The average number of shares owned by the family in the research sample was 64.97%. Ownership above 50% can be interpreted as controlling the company. This implies that family members have a strong desire to keep control of the business within the family. This is consistent with Indonesian businesses' propensity to endure, implement transgenerational succession, and uphold family control within the organization, as recommended by the SEW approach.

Table 2. Descriptive Statistics for Variable Measures

Variable	Mean	Median	Max	Min	SD	N
Dependent Variable						
Firm Sustainability (SUST)	0.8235	1.0000	1.0000	0.0000	0.3815	595
Independent Variables						
Family Ownership (FO)	0.6497	0.6638	1.0000	0.0582	0.1852	595
Family on the Board of Commissioners (BC)	0.8437	1.0000	1.0000	0.0000	0.3634	595
Family on the Board of Directors (BD)	0.7899	1.0000	1.0000	0.0000	0.4077	595
Duality (DUALITY)	0.6840	1.0000	1.0000	0.0000	0.4653	595
Family Openness (BI)	0.4125	0.4000	0.7500	0.0000	0.1209	595
Control Variables						
Firm Size (SIZE)	28.7723	28.6824	34.8124	0.0042	2.2062	595
Profitability (PROFIT)	0.0327	0.0280	0.8564	-1.1222	0.1220	595
Growth Opportunity (GROWTH)	2.1138	1.1298	38.8821	-7.6027	3.3840	595

Source: Data processed using EViews, 2026

The research sample indicated that, on average, 84.37% of the board of commissioners and 78.99% of the board of directors were family members. Additionally, 68.4% of individuals were involved in both boards. These figures indicate a considerable degree of family participation in the companies, with family members frequently serving on the boards. It is also implied that family members occupy over half of the management positions within these family-owned businesses.

According to the percentage of independent commissioners in the board structure, the average number of board members in the research sample was 41.25% in terms of family openness. The Financial Services Authority Regulation (POJK) Number 57/POJK.04/2017, which mandates a minimum percentage of independent commissioners of 30% of the total number of board members, has thus been complied with by Indonesian family-owned firms.

The multicollinearity test is used to ensure that there is no correlation between the independent variables used. More precisely, since the correlations between independent variables are less than 0.80, it may be concluded that multicollinearity does not exist. Family ownership (FO) and business sustainability (SUST) are negatively correlated. Furthermore, the relationships between family involvement, both in management and control, show a positive correlation. Interestingly, board independence (BI) shows a negative association with sustainability. The highest correlation occurs between family representation in the board of directors (BD) and DUALITY variables, at 0.7588, while the lowest correlation is found between the DUALITY and SIZE variables, at -0.2033. In general, the matrix correlations indicate that there are no multicollinearity issues with our model or estimations. The multicollinearity test results are displayed in Table 3 as follows.

Table 3. Correlation Coefficients between Variables

	SUST	FO	BC	BD	DUAL	BI	SIZE	PROFIT	GRO
SUST	1.0000								
FO	-0.1169	1.0000							
BC	0.2257	-0.0620	1.0000						
BD	0.0318	0.0783	0.1189	1.0000					
DUALITY	0.1121	0.0272	0.6333	0.7588	1.0000				
BI	-0.1393	-0.0288	-0.1791	0.0573	-0.0930	1.0000			
SIZE	0.0462	-0.1121	-0.0880	-0.1423	-0.2033	0.1567	1.0000		
PROFIT	0.0672	0.1581	0.0618	0.0010	0.0076	0.0494	0.1405	1.0000	
GROWTH	0.0282	0.0951	-0.0433	-0.1304	-0.0318	-0.0952	-0.0566	0.1202	1.0000

Source: Data processed using EViews, 2026

Finding out if the model is appropriate for use in this investigation is the goal of the model fit test. The Hosmer-Lemeshow Goodness of Fit Test can be used to ascertain it. The regression model is fit, according to the Hosmer test findings, which show a probability value over 0.05 (0.6781). The Hosmer test results are shown in Table 4 as follows. The coefficient of determination test is then used to determine how much variation in the independent variable may account for variance in the dependent variable. The McFadden R-squared value in the logistic regression test results can be used to determine this test. The McFadden R-squared score is 0.0936 based on the findings of the logistic regression test's coefficient of determination test. According to Table 5, family business sustainability may be explained by differences in the variables of board independence, duality, family ownership, and family involvement in management and control by 9.36%.

Table 4. Hosmer- Lemeshow Test

H-L Statistic	29.9972	Prob. Chi-Sq(8)	0.6781
Andrews Statistic	38.9040	Prob. Chi-Sq(10)	0.5897

Source: Data processed using EViews, 2026

Table 5. Coefficient Determination Test

McFadden R-squared	0.0936
S.D. dependent var	0.3815
Akaike info criterion	0.8750
Schwarz criterion	0.9414
Hannan-Quinn criterion	0.9009
Restr. Deviance	554.5391
Likelihood Ratio (LR) statistic	51.8981
Prob (LR statistic)	0.0000

Source: Data processed using EViews, 2026

Finally, the classification matrix is used to determine the estimated percentage of correct and incorrect cases for the dependent variable (the model accuracy test). It can also be used to indicate the percentage match rate between correctly classified cases and incorrectly classified cases. The higher the model match rate, the better the prediction accuracy of the regression model. Table 6 presents the results, showing that the percentage of model accuracy that can be predicted accurately is 73.92%.

To test the hypotheses, finding out how every independent variable concurrently affects the dependent variable is the goal of the simultaneous influence test. This test can be determined through the probability Likelihood Ratio Statistic value (LR statistic) from the logistic regression test results. If the LR statistic value is below 0.05, then all independent variables simultaneously significantly influence family business sustainability. Table 5 shows that the p-value (LR statistic) is below 0.05 (0.000). indicating that the likelihood of family company longevity is influenced concurrently by family ownership, family participation in management and control, duality, and board independence.

Table 6. The Expectation Prediction (Accuracy of Model) Test

	Estimated Equation		
	Dep=0	Dep=1	Total
E(# of Dep=0)	27.41	77.59	105.00
E(# of Dep=1)	77.59	412.41	490.00
Total	105.00	490.00	595.00
Correct	27.41	412.41	439.82
% Correct	26.10	84.17	73.92
% Incorrect	73.90	15.83	26.08
Total Gain*	8.46	1.81	2.99
Percent Gain**	10.27	10.27	10.27

Source: Data processed using EViews, 2026

Next, the potential influence of family ownership, family involvement, and family openness on the tendency toward family business sustainability is presented in Table 7. The coefficient results show that the sustainability of family enterprises in Indonesia is statistically significantly impacted by family ownership, involvement, and company openness. The magnitude of family representation on the board of commissioners on family business survival are approximately three times in magnitude. While the magnitudes of family ownership, family in board of directors, duality, and board independence are approximately similar, at

about two times in magnitude, respectively. Meanwhile, the three control variables used, namely, company size, profitability, and growth opportunity do not have a statistically significant effect on the sustainability of family businesses.

Family ownership has a significantly negative impact on the probability to survive. It indicates that being too concentrated in the family reduces the tendency of family business sustainability, and thus, hypothesis 1 is not supported. The high concentration of ownership indicates strong incentives to seize wealth from minority shareholders as well as individual advantages of control. Consequently, the tendency of family company sustainability in Indonesia decreases with increasing family ownership. These results suggest that family ownership can threaten company sustainability.

Family involvement on the board of commissioners to control the company or the board of directors to lead the company may increase the sustainability of family businesses. Consistent with prior studies, (Williams et al., 2013; Ine et al., 2019; Bensaadi, 2023), family involvement in management can increase the sustainability of the company due to the alignment of goals in running the business. Therefore, hypotheses 2a and 2b are supported. However, family involvement, if it is too prominent in the company, by placing family members who may not have managerial abilities on the board of commissioners and directors, reduces the tendency to sustain family businesses. This is supported by the results of family ownership tests, which indicate that the more concentrated the company is within the family, the greater the threat it poses to the company's sustainability. This finding supports research by Gavana et al. (2023), which states that having more families in company management will threaten sustainability and reduce company performance. Therefore, hypothesis 2c is supported.

Table 7. Logit Regression Results on Family Firms' Sustainability

Variable	Logistic Regression	
Family Ownership	-1.9929***	(-2.9269)
Board Commissioners	2.1113***	(3.9797)
Board of Directors	1.1881**	(2.3205)
Duality	-1.3802**	(2.3205)
Board Independence	-2.9219***	(-2.9784)
Size	0.0663	(1.3731)
Profit	1.3584	(1.4375)
Growth	0.0464	(1.1904)
Intercept	0.3838	(0.2479)
McFadden R-square	0.0936	
Prob > LR stat	51.8981***	
Number of observations	595	

Source: Data processed using EViews, 2026

Significant at * $p < 0.10$, ** $p < 0.05$, and *** $p < 0.01$, according to the legend. Parentheses are used to display t-statistics.

The performance and sustainability of the business are not enhanced by the existence of board independence as a gauge of family business openness. This can happen because, in a family business, the independent board of commissioners is usually the most trusted member of the family and is frequently appointed by the family itself; however, they may not possess the necessary competence to supervise the company effectively. The family business may appoint this independent board of commissioners solely to comply with OJK regulations. This finding is consistent with prior studies, (Gavana et al., 2023; Leung et al., 2014; Kweh et al.,

2019), that independent boards have similar objectives to the family; they do not improve the viability of family firms. Thus, the presence of an independent board in the company does not impact the sustainability tendency of family businesses; therefore, hypothesis 3 is not supported.

In addition, the company's sustainability tendency is not significantly impacted by the control variables, growth opportunity, profitability, and company size. This implies that corporate sustainability is not determined by firm attributes like size, profitability, and company growth. This is consistent with the SEW approach, which emphasizes non-economic goal orientation as a crucial aspect of family companies.

Lastly, we examine the marginal effect, which indicates the change in probability resulting from a one-unit increase in the predictor or independent variable, as shown in Table 8. The coefficient of -0.2584 means that family firms with larger ownership have a 25.84 percent lower probability of survival, as overly concentrated ownership may disrupt voting rights in decision-making for company development. However, if family involvement on the board of commissioners increases by 1%, then the probability of family firms surviving is 19.26% higher. Additionally, since the family still makes all of the decisions, having family members on the board of directors raises the likelihood that family businesses will survive by more than 100%. On the contrary, excessive involvement of the family in the roles of the board of commissioners and the board of directors (duality) increases the probability that the company will not survive by more than 100%. This implies that agency disputes between family and non-family shareholders may result from decision-making that is family-centric.

Meanwhile, in terms of openness, a 1% increase in the proportion of board independence will reduce the probability of the company surviving by 37%. This implies that the high percentage of board independence reduces family influence and authority within the company, even if family businesses must be more receptive to the participation of non-family board members. All the results confirm the significant influence of family ownership, family involvement, and family openness of the family firm in Indonesia.

Table 8. The Marginal Effect

Variables	dy/dx	Std.Error	z	P> z	95%	
					Confidence Level	
Family Ownership	-0.2584	0.0861	(-3.00)	0.003	-0.4272	-0.0897
Board Commissioners	0.1926	0.1185	(3.40)	0.001	0.1705	0.6349
Board of Directors	1.0437	0.0991	(1.94)	0.052	0-.0016	0.3868
Duality	-1.1528	0.0608	(-2.51)	0.012	-0.2720	-0.0337
Board Independence	-0.3790	0.1252	(-3.03)	0.002	-0.6243	-0.1337
Size	0.0086	0.0062	(1.38)	0.168	-0.0036	0.0208
Profit	0.1761	0.1220	(1.44)	0.149	-0.0629	0.4152
Growth	0.0086	0.0050	(1.38)	0.233	-0.0039	0.0159

y = Pr(SUST) (predict) = 0.8469

Source: Data processed using EViews, 2026

Robustness and Specification Checks. In this section, we estimate the robustness and specification tests to confirm that biases do not affect our results. First, we perform the regressions using various proxies for the board of directors and independent board variables to see if the previous results are responsive to alternative measurements. These variables are calculated using the percentage of board directors from families (Roida, 2020) and the ratio of independent board members to the family members on the board. Table 8 shows that, except

for the beneficial effects of family participation, the results are comparable to those reported, and serving as board commissioners (board independence) on a firm's sustainability becomes insignificant using this measurement.

Second, we employ the firm's age as a dependent variable in measuring family business survival using the instrumental variable approach, considering that performance in surviving is likely to change over the firm's lifecycle. The average age of companies in Indonesia indicates that they are in the maturity category, necessitating continuous innovation to survive in the business environment and compete with new companies that can innovate. The firms' age is only partially a guarantee of their survival. Firms get more extensive and complicated as they mature, implying that agency issues could increase. As a result, firm performance may decrease, and the rate of survival will decrease, as well. The findings align with previous analyses.

Table 9. The Estimation Methodology I

Variable	(1)		(2)	
Family Ownership	-0.0002***	(-2.3526)	-0.0002***	(-2.8272)
Board Commissioners	3.0686***	(5.1096)	1.3739***	(3.0259)
Board of Directors	1.0437**	(2.1021)		
%Board of Directors			1.43E-05	(0.2567)
Duality	-1.1466**	(-1.8279)	-0.2485	(-0.5849)
Board Independence			-0.0003***	(-2.7377)
Board Indep/Fam on Board	-8.57E-05***	(-3.5461)		
Size	2.14E-06	(0.3887)	7.41E-06	(1.5495)
Profit	0.0001	(1.2825)	0.0002*	(1.2825)
Growth	7.03E-06	(1.6211)	2.19E-06	(0.6193)
Intercept	0.0989	(0.0574)	0.7798	(0.5075)
McFadden R-square	0.0998		0.0838	
Prob > LR stat	55.3198***		46.4799***	
Number of observations	595		595	

Source: Data processed using EViews, 2026

Significant at * $p < 0.10$, ** $p < 0.05$, and *** $p < 0.01$, according to the legend. Parentheses are used to display t-statistics.

Finally, we consider the possible impact of family ownership concentration on a firm's age since family ownership handles the implications of various family holding levels (Setia-Atmaja et al., 2009), including the propensity for survival. As the previous result shows that family ownership harms business sustainability, the proportion of family ownership, the percentage of family ownership squared (designated as *ownership*²), and the percentage of family ownership cubed (designated as *ownership*³) are all recalculated. The correlations between a company's survival and the degree of family ownership concentration are shown in Table 9. As can be seen, if the ownership concentration is less than the tipping point of 0.2459 (approximately 24%), the chances of survival are reduced. After that, the probability of survival will increase if the ownership levels are between 0.2459 and 0.6358. However, if the ownership level reaches 0.6358 or higher, the change required to survive will decrease accordingly. These results are consistent with the fact that the mean of family ownership in Indonesia is about 0.6497. This suggests that the dispersion of ownership may result in a non-linear relationship between survivability and its dispersion. Family ownership concentration may affect the ability to survive if it is not too concentrated (approximately more than 63%)

or too dispersed (approximately less than 24%), which falls within the optimal range of 24% to 63%. The results are similar to those reported in the earlier analyses.

Table 10. The Estimation Methodology II

Variable	OLS (Age)	
Family Ownership	-89.9945*	(-1.86)
Family Ownership ²	182.9915**	(2.01)
Family Ownership ³	-95.9411*	(-1.80)
Board Commissioners	8.1193***	(2.82)
Board of Directors	13.0556***	(4.23)
Duality	-10.5469***	(-3.05)
BI	-11.0524**	(-2.36)
Size	1.5319***	(5.87)
Profit	3.5029	(0.75)
Growth	-0.5880***	(-3.43)
Intercept	-16.8914	(-1.44)
Adjusted R-square	0.1769	
Prob > F stat	13.75***	
Number of observations	595	

Source: Data processed using EViews, 2026

Significant at * $p < 0.10$, ** $p < 0.05$, and *** $p < 0.01$, according to the legend. Parentheses are used to display t-statistics.

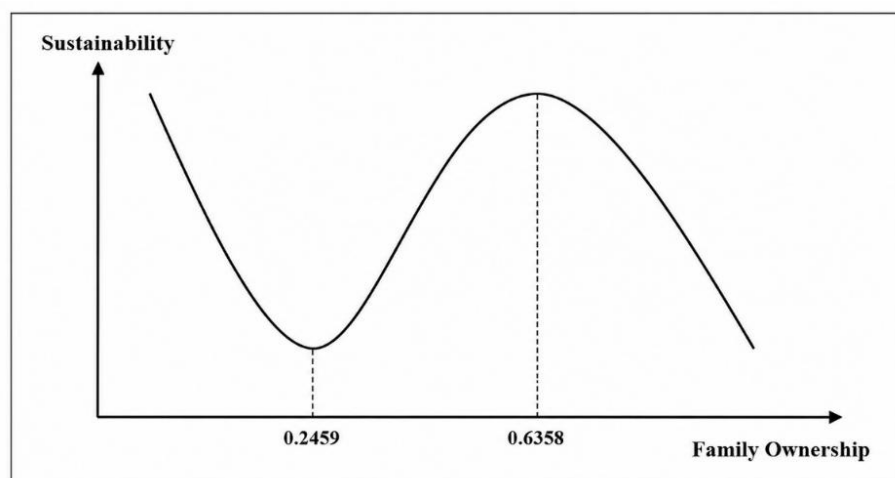


Figure 1. The Nonlinearity of the Ownership and Sustainability Relationship

Source: Data processed using EViews, 2026

CONCLUSIONS

Based on the SEW aspects, this study investigates the effects of family ownership, family involvement, and family openness on the sustainability of family-owned firms in the Indonesian capital market context, which is marked by substantial private advantages of control. According to the study's findings, family firms are more likely to maintain their long-term orientation goals and pass the business down through the generations if they have non-economic aims. By taking into account the distinctive features of family businesses that set

them apart from non-family businesses, SEW seems to broaden the application of agency and stewardship theory. SEW can determine the connection between the inclination toward family ownership, involvement, and openness and the tendency toward sustainability. Family ownership contributes significantly to the viability of family businesses as long as families retain control over the enterprise. The degree of ownership concentration appears to have distinct effects on the sustainability of businesses. Family representation on the board of directors (management) or commissioners (controller) greatly increases the likelihood of family company sustainability, while duality involvement has a severe negative effect. In Indonesia, family openness through the existence of an independent board of commissioners has a significant negative impact on the propensity of family business sustainability, as well. This study demonstrates that the more concentrated a company is on the family, the greater the threat it poses to the sustainability of the family business. The higher the family ownership and the more families are in company management positions, the easier it is for the family to act opportunistically and prioritize family interests over business interests. The results of this study indicate the existence of an agency dimension that occurs when the family is too dominant in family ownership and involvement (duality). However, the stewardship dimension also appears to be a pro-organization family, as evidenced by family involvement in managerial (families on the board) and monitoring roles (families on the board commissioner). Since the independent board is suspected of being affiliated with the executive director, it is not truly independent (Nguyen et al., 2021; Ogabo et al., 2021). As a result, the outcomes are often contrasted with those of the previous investigation. These results can be an indication of how important families are to the company. Increased family control over the company could indicate a possibility of disputes between families, management, institutional investors, and minority shareholders, which could jeopardize the company's viability.

This study contributes to the literature, especially to strengthen the position of the SEW approach by emphasizing the sustainability of business through a multidimensional view of SEW. As researchers, business survivability is a process of intergenerational transfer that aims to maintain family identity within the organization. Therefore, it is transferable to the following generation. The interaction between the business and the family is included in the notion of socio-emotional wealth. By analyzing strategic decision-making through family ownership, family involvement (as managers and controllers), and business openness (through board independence), especially in the context of maintaining the socio-emotional wealth of families, our findings shed light on this topic.

This research has various theoretical and practical ramifications. For investors, the findings suggest that family involvement can bring negative incentives if it is too centralized, potentially leading to families expropriating the wealth of minority shareholders. For family business management, the results suggest that family firms should consider certain aspects, as long-term-oriented investors perceive them as more attractive in maintaining business for the long run. For policymakers, the findings that certain factors significantly influence a family firm's propensity to survive could serve to justify specific actions, particularly encouraging greater family openness and reducing family centralization in decision-making.

We acknowledge that this study has certain limitations and areas for improvement. Although we utilize pooled data, we must examine how governance mechanisms evolve. The cross-generational issue is a significant concern in family businesses, and therefore, it is sensitive to how families perceive it. Future research can investigate how family businesses define their ability to survive, which impacts not only the companies themselves but also the sustainability of the family. Next, although we have successfully integrated family ownership,

family involvement, and family openness to assess firm sustainability, future research can examine and contrast the cross-national and cultural aspects to provide additional viewpoints.

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