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INTERGENERATIONAL DIFFERENCES OF FAMILY FIRMS IN INDONESIA: FINANCIAL STRUCTURE AND PERFORMANCE

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Abstract-*This study aims to investigates the differences between the first, second, and third generation in managing the family firms as reflected by their financial structure and performance. All family firms listed IDX were used as the sample. There are 51 family firms, henceforth, classified as the first, second, and third generation of family business. One-Way ANOVA was performed to test the differences of short-term debt, long-term debt, retained earnings, family ownership, and performance (ROA) amongfamily firms managed by the first, second, and third generation. The results of this study revealed that there are significant differences in term of short-term debt, long-term debt, retained earnings, and performance among family firms that managed by the first, second, and third generation. However, there's no significant differences were found in term of family ownership among family firms managed by the first, second, and third generation. The differences of short-term debt and long-term debt shows decreased pattern. Whereas the differences of retained earnings, family ownership, and performance shows increase pattern. These findings are consistent with the pecking order theory in the firm's life stage.*

Keywords: *Financial Structure, Performance, Family Firms, Generations.*

Abstrak-*Penelitian ini bertujuan untuk menyelidiki perbedaan antara generasi pertama, kedua, dan ketiga dalam mengelola perusahaan keluarga yang tercermin dari struktur dan kinerja keuangan mereka. Semua perusahaan keluarga yang terdaftar BEI digunakan sebagai sampel. Ada 51 perusahaan keluarga, untuk selanjutnya, diklasifikasikan sebagai generasi pertama, kedua, dan ketiga bisnis keluarga. One-Way ANOVA dilakukan untuk menguji perbedaan utang jangka pendek, utang jangka panjang, laba ditahan, kepemilikan keluarga, dan kinerja (ROA) di antara perusahaan keluarga yang dikelola oleh generasi pertama, kedua, dan ketiga. Hasil penelitian ini mengungkapkan bahwa ada perbedaan yang signifikan dalam hal hutang jangka pendek, hutang jangka panjang, laba ditahan, dan kinerja di antara perusahaan keluarga yang dikelola oleh generasi pertama, kedua, dan ketiga. Namun, tidak ada perbedaan signifikan yang ditemukan dalam hal kepemilikan keluarga di antara perusahaan keluarga yang dikelola oleh generasi pertama, kedua, dan ketiga. Perbedaan utang jangka pendek dan utang jangka panjang menunjukkan pola yang menurun. Sedangkan perbedaan saldo laba, kepemilikan keluarga, dan kinerja menunjukkan pola peningkatan. Temuan ini konsisten dengan teori pecking order pada tahap kehidupan perusahaan.*

Kata Kunci: *struktur pembiayaan, kinerja, perusahaan keluarga, generasi.*

PRELIMINARY

Family firms are the backbone of the world economy. This statement is very relevant considering the huge contribution of family firms in the creation of Gross Domestic Product (GDP) and employed the majority of labor in many countries around the world (Poza, 2010; Johansson et al., 2009; Laveren et al., 2004).

In Indonesia, the similar conditions also havebeen existed, where the majority of companies are the family firms. Even though no recent research has found the exact number of family firms in Indonesia, the number is believed to reach greater than 90% of the total number of companies in Indonesia. Santoso (2010), stated that according to the Central Statistics Agency of Indonesia (BPS), the private companies in Indonesia contributed 82.44% of Gross Domestic Product, and the majority of them were family firms. Therefore, family firms in Indonesia certainly deserve a further attention from researchers.

Family firms is very interesting topic to study in the field of management. According to Carlock and Ward (2001) maintaining the sustainability of family firms may be the most difficult management work in the world. The sustainability is of course related to the issues of involvement, capability, and performance of the next generation of family firms.

The differences in behavior of managing the company between the first and next generation is a reason that the assumption of homogeneity in family firms needs to be corrected. According to Ward (1991) and Gersick et al. (1997), the differences between generations is exist as the consequence of different behaviors in how they manage the family firms. This is natural, since the sustainability of family firms always involves succession of the founder to the next generation. A succession between generations often results in changes of managing the family firms. In other words, indeed the intergenerational have different behavior in managing the family firms (Gorriz and Fumas, 2011).

The different management style between the first, second, and third generation in managing family firmsalso found and reflected in the financial statements (Sonfield and Lussier, 2009). The different management styles between generations might lead to different investment and funding decisions. This different management style will led to the differences of financial structure and financial performance among family firms that managed by different generations. Some previous studies found the differences in financial structure and financial performance of family firms managed by the founder versus the next generation (Her and Williams, 2002; Sonfield and Lussier, 2004; Laveren et al., 2004; Gorriz and Fumas, 2011).

Nevertheless, the study of intergenerational issue in family firms with financial management view is very limited, especially in Indonesia. The most issue of family firms' studied by the previous researcher are related with the comparison of family firms and non-family firms (Martinez et al., 2007; Anderson and Reeb, 2003; Lee, 2004; Sindhuja, 2009; Singapurwoko, 2013; Ampenberger et al., 2013). Their studies assume that family firms are a homogeneous entities among them. On the other hand, Sharma (2003), reveals that family firms have certain typologies, so that they cannot be considered as homogeneous entities.

Furthermore, there is a famous myth in Indonesia related to intergenerational issues in family firms. The myth is stated that the first generation builds (establishes and develops the family firm), the second generation enjoys (the first generation's success), and the third generation destroys it.Based on the preliminary studies conducted by author, the studies that measures intergenerational differences of family firms listed on the Indonesia Stock Exchange (IDX) has never been done.

This study was designed to fulfill those research gaps which aims to analyzes and compares the family firms that managed by the first, second, and third generation. This study will contribute to provide a better understanding related to the intergenerational differences in managing the family firms in Indonesia which are reflected in their financial structure (short-term debt, long-term debt, retained earnings, and ownership) and financial performance (ROA). This study also contributes to linkage the intergenerational differences of family firms with the firm's life stage theories.

LITERATURE REVIEW AND HYPOTHESES FORMULATION

Financial Structure and Performance

According to Riyanto (2011), financial structure is the source of company assets' funding that is reflected in the overall liabilities in the balance sheet. The financial structure contains the composition of all capital (long and short term). It is contrary with capital structure which is part of the financial structure. Capital structure only contains the comparison between long-term debt with own capital (Harjito and Martono, 2012). Therefore, the financial structure can be interpreted as the arrangement on the liabilities in the balance sheet which consists of long-term debt, short-term debt, and own capital. The own capital consists of retained earnings and the capital originating from the owner.

The measurement of financial performance is the effective approach to evaluate the effectiveness of company's management. The profitability ratio is a well-known tool to measure the financial performance since it is able to show the final results of the company's performance. According to Brigham and Houston (2013), profitability ratios is the net result of a series of policies and decisions.

Financial Structure and Performance in the Firm's Life Stage

This study aims to identified the differences in financial structure and financial performance of family firms managed by the first, second and third generations. For this reason, it is very related with the firm's life stage. In the theory of firm's life stage, the pace of a firm's life is likened to a living organism, that is, through a series of life stages that start with birth and end in death (Frelinghaus et al., 2005).

Lester and Parnell (2004), provide a model of the family firm's life cycle which consists of 5 stages, namely existence, survival, success, renewal, and decline. However, their model does not explain the relationship between the life cycle of family firm with its financial variables.Some previous studies are discussed the relationship between financial structure and financial performance with the firm's life cycle separately in accordance with the pecking order theory (Myers, 2001; Fama and French, 2002; Frelinghaus et al., 2005; Bulan and Yan, 2009).

Proposing 3 stages in the firm's life cycle, namely 'early', 'prime', and 'late', Frelinghaus et al. (2005) found that firms at 'early' and 'late' stage are use debt higher than firms which are at prime stage. Firms in the 'early' and 'late' stage does not have sufficient internal funding for investments, while firms at 'prime' stage are in a stable condition and able to generate profit as the source of internal funds for making investments. These findingsaresimilar with Fama and French (2002), who found that the firm's funding policy is in accordance with the pecking order theory.

Table 1. ***The expected level of debt usage in three life stages***

Theories	*Early*	*Prime*	*Late*
Static Trade-Off	*Low*	*High*	*Low*
Capital Structure Life Cycle	*Low*	*High*	*Low*
Agency Cost	*Low*	*High*	*High*
Pecking Order	*High*	*Low*	*High*

Source :Frelinghaus et al. (2005)

Bulan and Yan (2009) also found that the financial structure and firms' performance are in accordance with the pecking order theory. They proposed two stages of firm's life cycle, which are 'growth' and 'mature'. They found that firms at 'mature' stage has greater profitability than firms at 'growth' stage. Hence, firms at 'mature' stage has a higher proportion of retained earnings than firms at 'growth' stage, therefore firms at 'mature' stage has smaller proportion of debt than firms at the 'growth' stage.

Wokukwu (2000) in his study stated that the life cycle of a firm namely 'birth', 'growth', 'maturity', and 'decline' has an important role in determining the firm's debt ratio. He found that firms at the 'growth' stage are able to earn greater profits than firms at the other stages. Since earned greater profit, firms at the 'growth' stage could increase the retained earnings to run investment. In addition, firms at this stage has a lower level of debt than firms at other stages.

Those findings above also support the related study conducted by Myers (2001) who argues that debt levels and profitability are inversely proportional. The high level of debt is related to the lower level of profitability in the firm's life stage and vice versa. In addition, Fosberg (2004) found that debt ratios will decrease as agency costs decrease due to an increase in the proportion of ownership by management. This statement supports the agency cost theory.

The Differences of Financial Structure and Performance in Intergenerational Family Firms

Sonfield and Lussier (2004) found the differences in the proportion of debt between family firms managed by the first, second, and third generation. According to them, the second generation has the largest proportion of debt, followed by the third and the first generation. This finding is similar to the situation in the static trade-off theory (Frelinghaus et al., 2005).

Static trade-offs theory in the firm's life cycle according to Frelinghaus et al. (2005) explained that firms at the 'early' stage has a lower profit, so they will not be able to pay high debts and not be able to take benefit from tax savings by increasing debt. Furthermore, when the firms at the 'prime' stage, they could generate greater profit and will utilize tax protection through increasing debt. However, when the firms reach the 'late' stage, their profits may tend to decline and they likely to reduce the debt.

Contrary, the different results were found by Laveren et al. (2004), they stated that there was a significant decrease pattern in comparing the average debt (short and long-term) of family firms managed by the first, second, and third generations. The decrease pattern in the level of debt is accompanied by the increasing pattern of retained earnings proportion. This finding is in accordance with the pecking order theory in the firm's life stage revealed by Frelinghaus et al. (2005).

In the pecking order theory, Frelinghaus et al. (2005) argue that firms at the 'early' and 'late' stage will has a high level of debt due to insufficient internal funds to run the investment. While firms at the 'prime' stage are able to generate sufficient internal funds so that the debt level will be reduced. Laveren et al. (2004) using assumption that the first generation of family firms is at 'early' stage, while the second and third generation are at 'prime' stage.

H1a: There are differences in the proportion of short-term debt among family firms managed by the first, second, and third generation.

H1b: There are differences in the proportion of long-term debt among family firms managed by the first, second, and third generation.

In financing decisions, firms has certain preferences to choose the source of funds. According to Myers (1984), the firms' main preference of financing is come from the internal before choosing the external (pecking order theory). The same preference also applied for family firms. Coleman and Carsky (1999) found that family firms has preference to use internal financing (owner's funds), then debt, and equity as the last choice. Equity funds is the source of internal financing originating from retained earnings. According to Brigham and Houston (2011), the source of firm's equity funds can be obtained in two ways, first by issuing new shares (external equity) and second by taking the retained earnings (internal equity).

Moreover, Coleman and Carsky (1999) also found that age of family firms became a determining factor of funding decisions. They argue that older family firms use the source of funds from retained earnings greater than the younger family firms. Furthermore, external financing from debt tend to be smaller for older family firms than the younger one.

Laveren et al. (2004) also revealed the same finding. They argue that the average pattern of using retained earnings is tend to be increased significantly among family firms which managed by first, second, and third generation. Both findings of Coleman and Carsky (1999) and Laveren et al. (2004) related the retained earnings pattern in intergenerational family firms mentioned above are in accordance to the pecking order theory in firm's life stage revealed by Frelinghaus et al. (2005).

According to Frelinghaus et al. (2005), firms at 'early' stage (first generation of family firms) do not have sufficient internal financing to run investments. As the company grows towards a 'prime' stage (second and third generation of family firms), the firms will increase the amount of retained earnings because they are able to gain greater profits.

H2: There are differences in the proportion of retained earnings among family firms managed by the first, second, and third generation.

In family firms, family members acts as both, the manager and owner of the firm. According to Ruan et al. (2011) firm's manager need an ownership to control the firms and aligning their interests with the other shareholders. Hence, when family ownership reaches a high enough level, there will be an alignment of interests between the manager and the owner of the firms.

A study conducted by Arosa et al. (2009) found that the proportion of family ownership in the family firms could be differentiated based on the generation of families which managed the firms. However, they did not provide further explanation about the degree of difference in the proportion of intergenerational family ownership.

Gorriz and Fumas (2011) conducted a comparison of the family ownership proportion among the family firms who managed by the first, second, and third generation at Spain. The results revealed that there was a significant difference in the percentage of family ownership among family firms who managed by the first, second and third generation. The finding states that the average proportion of family ownership in family firms which managed by second and third generation is greater than family firms which managed by the first generation.

MoreoverGorriz and Fumas (2011) explained that family firms which managed by the second and third generations are able to reduce debt and increase internal financing in the growth strategy. The higher level of investment made does not affect the increasing of debt. With the efficiency of debt costs, family firms which managed by the second and third generations were able to increase the proportion of family ownership more than the first generation did. Their opinion is in accordance with the pecking order theory in the firm's life stage as revealed by Frelinghaus et al. (2005).

According to Frelinghaus et al. (2005), the firms at the initial stage (first generation) does not have sufficient internal financing, so they requires external financing from debt and then issuing new shares. This allows first generation family firms to need a lot of funds to financing the investments, including funds that comes from issuing shares that will bring to lower level of ownership. Whereas the firms at 'prime' stage (second and third generation) has been able to increase internal financing because they are able to gain greater profit, so they will reduce external financing, including the outsider ownership. With the efficiency of debt costs and ability to generate high profits, the firms will buy back its shares from the outsider, hence, it will increase the managerial (family) ownership of the firms. In addition, Lyagoubi (2003) supports that this phenomena is normal for family firms, since family as the owner of the firms always has a strong desire and instinct to control the firms and does not want to lose the control.

H3: There are differences in the proportion of family ownership among family firms managed by the first, second, and third generation.

Arosa et al. (2009) revealed that the financial performance of family firms could be differentiated based on the generation of families who manage the firms. McConaughy and Phillips (1999) also found that family firms which managed by the descendants has superior performance than family firms managed by the first generation significantly. This finding is in accordance with the pecking order theory in the firm's life stage that revealed by Frelinghaus et al. (2005).

According to Frelinghaus et al. (2005), firms at the 'early' stage (first generation) has not able to generate much profit. At this stage, income earned by firms is used to cover operating costs and investment in large assets. In addition, the income earned at this stage is also used to pay the large interest and debt that firms needs to financing its investment. Whereas the firms at 'prime' stage (second and third generation) has the ability to generate greater profits. The firms at this stage are in the growth of generating profit. In addition, the firms at 'prime' stage are also efficient by reducing the cost of debt and no longer investing in new assets at large quantities.

H4: There are differences in financial performance among family firms managed by the first, second, and third generation.

RESEARCH METHODS

This study uses census of family firms listed on the IDX to collect the data. The criterias used to identify family firms on IDX are refer to Donnelley (2002), Ward and Aronoff (2002), Sonfield and Lussier (2009), and Poza (2010), i.e.:

- Firm that managed by family members as the decision makers;
- Firm that has been involved at least the-first-two generations of families as management.
- Firm with majority of shares are controlled is the family members.

Based on three criteria above, 51 firms listed on the IDX are identified as the family firms. Furthermore, the 51 firms will be classified as the first, second, and third generation of family firms according to generation that act as the CEO of the firm. In order to achieve the research objective, family firms managed by intergenerational as classified earlier are different entities, as an important assumption of this study. Sonfield and Lussier (2004) also used this assumption to identified the intergenerational differences of family firms.

Table 2. Family Firms' Profile on IDX

Industry Category	Number of Sample			Sub Total
	First	Second	Third	
Manufacture	0	13	2	15
Trade & Service	4	13	1	18
Properties	1	8	2	11
Mining	1	1	1	3
Agriculture	0	3	1	4
Total	6 (11,8%)	38 (74,5%)	7 (13,7%)	51 (100%)

The collected data was tested for homogeneity of variance first as prerequisite for testing the hypotheses with ANOVA. It is required to ensure that each group are independent before testing the differences among several groups. It means that the value of a certain variable in a group does not depend on the other. In addition, it is required to ensure that each group (firms managed by the first, second, and third generation) must have a homogeneous variance.

After the assumption of variance homogeneity in each group has been fulfilled, the ANOVA test will be conducted to identify the difference of each variable among different data groups. The ANOVA model can test several variables for one factor. In this study, the generations' classification of family firms will be used as a factor with three data groups (first, second, and third generation). While short-term debt, long-term debt, retained earnings, family ownership, and financial performance are the variables to be analyzed for the differences. Moreover, to get better understanding of significance differences among generations of family firms for each variable, the Post Hoc Multiple Comparisons test will be performed after ANOVA. All tests use the significance level (α) of 5%.

Table 3. Operational Definition of Variables

Variables	Operational Definition
Short-term debt	Short-term debt/total assets
Long-term debt	Long-term debt/total assets
Retained earnings	Retained earnings/net profit
Family ownership	Shares owned by family members/total shares
Financial performance	Return on assets

RESULTS AND DISCUSSION

Table 4 explain the result of homogeneity of variance test. All variance different in each variable of the three family firms' groups (first, second, and third generation) are not significant with the *p value* (Sig) more than 5%, respectively short-term debt (0,369), long-term debt (0,803), retained earnings (0,090), family ownership (0,938), and financial performance (0,540). Therefore, it could be conclude that each group of family firms are independent and have a homogeneous variance, hence, the data has met the requirements for hypotheses testing with ANOVA.

Table 4. Homogeneity Test of Variance

Variables	Levene Statistic	df1	df2	Sig.
Short-term debt	1,019	2	48	.369
Long-term debt	0,220	2	48	.803
Retained earnings	5,272	2	48	.090
Family ownership	0,064	2	48	.938
Financial performance	0,624	2	48	.540

Table 5. ANOVA Test

Variabel	Average			F	Sig.
	First	Second	Third		
Short-term debt	0,40	0,22	0,13	3,53	.037
Long-term debt	0,33	0,2	0,13	4,60	.015
Retained earnings	0,49	0,76	0,81	3,71	.032
Family ownership (%)	42,55	58,4	63,6	1,98	.149
Financial performance (ROA)	0,21	7,00	11	5,46	.007

Table 5 explain the result of ANOVA testing. This study found that there are significant differences among variables of the three groups of family firms in term of short-term debt (0,037), long-term debt (0,015), retained earnings (0,032), and financial performance (0,007). Hence, H1a, H1b, H2, and H4 are accepted. However, no significant difference was found in term of family ownership among the three groups of family firms, so that H3 was rejected.

Table 6 explain the results of Post Hoc Multiple Comparisons test. Since no significant difference was found in term of family ownership among three groups of family firms, this test was exclude this variable for further analysis. This study found that there are significant differences in term of long-term debt, retained earnings, and financial performance of family firms managed by the first and second generation. While the significant difference in term of short-term debt only appeared between family firms managed by the first and third generation.

Table 6. Post Hoc Multiple Comparisons

Variables	(I) Generations	(J) Generations	Mean Difference (I-J)	Std. Error	Sig.
Short-term debt	First	Second	.1825534	.0819559	.077
		Third	.2675529*	.1037931	.034
	Second	First	-.1825534	.0819559	.077
		Third	.0849995	.0767338	.514
	Third	First	-.2675529*	.1037931	.034
		Second	-.0849995	.0767338	.514
Long-term debt	First	Second	.1354243*	.0542931	.042
		Third	.2038356*	.0687596	.013
	Second	First	-.1354243*	.0542931	.042
		Third	.0684113	.0508337	.377
	Third	First	-.2038356*	.0687596	.013
		Second	-.0684113	.0508337	.377
Retained earnings	First	Second	-.2656325*	.1040017	.036
		Third	-.3206131*	.1317130	.048
	Second	First	.2656325*	.1040017	.036
		Third	-.0549806	.0973749	.839
	Third	First	.3206131*	.1317130	.048
		Second	.0549806	.0973749	.839
Financial performance (ROA)	First	Second	-6.7938596*	2.6281102	.034
		Third	-10.8783333*	3.3283707	.006
	Second	First	6.7938596*	2.6281102	.034
		Third	-4.0844737	2.4606514	.231
	Third	First	10.8783333*	3.3283707	.006
		Second	4.0844737	2.4606514	.231

The results of this study provide two main contributions for family firms' issue. First, since this study successfully classified the family firms based on the generations in charge, it can be concluded that family firms were not homogeneous. This finding supports Sharma (2003) who argues that family firms cannot be considered as homogeneous entities because they have certain typologies. Second, the differences of several variables based on which generations in charge the family firms might proved that the different management style of each generation will bring the different decisions and finally the different business result that reflected on those variables.

The results of this study are consistent with some previous studies separately. There are differences in the proportion of debt (short-term and long-term debt) among family firms managed by the first, second, and third generations (Sonfield and Lussier, 2004; Laveren et al., 2004). There are differences in retained earnings ratios among family firms managed by the first, second, and third generations (Coleman and Carsky, 1999; Laveren et al., 2004). There are differences in financial performance among family firms managed by the first, second, and third generations (McConaughy and Phillips, 1999; Laveren at al., 2004; Arosa et al., 2009).

Nevertheless, there are no differences in term of family ownership among family firms managed by the first, second, and third generations. This finding is contrary with Gorriz and Fumas (2011) who found that the family ownership of family firms managed by the second and third generation was significantly greater than the family firms managed by the first generation.

The author argues that this insignificance differences in term of family ownership based on generation in charge, is thought to be caused by a strong desire of family member to maintain the control of the firms. As Lyagoubi (2003) revealed, family always has a strong desire and instinct to control the firms and does not want to lose it.

In addition, since the data are sourced from go public firms, the family firms that listed in IDX are might have a specific purpose to maintain the ownership on a certain level. So that regardless the level of family ownership, it will always be the majority. If it is too low, the family will lose the control of the firm, whereas if it is too high, it is not relevant to their status as a go public firm who's purposing to get the external financing from the public.

This study also provides a particular pattern that explain how the differences of variables analyzed among generations of family firms were occurred.The average of short and long-term debt among family firms managed by the first, second, and third generation shows a pattern of decline in sequent. While the average of retained earnings, family ownership, and financial performance of family firms managed by the first, second, and third generation shows an increase pattern in sequent.

By assuming that the first generation of family firms is at 'early' stage, while the second and third generation are at 'prime' stage, this finding is in accordance with the pecking order theory of firm's life stage that revealed by Frelinghauset al. (2005). Family firms at 'early' stage that managed by the first generation do not have sufficient internal financing, hence, they need higher debt to run investments. Whereas family firms at 'prime' stage that managed by the second and third generation are successfully gain the greater profit and they preferred to utilize it to increase the amount of retained earnings for investment financing rather than debt, therefore in this circumstances the debt level are decreased. This finding also supports the pecking order theory of Myers (1984) which states that internal financing is the firm's main preference before external financing.

Family firms managed by the first generation are at an 'early' stage and hasn't ability yet to gain the high level of profits. Therefore, they couldn't utilize this low profit at to increase the retained earnings as internal financing, hence, they required more external financing from debt. Whilst, family firms managed by the second generation are at 'prime' stage. At this stage, they could gain a greater profit, that provided extra internal financing, to increase the retained earnings at the higher level than the first generation. Thus, as they preferred internal financing than external financing, the level of debt will be decreased.Finally, family firms managed by the third generation are at the 'prime' stage as well, but they successfully to gain more profit higher than family firms managed by the first and second. They increase the retained earnings and reduce the debt more than family firms managed by the first and second.

Interestingly, the findings of this study are also consistent with the financial behavior of small and medium-sized firms (SMEs) in managing debt within the firm's life cycle (La Rocca et al., 2011). They found that debt is the first choice for firms that are at early stages, while firms at maturity stage are more likely to balancing their capital structure by using the internal fund to gradually replace debt. La Rocca et al. (2011) found that young firms rely more on external debt as sources of fund than the old firms. This is because young and middle-aged firms do not have enough profit that makes them able to run their business using internal source of fund (La Rocca et al., 2011).

In addition, La Rocca et al. (2011) found that firms' performance is negatively influenced leverage ratio. Furthermore, the negative effect of firms' performance on leverage ratios is getting higher, from young, medium-aged, and old firms. La Rocca et al. (2011) argues that after going through the early stages, firms begin to show increased profitability and have a higher capacity to provide financing from internal fund, so the higher the profitability, the higher tendency of companies to replace external debt with internal fund and reducing the level debt.

In the end, this study also rejects the myth inherent in Indonesia family firms that mentioned earlier. The myth has a very contradictory with the results of this study, which shows that the second and third are better than the first generations in term of gaining profit, increase the retained earnings, and reducing debts.

CONCLUSION

This study proved and support previous the studies which stated that family firms are not a homogeneous group with the same characteristics (Laveren et al, 2004) because they have a particular typology (Sharma, 2003). The differences of financial structure and financial performance among family firms managed by the first, second, and third generation are the reflection of different intergenerational management style.

This study provides the clear pattern regarding intergenerational differences of family firms in term of financial structure and financial performance. This study also contributes to linkage the differences of several variables among generations of family firms with the firm's life stage theories that explain how those differences could be occurred.

However, due to limited resources and time, the identification process of family firms listed on IDX was not easy to do, hence, further identification is needed to found more family firms listed in IDX to support the future research with more data. The future studies aimed to investigate the intergenerational differences in family firms still need to be continued by adding new non-financial variables.

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