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CEO RIVALRY WITHIN THE INDONESIAN FAMILY BUSINESSES: EXAMINING SUCCESSION CHALLENGES FROM AN ALTRUISTIC STANDPOINT

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Abstract

This research aims to evaluate the transfer of leadership from founder to descendant CEOs in Indonesian family-owned businesses, considering altruistic behaviors. The research method utilizes Return on Assets (ROA) as the dependent variable, employing founder and descendant CEO status as independent variables and taking into account control variables such as company size, sales growth, and capital structure. The study employs distinct regression models for founder and descendant CEOs, using financial data encompassing all family firms listed on the Indonesia Stock Exchange from 2006 to 2021, selected through purposeful data sampling. The research finds that founder CEOs negatively impact ROA, while descendant CEOs positively influence it. The results suggest that founders should transfer leadership earlier for a smoother generational transition, enabling descendants to contribute more effectively to the company's growth confirming the altruistic behaviors.

Keywords: CEO, Altruistic Succession, Prospect Theory.

JEL Classifications: M1. M2

INTRODUCTION

The competition between family-owned companies, led by a founder CEO and a descendant CEO, is intriguing because it underscores the need for leadership succession. The financial performance differences between these CEOs send a message to the entire company on the stock market, prompting an evaluation of whether the founder CEO should stay or if it's time for a generational shift, allowing heirs to contribute to the business's future. A frequent problem is when founder CEOs are hesitant to transfer leadership to the next generation, even though their performance falls short compared to the latter. Furthermore, the fact shows that the next generation has received a better education and gained experience abroad. This behavior indicates that the practice of altruism within these companies may not be fully established yet.

Within family-run businesses, altruism entails giving precedence to the enduring prosperity of the company over individual benefit. Family members, particularly those holding leadership and ownership positions, might opt to forgo personal gains, such as reinvesting profits and accepting reduced compensation, all in the name of preserving the business's heritage. This selfless conduct nurtures a sense of togetherness and dedication that persists

across multiple generations. When founder CEOs hand over leadership to their successors, the extent to which they exhibit altruistic tendencies varies, depending on their intent and the potential for conflicts of interest stemming from competence and experience. Nonetheless, some founder CEOs may opt to retain their positions, even if their performance is lackluster due to factors like health and aging.

Research conducted by Le Breton-Miller and Miller (2018) as well as Kim and Kiymaz (2021) reveals noticeable variations in the financial performance of family firms when comparing founder and descendant CEOs. According to Andres (2008), family businesses tend to achieve their best performance when the founder remains actively engaged in a leadership role. This perspective is corroborated by Anderson and David (2003), who stress the enduring success of companies where the founder maintains an active role. In contrast, Sraer and Thesmar (2007) found that French companies experienced increased profitability when led by descendant CEOs. Additionally, Putri and Viverita (2019) observed a generational shift in leadership within Indonesian family-owned enterprises, where founder CEOs often play a role in preserving the company's culture and values.

Previous studies exploring altruistic behavior within family businesses have yielded inconclusive results, particularly when investigating how founder and descendant CEOs impact the enhancement of shareholder wealth (McConaughy et al., 1998; Schulze et al., 2001; Schulze et al., 2002; Villalonga and Amit, 2006). Altruistic behavior, characterized by founders favoring their descendants as future CEOs, often results in conflicts of interest that may potentially undermine principles of effective corporate governance. This research seeks to bring clarity to the distinct roles of founders and descendants in influencing company performance and to evaluate whether a transition in leadership from the founder CEO to their heirs as descendant CEO is justified.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

This study is grounded in the principles of Agency Theory (Jensen and Mecling, 1976), which primarily deals with the challenges that arise when there are conflicts in the relationships between shareholders and managers. In the context of family-owned enterprises, a distinctive approach emerges, potentially mitigating these agency issues. This is achieved by aligning the interests of management with company ownership through the delegation of authority to family members by the founders. This perspective finds support in research suggesting that family-owned businesses have the potential to reduce agency costs and enhance their overall performance. In the realm of family businesses, the role of altruism becomes prominent. Founders delegate authority to their descendants to benefit them, driven by a desire to provide opportunities for their descendants to take over as CEOs. This instills motivation in the older generation to preserve the company's values and transfer knowledge. The altruistic behavior of founder CEOs encourages their descendants to actively contribute to the family business, ultimately boosting performance and ensuring the efficient allocation of resources, which, in turn, reduces agency costs. Conversely, Schulze *et al.* (2001) present a different viewpoint, contending that the task of reducing agency costs within family firms becomes more intricate

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due to the presence of self-control issues. Self-control here pertains to managers exercising excessive authority, often prioritizing family interests at the expense of minority shareholders, which can lead to conflicts. Schulze *et al.* (2002) caution against uncontrolled altruistic behavior within family businesses, as it can potentially give rise to other agency problems. This behavior may also lead to adverse consequences, such as founders retaining underperforming descendants due to their interests and concerns about financial security in retirement, even when these descendants lack the drive and ability to sustain the company's success.

These dynamics can impart negative lessons to descendants, as they may become accustomed to preferential treatment from founders. Consequently, descendants may lack a sense of responsibility and the motivation to actively contribute to the company's success. They might even struggle with the confidence and courage to face challenges. When descendants cannot effectively contribute to the business, they may squander the assets and resources built up by founders over time. As Jensen (1994) points out, self-control and altruism within family businesses can lead to agency problems in the form of moral hazard and adverse selection. In the context of family firms, moral hazard refers to the tendency of founders to exploit their authority as owners to enforce policies that may not align with the interests of other CEOs, especially when it concerns the presence of descendants on the board of directors. For example, founders might provide facilities, salaries, and other privileges to descendant CEOs. Additionally, according to Schulze *et al.* (2001), Daspit *et al*. (2016), founders, often unconsciously, may engage in adverse selection by selecting their descendants as CEOs instead of choosing highly skilled professional managers. Such behaviors can be detrimental to the overall success of the family business.

Research conducted by Anderson and David (2003) revealed that when companies were under the leadership of founders, financial performance remained strong because founders actively participated and shouldered the responsibility for shaping the company's success. Schulze *et al.* (2002) put forth the argument that altruism could positively affect financial performance, especially in cases where the company was under the control of founders. In the initial stages, founders typically encouraged family members to remain dedicated to preserving and nurturing the company's integrity and business well-being, ultimately enhancing financial performance. Drawing from these research insights, the following hypothesis can be posited:

H_1: Founder CEOs exert a positive influence on financial performance.

According to Susanto A.B. and Wijanarko's (2007), research in emerging markets showed that most founders want their children to join the family business. These founders, who have stepped back from active leadership, often prepare their successors through education and exposure to business experiences. The successors must be capable and willing to uphold the family legacy, safeguarding the business's foundation and building upon the founder's trust, benefiting from their predecessors' hard work. This trend aligns with McConaughy and Phillips (1999), who found that companies led by descendants typically outperform those led by founders. When a new generation takes on CEO roles, they often introduce innovative strategies that enhance the family business's performance, surpassing their predecessors.

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These improvements stem from differences in character and their commitment's duration to the company. Based on these insights, we propose the following hypothesis:

H2: Descendant CEOs positively impact financial performance.

Founder CEOs and descendant CEOs inevitably bring their distinct approaches to managing a company, shaped by their individual characteristics, business circumstances, knowledge, and experience. Consequently, performance disparities may arise between the two while they are actively serving as CEOs. Previous studies (Wang *et al.* 2007; Andres, 2008) have yielded mixed results, with some suggesting that founder CEOs outperform descendant CEOs.

Conversely, research findings from McConaughy and Phillips (1999) and Sraer and Thesmar (2007) propose that the financial performance of descendant CEOs surpasses that of founder CEOs. Given the inconclusive nature of these research findings, we formulate the following hypothesis:

H3: There exists a difference in financial performance between founder CEOs and descendant CEOs.

RESEARCH METHODOLOGY

The purpose of this research is to evaluate the potential changes in leadership from the founder CEO to the descendant CEO by comparing their performance in achieving financial results measured by the Rate of Return On Asset (ROA). Secondary data was collected from financial and non-financial reports available on company websites. The data sources for this research encompassed www.idx.co.id, company websites, various articles, books, and previous research from diverse sources.

This study's population comprises all financial data of family companies that have been listed on the Indonesia Stock Exchange between 2006 and 2021. The research sample was selected using purposive sampling techniques based on five specific criteria outlined as follows:

1. Companies with CEOs who share the same last name.
2. Companies with a minimum of 25% ownership by specific family members or groups; if ownership is lower, family members must hold CEO or board positions.
3. Companies led by founders serving as board members.
4. Companies led by descendants serving as board members.
5. Companies that consistently released financial reports from 2006 to 2021.

This study incorporates three control variables: firm size, sales growth, and capital structure. Prior research (Andreson and David, 2003; Bozec and Di Vito, 2019) has indicated that these three variables are likely to influence the performance of family firms. Operational definitions and measurements of variables are outlined in Table 1 below:

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Table 1: Operational Definitions of Variables

Variable	Variable Definition	Indicators	Measurement
Financial Performance	Comparison of net income to total assets held by a company	- Net profit or loss generated by the company - Total assets held by the company	ROA : $\frac{\text{Net profit or loss}}{\text{Total assets}}$
Founder	Founder of the family company who, from its inception to the research year, still actively serves as a board member or commissioner.	Founder's name obtained from company history	The quantity of shares held by the founders of the family-owned company during their tenure as CEOs
Descendants	Heirs or descendants from the family actively serving on the board and absolutely no involvement from the Founder.	Family name (characterized by the same surname or last name as the Founder)	The quantity of shares held by the decendants of the family-owned company during their tenure as CEOs
Firm size	The size of the company, representing its magnitude.	Total company assets	Natural logarithm of total assets
Sales growth (SGROWTH)	Annual company sales growth.	Total company sales per year during the research period	(Current year's sales – Previous year's sales) / Current year's sales
Capital Structure (CAPSTR)_Gitman, 2009	Leverage : The total amount of long-term debt used to finance company operations.	Long-term source of funds	Debt Equity Ratio (DER) : $\frac{\text{Total long-term debt}}{\text{Total Equity}}$

Source: Own elaboration

Following McConaughy and Phillips (1999,p.126), the analytical model employed in this study comprises two approaches:

1. A multiple linear regression model, allowing to assess the impact of founder CEOs and descendant CEOs on company performance. The formulations of the two linear regression equations respectively are as follows:

$$ROA_{fit} = \alpha + \beta_1\ FounderCEO_{it} + \beta_2\ SIZE_{fit} + \beta_3\ SGROWTH_{fit} + \beta_4\ CapStr_{fit} + \varepsilon_1 \quad (1)$$

$$\mathrm{ROA_{dit}} = \alpha + \beta_1\ \mathrm{DescendantsCEO_{it}} + \beta_2 \mathrm{SIZE_{dit}} + \beta_3 \mathrm{SGROWTH_{dit}} + \beta_4 \mathrm{CapStr_{dit}} + \varepsilon_1 \quad (2)$$

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2. An analysis of variance (ANOVA), allowing to determine whether there is a difference in Return on Asset (ROA) when the company is led by a founder CEO compared to a descendant CEO.

RESULTS AND DISCUSSION

Results

The classic assumption tests for both regression models (founder and descendant CEO) demonstrated that the data follows a normal distribution and exhibits no multicollinearity, autocorrelation, or heteroskedasticity. Consequently, this research successfully passed the classic assumption tests.

Furthermore, this research incorporates two regression models: one for assessing the influence of founder CEOs on financial performance (Model 1) and another for evaluating the impact of descendant CEOs on financial performance (Model 2). Following the data analysis conducted, the descriptive statistics for the regression on the influence of founder CEOs on financial performance (Model 1) are presented in Table 2 below:

Table 2: Descriptive Statistics - Founder CEO

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	96	-0.187	0.520	0.067	0.116
Founder CEO	96	0.000	0.869	0.186	0.288
Size	96	11.277	14.948	12.410	0.593
SGrowth	96	-0.587	11.895	0.234	1.290
CAPSTR (DER)	96	0.003	68.354	0.959	6.958
Valid N (listwise)	96				

Source: Own elaboration

Table 2 illustrates that the average ROA stands at a relatively modest 6.7%, signifying robust competition within the business landscape. This is noteworthy, given the relatively high average sales growth rate of approximately 23% observed when the company is under the leadership of a founder CEO.

The average long-term debt exposure, as reflected by the average CAPSTR of approximately 96%, indicates that founder CEOs adopt an assertive long-term debt strategy, which carries a substantial degree of risk. This bold approach to managing long-term debt is likely employed to fund the company's substantial sales growth and considerable size, as indicated by a coefficient of approximately 12.41 for ln total assets. Table 3 provides descriptive statistics for the regression assessing the impact of descendant CEOs on financial performance (Model 2):

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Table 3: Descriptive Statistics - Descendant CEO

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	87	-0.140	0.172	0.058	0.056
Descendant CEO	87	0.000	0.484	0.036	0.087
Size	87	10.430	14.254	12.868	0.858
SGrowth	87	-0.518	2.863	0.158	0.359
CAPSTR (DER)	87	0.002	1.727	0.348	0.340
Valid N (listwise)	87				

Source: Own elaboration

Table 3 indicates that the mean ROA stands at roughly 5.8%, signaling a competitive business environment, even though there is a relatively high average sales growth rate of around 16% when a descendant CEO leads the company.

The average long-term debt position, as denoted by the average CAPSTR of about 34%, suggests that descendant CEOs exercise caution in formulating their long-term debt strategies. This prudent handling of long-term debt is also reflected in the company's relatively consistent size, with a coefficient of approximately 12.86 for ln total assets.

Based on the conducted statistical tests, the summaries of the two multiple regression models are presented in Table 4. Table 4, Section A, outlines the regression equation for the founder CEO model as follows:

$ROA_{fit} = -0.545 - 0.091\ FounderCEO_{it} + 0.051\ SIZE_{fit} + 0.003\ SGROWTH_{fit} - 0.004\ CAPSTR_{fit} + \varepsilon i.$

The coefficient for founder CEO is -0.091, with a probability value of 0.029, which is less than the significance level (α) of 0.05. This suggests that founder CEOs exert a significant negative influence on company performance. Consequently, the hypothesis proposing a positive effect of founder CEOs (H1) is not supported. Additionally, the coefficient for the SIZE variable is 0.051, with a probability value of 0.010, indicating a significant positive impact of SIZE on company performance.

Meanwhile, the coefficient for the SGROWTH variable is 0.003, with a probability value of 0.774, meaning that SGROWTH does not have a significant effect on company ROA. The CAPSTR variable has a coefficient of -0.004, with a probability value of 0.013, signifying a significant negative effect on ROA.

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Table 4: Multiple Regression Models

Dependent Variable : *ROA*							
A. FOUNDER CEO (Model 1)				***B. DESCENDANT CEO (Model 2)***			
Independent Variable	**Co-efficient**	**Sig**	**Conclusion**	**Independent Variable**	**Co-efficient**	**Sig**	**Conclusion**
(constant)	-0.545	0.028	Significant	(constant)	-0.237	0.005	Significant
Founder CEO	-0.091	0.029	Significant	*Descendant CEO*	0.233	0.000	Significant
Size	0.051	0.010	Significant	*Size*	0.023	0.000	Significant
SGrowth	0.003	0.774	Not Significant	*SGrowth*	0.008	0.548	Not Significant
CAPSTR (DER)	-0.004	0.013	Significant	*CAPSTR (DER)*	-0.039	0.017	Significant
R square	0.172			R square	0.361		
F-statistic	5.945			F-statistic	13.149		
Sig. F	0.000			Sig. F	0.000		
Regression equation	ROA_{fit} = - 0.545 - 0.091 Founder CEO_{it} + 0.051 $SIZE_{fit}$ + 0.003 $SGROWTH_{fit}$ - 0.004 $CAPSTR_{fit}$ + ε_i				ROA_{dit} = - 0.237 + 0.233 Descendant CEO_{it} + 0.023 $SIZE_{dit}$ + 0.008 $SGROWTH_{dit}$ - 0.039 $CAPSTR_{dit}$ + εi.		

Source: Own elaboration

Moreover, Table 4, Section B, presents the regression equation for the descendant CEO model as follows:

ROA_{dit} = -0.237 + 0.233 $DescendantCEO_{it}$ + 0.023 $SIZE_{dit}$ + 0.008 $SGROWTH_{dit}$ - 0.039$CAPSTR_{dit}$ + ε_i.

The coefficient for descendant CEO is 0.233, with a probability value of 0.000, which is less than the significance level (α) of 0.05. This indicates that descendant CEOs have a significant positive impact on company performance, supporting the hypothesis that descendant CEOs positively influence company performance (H_2).

Furthermore, the SIZE variable has a coefficient of 0.023, with a probability value of 0.000, signifying a significant positive effect on company performance. On the other hand, the SGROWTH variable has a coefficient of 0.008, with a probability value of 0.548, indicating that SGROWTH does not significantly affect company performance. Lastly, the CAPSTR variable has a coefficient of -0.039, with a probability value of 0.017, demonstrating a significant negative effect on company performance.

Regarding the test results for the difference in ROA performance between founder CEOs and descendant CEOs, Table 5 shows that the hypothesis suggesting a difference in financial performance (ROA) between founder CEOs and descendant CEOs (H_3) is rejected. In other words, there is no disparity in financial performance (ROA) between founder CEOs and descendant CEOs.

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Table 5: Difference Test of ROA Between Founder CEOs and Descendant CEOs

Group Statistics					
	Ownership	**N**	**Mean**	**Std. Deviation**	**Std. Error Mean**
ROA	*Descendants CEO*	87	0.058	0.058	0.006
	Founder CEO	96	0.067	0.116	0.012

Independent Samples Test

		Levene's Test for Equality of Variances		**t-test for Equality of Means**						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
ROA	Equal variances assumed	29.160	0.000	-0.633	181	0.527	-0.009	0.014	-0.036	0.0183
	Equal variances not assumed			-0.653	139.6	0.515	-0.009	0.013	-0.0345	0.018

Source: Own elaboration.

DISCUSSION

As depicted in Table 4, founder CEOs exert a noteworthy influence on ROA performance in an adverse direction. This pattern implies that an increase in the ownership of shares by founder CEOs correlates with a reduction in ROA. In contrast, descendant CEOs yield a positive and substantial effect on ROA. The greater their share ownership, the more proficient descendant CEOs become in bolstering ROA performance. Descendant CEOs provide evidence that their performance contributes to a superior ROA compared to founder CEOs, as indicated by the magnitude of the regression coefficients.

What are the underlying factors that account for the variation in financial performance between these two groups of CEOs? What does this quantitative financial performance actually represent? One significant reason for this difference can be attributed to the effectiveness of implementing altruistic behaviours within the family enterprise. The extent to which these altruistic behaviours are effectively implemented is greatly influenced by the risk preferences of the founder CEO, as explained by Regret Theory (Kahneman and Tversky, 1979) and Prospect Theory (Kahneman and Tversky, 1981).

Every parent holds their children dear. Founder CEOs, in particular, anticipate a smooth generational transfer of leadership, hoping that their offspring will eventually assume their CEO roles. Consequently, founder CEOs must offer opportunities for their descendants to acquire knowledge from them, enabling them to eventually take on the CEO position authentically when the timing is ideal. Ideally, this altruistic conduct should lead to the expected, natural generational shift. However, if it is not executed correctly, it can lead to financial losses and exacerbate agency-related challenges within family businesses, as evidenced by previous research (Schulze *et al.* 2001; Chrisman *et al*. 2004; Daspit *et al*. 2016).

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Therefore, it is imperative to manage altruistic conduct in a manner that benefits all stakeholders of the company during generational transitions.

Over time, founder CEOs age, and health issues become obstacles to their continued leadership of the company. Regeneration becomes essential, necessitating the occurrence of generational transitions. Nonetheless, the timing of this transition is heavily influenced by the founder's willingness and readiness to step down from their role, thereby allowing descendants to assume leadership responsibilities and advance the business further. Their willingness and preparedness to hand over the leadership baton are contingent upon the founder's confidence in the capabilities and experience of their descendants, ensuring that they are adequately prepared for the responsibility. In essence, each founder exhibits distinct risk preferences regarding their readiness and willingness for generational transitions through altruistic conduct mechanisms, which carry different implications for the company's performance post-transition. Based on their risk preferences, founders can be distinguished as individuals who are risk-averse and individuals who are risk-takers, each of whom will respond differently to the uncertainty of success in implementing their altruistic behaviour.

The Influence of Risk-Averse Traits on the Adoption of Altruistic Behaviour

Founders of companies are renowned for their tireless dedication, responsibility, and unwavering commitment to the businesses they have established. They have expended their time, energy, and intellectual resources in pursuit of success. These founders possess a deep understanding of their company's identity as a family business and are driven by genuine intentions to secure prosperity for their extended family. Founder CEOs who have successfully steered their companies through the challenges of industry competition over a prolonged period understandably harbor concerns about the possibility of their company's decline, especially as they advance in age. During this phase in the lifecycle of a well-established company, founders tend to subconsciously exhibit risk-averse tendencies, often manifesting as a preference for maintaining the status quo, reluctance to innovate, and a lack of creativity in seeking new business opportunities to enhance revenue and profitability.

When founder CEOs exhibit characteristics marked by excessive caution, slow decision-making, or a conservative approach, these traits can be attributed to their risk-averse disposition. They fear the prospect of regretting decisions that carry significant risks and may not meet their expectations. Consequently, when confronted with the prospect of a generational transition rooted in altruistic behaviour, they often respond with hesitation. Faced with the natural expectation that parents should provide their heirs with the opportunity to succeed them as CEOs as an embodiment of their altruistic intentions, they frequently experience apprehension and anxiety. They worry that this altruistic decision may fail to yield positive outcomes, benefits, or added value for the company and may instead jeopardize the success they have painstakingly built over the years. These heightened concerns about the potential failure of a high-risk decision place founder CEOs at risk of experiencing regret if the decision does not unfold as intended, affirming the principles of Regret Theory (Kahneman and Tversky, 1979), which states that risk-averse individuals tend to avoid activities predicted to cause future disappointment.

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Risk-averse behaviour often surfaces once an individual has achieved success. Success fosters feelings of security, comfort, and stability, prompting successful individuals to remain within their comfort zones and shy away from taking risks. This behaviour aligns with the tenets of Prospect Theory, as expounded by Kahneman and Tversky (1981), which posits that individuals tend to exhibit risk aversion after experiencing prospects of victory or success. Conversely, they become risk-takers when faced with the potential for failure or non-success. They perceive the intensity of sadness resulting from potential loss or failure to be greater (more painful) than the joy derived from the potential for profit or success. Risk-averse investors are likely to experience a greater sense of loss from a $0.50 reduction in stock price in their investment portfolio than the joy derived from a $0.50 increase, mirroring a parallel reaction. Similarly, when a founder, who possesses a risk-averse disposition, grapples with the role and consequences of their altruistic behaviour, they tend to attach greater significance to the possibility of failure and assign less weight to the potential for success in practicing altruism. Faced with such a predicament, they typically opt to delay or reject altruistically based mechanisms for regeneration that carry risks, while maintaining their position as CEO. The behaviour of founder CEOs in this study confirms the applicability of Prospect Theory.

When a founder CEO opts to defer or reject the implementation of altruistic behaviour, they often conceal this decision by conveying signals or displaying body language that suggests they still possess the capacity to lead their company effectively. At this stage, founder CEOs begin to fall into the snare of overconfident behaviour. They essentially deceive themselves by rationalizing that their extensive experience and adequate competence justify their continued role as CEO, despite empirical evidence showing that overconfident individuals often overestimate their abilities, as demonstrated by Gervais and Odean (2001); Odean (1999), and Fischhoff et al. (1977). Generally, when exposed to overconfident behaviour, founder CEOs tend to disregard factors such as age and health, relying heavily on their experience even when their competence may be inadequate to confront the intricate challenges of the business world.

This tendency toward risk-averse behaviour among founder CEOs is a principal driver of sluggish decision-making processes, often resulting in reduced competitiveness in the face of business competition, which, in turn, leads to diminished profitability. The research findings underscore that when altruistic behaviour is not practiced, the contributions of founder CEOs to Return on Assets (ROA) are negative. This observation implies that founder CEOs may no longer possess the capacity to perform effectively. The findings of prior studies conducted by Putri and Viverita (2019) and (Mork *et al.* 1988) align with these research outcomes.

The Influence of Risk-Taking Traits on the Adoption of Altruistic Practices

In accordance with Prospect Theory, individuals tend to adopt a risk-taking approach when confronted with the possibility of future setbacks or a lack of success. Risk-taking founders, who typically demonstrate rational behaviour, recognize that as they continue in their role as CEO, they will inevitably face natural constraints like aging, health issues, and other psychological factors. These factors could result in less precise decision-making, potentially increasing the probability of failure or performance inadequacies. Consequently, they tend to

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display courage by embracing risk and expediting the leadership transition process through altruistic behaviours to mitigate the risk of future failure while holding onto their position.

Leadership succession is an essential and inevitable step, particularly in a fast-paced and ever-changing business environment. Founder CEOs who grasp this concept will timely pass on their leadership role to their descendants, enabling them to carry on the family legacy and contribute to the company's growth. Postponing this transition can have severe repercussions on the long-term sustainability of the family business. When the descendants meet the necessary qualifications and expectations, the founder will step down as CEO to make way for their successor. In cases where the succession criteria are not met, the founder will offer guidance and support until the descendant CEO is fully prepared and aligns with the founder's expectations. The phenomenon of risk-taking founder behaviour, choosing an altruistic-based leadership transition despite its risks over retaining the CEO position with potential failure, aligns with the principles of Prospect Theory.

The generation of descendant CEOs in this study essentially represents the culmination of prior generational transitions that have espoused altruistic behaviours. These young CEOs typically exhibit a penchant for risk-taking, characterized by a more assertive, innovative, and creative approach. They are consistently on the lookout for opportunities and are adept at crafting them. Risk-taking behaviour constitutes a crucial asset for CEOs aiming for success. Beyond their risk-taking disposition and ample business experience, many descendant CEOs hold prestigious higher education degrees from renowned foreign institutions. They also possess the ability to uphold the company's reputation and goodwill, bolstered by robust business relationships that underpin their performance. Their adeptness in harnessing advanced high-tech tools bolsters their capacity to navigate increasingly intricate business challenges. Additionally, these young CEOs tend to excel under high-pressure circumstances, driven by elevated levels of motivation, enabling them to deliver relatively superior performance. The presence of such outstanding human resources culminates in a potent amalgamation of competencies conducive to achieving enhanced financial performance. The inclusion of descendants within the ranks of CEOs acts as a catalyst for augmenting the company's financial performance, as substantiated by this research, which demonstrates the favorable impact of descendant CEOs on performance. Prior research conducted by McConaughy and Philips (1999) and Sraer and Thesmar (2007) align with these findings. Furthermore, this research underscores that the complete implementation of altruistic behaviour remains an ongoing endeavor within family businesses, particularly in Indonesia.

CONCLUSIONS AND RECOMMENDATIONS

The findings suggest that the founder CEO has an adverse effect on company performance (ROA), which goes against the hypothesis of a positive influence. Conversely, the descendant CEO enhances ROA, aligning with the hypothesis. The data does not reveal a statistically significant divergence in ROA performance between the two CEOs, thus failing to support the hypothesis of performance differentiation between Founder and Descendant CEOs

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In this study, it is observed that founder CEOs display risk-averse tendencies, avoiding actions that are expected to result in future disappointment. These leaders tend to postpone or resist the transition of altruistic leadership, which aligns with the principles of Regret Theory and Prospect Theory. In contrast, descendant CEOs represent the results of risk-taker founders willing to embrace altruistic leadership succession, even though it carries risks, as opposed to retaining their CEO position. The research suggests that founder CEOs who resist succession tend to exhibit poorer financial performance compared to descendant CEOs, who inherit the leadership from their founders.

Based on the research findings, it is recommended that founder CEOs should consider passing on the mantle of leadership to descendant CEOs. This decision is warranted given the proven competence and experience of descendant CEOs, coupled with their adeptness in leveraging information technology to enhance company performance. Founder CEOs, often no longer in their prime, may grapple with health-related disruptions, impairing their ability to fulfill their roles effectively. Hence, founders need not persist in retaining their CEO positions for prolonged durations and should initiate the process of entrusting leadership responsibilities to descendants. This proactive approach will contribute to a smooth and healthy generational transition.

Another aprroach is to encourage the senior CEO to leave the old venture and start another as a pioneer on a new frontier as long as there is no health limitations that might hinder the development of the fledgling venture in the near future. By motivating the experienced executive to lead a new venture, our objective is to capitalize on their knowledge and skills, ensuring a smooth transition while reducing the likelihood of any disturbances to the expansion of the upcoming enterprise.

Limitation and Future Research

This study did not explicitly take CEO age classification into account, but if it had, it would have made it easier to identify variations in performance between senior and junior CEOs

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Conflict of Interest

The authors affirm that the research was carried out without any affiliations of a commercial or financial nature that could be interpreted as a possible conflict of interest.

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