ABSTRACT

The aim of this study was to see the effect of diversification, family control, and internal capital market to family businesses' performances. The diversification of a firm is calculated by the amount of segment and subsidiaries from ultimate parents. Family control is defined as the proportion of familial-related member of board, divided by the total amount of firm's board of directors and board of commissionaire. Internal capital market is examined from the debt novation transferred from subsidiaries to its ultimate parents. This study emphasized that diversification would hampered performance. Thus, the presence of familial-related in the board of directors and board of commissionaire had a positive impact to family businesses performances, even though in this research, it has been found statistically insignificant. The internal capital market mechanism proved to have a positive effect on family businesses performances. This study would also considered adding the control variable in order to provide a better model, such: firm's size, firm's total debt, and firm's revenue.

The sample of this study was family businesses listed in Indonesian Stock Exchange from 2007 until 2016. This study collected the total debt (short and long term debt), the assets, the revenue (net sales), ROA, TOBIN'S Q of the family businesses. The Ordinary Least Square method was used to analyze the determinants of family businesses' performances.

Keywords: Family Business, Diversification, Family Control, Internal Capital Market, Firm's Size, Total Debt, Revenue