

ABSTRACT

The purpose of this research is to examine the effect of concentric diversification and conglomerate diversification on the performance of family companies through the mediation of leverage-oriented family share ownership. The novelty of this research is the existence of leverage variables oriented to family share ownership, which is a new concept developed from the synthesis of leverage and the multiplier effect, namely family company share ownership. The synthesis of several theories used as references in this study, namely agency theory, resource-based theory, trade-off theory, and internal capital market theory, as a means of connecting research gaps on the effect of business diversification on family company performance.

This study uses data from 63 family companies in the manufacturing sector that meet the rules of purposive sampling with a minimum family share ownership of 20 percent by the rules of PSAK No. 15 of 2009 and based on the regulation of the Financial Services Authority No. 30/POJK/4/2017. The sample was taken from 2015 to 2021 to obtain 441 observations. All samples are family companies in the manufacturing sector listed on the Indonesia Stock Exchange. The hypothesis is testing conducted using PLS-SEM with the Smart PLS.3 application.

The results of this research show that concentric diversification and conglomerate diversification have a positive effect on family firm performance. However, family involvement has a negative effect on family firm performance. Meanwhile, family share ownership-oriented leverage (LKSK) can mediate concentric diversification, conglomeration, and family involvement. The contribution of this research, especially in support of non-linear test results that show the minimum value limit of CEO ownership and the value limit of LKSK, plays a role in controlling the family company performance. Furthermore, this predictive value can be used as a means of making strategic decisions for family companies, especially those related to family control ownership and leverage of the company.

Keywords: *family firm, concentric diversification, conglomerate diversification, family control, leverage, ownership*