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### Risk Analysis of Family Businesses and Non-Family Businesses in Pekanbaru: Before and During COVID-19

Muhammad Al Hafizh<sup>1\*</sup>, Nor Raihana Asmar Mohd Noor<sup>2</sup>

<sup>1</sup>Accounting Student, FEB, Universitas Muhammadiyah Riau, Indonesia

<sup>2</sup>Universiti Teknologi MARA, Cawangan Kelantan, Malaysia

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#### ABSTRACT

*This research analyzes business risks between family businesses and non-family businesses in Pekanbaru City, before Covid-19 and throughout Covid-19. The pandemic has changed business significantly, having different impacts on the family and non-family business sectors. This research uses a qualitative descriptive research approach with the data collection techniques used in this research interviews and documentation. The results show a difference before Covid-19 where all workers came in and out of work like companies in general, but during Covid-19 workers worked from home (WFH) and worked alternately to reduce the spread of the Covid-19 virus. From the strategic aspect, it appears that family companies will develop new marketing methods, without reducing employees, whereas in non-family companies, apart from changing or adding new strategies, they also reduce employees with the aim of reducing costs.*

### 1. INTRODUCTION

Financial performance is the most important thing in a company, because financial reporting is a process regulated by accounting standards and rules. According to Pratiwi & Christian (2021), a company's financial performance is one of the benchmarks for assessing the extent of the quality or results of a company and how far a company has achieved. Financial performance is carried out to see the extent to which a company has implemented financial implementation rules properly and correctly. Company performance assessments can be used as a basis for decision-making for external and internal parties.

Financial reports are used to assess a company's performance. They are information and a manifestation of a company's condition. This research was conducted to determine the financial performance of family and non-family businesses. Agency theory illustrates that a company's high level of family ownership will provide better performance. Then McConaughy et al. (1998) said that financial behavior managed by family and non-family has significant differences using a trade-off approach. Arisusanti (2018), further argues that agency costs in family companies can be reduced, which will increase company performance. Suhartini Tiena, (2021). researched that company risk can be seen from Operational Risk, Legal Risk, Panama Steelar Risk, Performance Risk, and Strategy Risk. Suharto (2022). said that the operational risk variable hypothesis test results had a negative effect on company profitability with a regression coefficient on non-family businesses.

Corresponding Author.

\*Email: [muhammadalhafizh@gmail.com](mailto:muhammadalhafizh@gmail.com)

Meanwhile, research results from Jamilah (2022), stated that the cause of operational risk is very influential because there is an obstacle to activities in non-family businesses that have a micro business background and have not received income since the Covid-19 pandemic.

Due to the many drastic decreases and increases that occurred in financial performance in family and non-family companies during the pandemic, researchers wanted to analyze the company's financial performance before and during the COVID-19 pandemic. A large number of changes occurred, such as a decline in economic activity throughout the world. And the separation between customer and business. Companies must pay attention to operational risks, legal risks, and strategic risks. Therefore, businesses need to modify their Panama Steelar positioning. The business concept of "grow or die" was changed to a new business concept of "adapt or die" Jamilah (2022). The COVID-19 pandemic gave rise to preventive measures that had a strong impact on people's lives, health, and work, for example, due to measures such as social distancing, the implementation of remote work, the closure of various economic sectors and personal hygiene measures Fauzan & Charina (2021). One recent change at the business level that is transversal across society is teleworking, which can reduce business risks because it allows business workers to work from different locations. This lowers some costs for the business and allows greater work flexibility. All these changes carry different risks, as they require people to be permanently available, connected to businesses, and with an Internet connection Jamilah (2022).

Some issues caused financial performance risks in family businesses and non-family businesses during the pandemic, so researchers can compare the situations before and during the COVID-19 pandemic that occurred in family businesses and non-family businesses. Are there any setbacks or improvements, and how can family and non-family businesses overcome operational, legal, and strategic risks? The graph below shows the growth of Gross Regional Domestic Product (GRDP) or the gross added value arising from all economic sectors in Riau. One of the objectives of calculating GRDP is to provide information that can describe Riau's economic performance.



Source: bps.go.id

Figure 1. Economic Growth Graph 2016-2021

In the graph above, from 2016 to 2019, economic growth ranged between 2.18, 2.66, 2.35, and 2.81. This means that the economy is still stable, but during the pandemic in 2020, it experienced a drastic decline to -1.13, and it turns out that in 2021 there was an increase of 3.36. This means there is a change in management to improve the economy. This is what researchers must explore to avoid company risks to financial performance. Researchers took operational risk, legal risk, and strategic risk as variables.

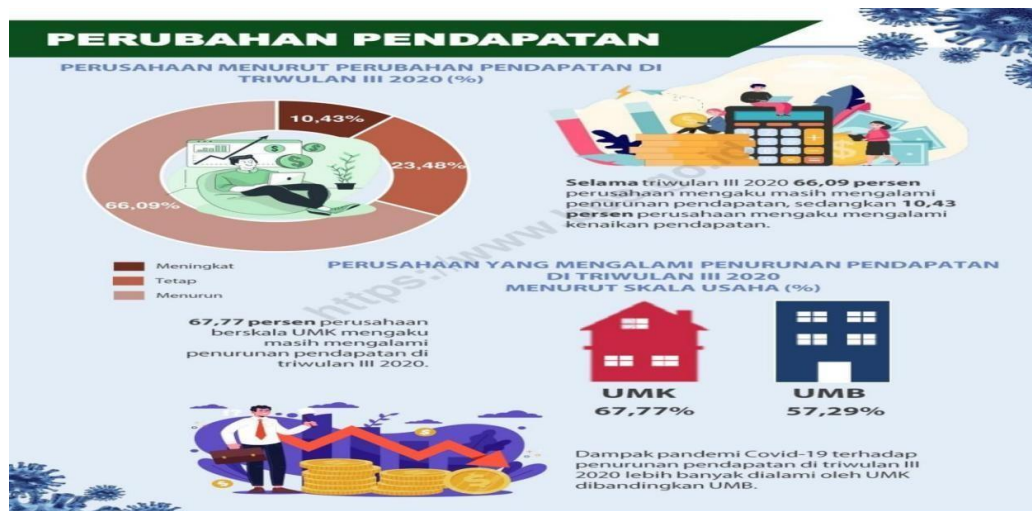
Researchers took the business growth of MSEs and UMBs before and during the COVID-19 pandemic in 2020. This research comes from the Central Statistics Agency, as outlined in Riau Province in Figures 2020.



Source: bps.go.id

Figure 2 Riau Province Company Operational Diagram 2020

From the research results by the Riau Province Central Statistics Agency from 2020, researchers obtained company operational information; some companies stopped operating, 6.78%, and 14.09% stopped operating due to regulatory factors. It is necessary to pay attention to how companies face the risks that occur during a pandemic, even though most companies never close. There were changes in management that caused businesses to be able to survive during the COVID-19 pandemic. This made researchers analyze operational, legal, and strategic risks in family and non-family businesses before Covid-19 and during Covid-19.



Source: bps.go.id

Figure 3 Diagram of Changes in Income for Riau Province 2020

In the results of the above analysis carried out by the Central Statistics Agency in the third quarter of 2020, it can be seen that 67.77% of MSEs and 57.29 MSEs experienced a decline during the Covid-19 pandemic, and only 10.43% of companies experienced an increase in revenue. The researchers were interested in conducting research on whether operational risks, legal risks, and strategic risks have an impact when companies experience a decline in revenue during a pandemic. Furthermore, the researcher also analyzed the number of companies in Riau to become a reference for researchers in researching family and non-family companies.

The COVID-19 pandemic has significantly changed the global business environment

and influenced the strategic direction of many businesses. In particular, family businesses have been impacted by the COVID-19 pandemic in terms of how they view risk. As a result, family businesses must change strategic direction and reassess their risk portfolios. To overcome these changes, it will be very helpful for family businesses

Meanwhile, in the business sector, research by Warwick Gayatri, dan Sunarwijaya (2019), shows that the COVID-19 outbreak could significantly impact the global economy in the short term. The scenario shows the scale of costs that might be avoided with greater investment in public health systems in all countries, especially in less developed and high-population countries. There are several types of businesses that are relatively sustainable and able to grow in the conditions of the COVID-19 pandemic, such as MSMEs which shift production to health products such as masks and hand sanitizers. This is considered to be in line with efforts to achieve competitive advantage through product innovation and orientation to the dynamics of needs and desires of PT Panama Steel. Various innovations can be applied to various forms of business interactions. Based on the background above, we intend to research "Risk Analysis of Family Businesses and Non-Family

## 2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The agency theory perspective is the basis for using corporate governance issues. In this case, the manager is the agent, and the shareholder is the principal, so this concept explains that the shareholder delegates business decision-making to the agent. According to Fauzan & Charina (2021). agency theory has 3 foundations: human nature, organizational, and information assumptions. Suharto (2022) found that delegation of authority to independent agents on company performance positively impacted the company. In agency theory, there is a main problem: agency problems, namely distrust between principals and agents (Evlaila, 2021). Agency problems occur due to different perceptions received by the agent by the principal when carrying out the tasks assigned by the principal.

Research shows a relationship between agency theory and family and non-family businesses. Companies managed by families have low agency costs, which are inversely proportional to non-family companies. Wibisono, U dan Arisusanti., (2018). Bureaucratic relationships reduce a company's proficiency level if it is dominated by family ownership. (Tiena, 2021) states that there are differences in the financial performance of family companies and non-family companies.

### Financial Performance

A company's financial performance is one of the benchmarks for assessing the extent of the quality or results of a company and how far a company has achieved. Financial performance also represents the condition of a company, whether a company can be said to be healthy or vice versa. According to Evlaila, (2021). company financial performance is defined as an analysis process carried out to assess the extent to which a company has achieved financial performance carry out by using financial implementation rules properly and correctly. The company's financial performance is outlined in the company's financial reports, which are reported periodically. Financial reports in accordance with PSAK (Jamilah S.T., 2022). are created to provide information regarding the financial position, performance, and changes in a company's financial position that is useful for decision-makers (Veronika et al., 2022).

### Family Business

A family business is a form of business that is founded and involves several family members in the ownership or operation of the business. As a business owned and controlled by the family, the management and performance of the business, both small and large scale, are greatly influenced by the family's vision and mission. when the business is controlled by a family who can nominate its management and where several family members work and participate in Panama Steeli (Suharto, (2022)

According to Chandra (2022), a family business is a business that is owned, controlled, and run by members of one or several families or managed by family members. However, this does not mean that all workers in a business must be family members. Many family businesses, especially small businesses, employ others to occupy low-level positions, while high positions (top managers) are held by people from within the business owner's family. For example, the business owner is the father, the director is the first child, and the deputy director is the second child. Many family businesses have had extraordinary success, for example, the Maspion group, Ciputra, Nyonya Meneer, Sidomuncul, and Meco.

### **Non Family Business**

We hear and say the word business very often in everyday life. In fact, we often have contact with businesses, be they small, medium, or well-known businesses. According to Wibisono & Arisusanti., (2018). "Business is an organization that produces goods and services to make a profit." Apart from that, Abdul Kadir Muhammad in his book Introduction to Business Law in Indonesia (2018) states: "Based on legal review, the term business refers to legal entities and the actions of business entities in carrying out their business. Furthermore, business is a place where production activities occur and all factors of production come together with a reference to profit."

Apart from that, according to Claudia, et al. (2019) the definition of business is: "A production organization that uses and coordinates economic resources to satisfy needs in a profitable way". The definition of business is also stated in state legislation in the Mandatory Business Registration Law in Panama Steel 1 letter b, which reads: "Every form of business that carries out a type of business that is permanent and continuous and that is established, working and domiciled. Within the territory of the Republic of Indonesia, for the purpose of obtaining profits and/or profits." So, based on the definition above, it can be concluded that a business is seeking profit or gain, whether it is engaged in the goods production business or in the service business sector and has an organizational structure, management, location and employees or employees.

## **3. METHOD**

The research method used in this research is a qualitative research method. The researcher chose to use this method because the aim of this research was to determine the differences in operational risk, legal risk and strategic risk in the PT family business. Srijaya Family Industries (IKS) and non-family business PT. Panama Steel in Pekanbaru before and during the Covid-19 pandemic. Research location at the family business PT. Srijaya Family Industries (IKS) in the Nusantara Complex, Pekanbaru and non-family business PT. Panama Steel, Pekanbaru City, Riau.

In qualitative research, data is collected in natural settings using primary data sources, and the techniques used are mostly participant observation, in-depth interviews, and documentation (Azmi et al., 2018). Data analysis is the process of arranging the sequence of data, organizing it into patterns, categories, and units of description so that themes can be found and hypotheses can be formulated based on the data's suggestions.

According to Widharthana, (2021), the validity of data in qualitative research is realistic in that it is plural and dynamic, so nothing is consistent and repeats itself as before. Data validity can be achieved by using a data collection process with data triangulation techniques. Data validation guarantees that everything that the author has observed and researched is in accordance with the data that actually exists and actually happened. The author does this to maintain and guarantee that the data is correct for readers and research subjects.

## **4. RESULTS**

This research is qualitative in nature, where the data produced will be in descriptive form. The data obtained from the distributed questionnaire was analyzed by interviewing PT sources, PT. Panama Steel and PT. Srijaya Family Industry. This research aims to analyze Strategic, Legal, and Operational Risks in family and non-family companies, especially PT. Panama Steel and PT. Srijaya Family Industry in the city of Pekanbaru. The questionnaires in this research were distributed to the Head of Accounting, Head of Legal, HRD, and Marketing. The way to obtain data is by conducting research interviews by distributing questionnaires by visiting the PT company directly. Panama Steel and PT. Srijaya Family Industry. The number of questionnaires returned was 8 questionnaires.

The results of the analysis through interviews, researchers analyzed that during the Covid-19 pandemic and before the Covid-19 pandemic, there was a slight difference because, during the Covid-19 pandemic, the state was obliged to reduce operational hours with the aim of minimizing the spread of Covid-19. At the start of Covid-19, employees were required by the state to work. After that, WFH changed to working part time like half a PT employee. IKS works from morning to noon, and the next employee works from noon to evening, but working hours like that don't really impact PT.IKS because 90% of PT.IKS employees. IKS is a family, so pending work can still be completed outside the office, which is the advantage of operating hours of a family company/PT.IKS during COVID-19 is that workers are very tolerant because they are still in family ties. This analysis focuses on the risks experienced by family and non-family companies, especially operational, legal, and strategic risks. Information obtained from employees in the HRD sector, such as the head of accounting and head of legal and marketing, was linked to several elements of problem formulation. The analysis stage used is data collection techniques, with two data collection techniques: field studies and interviews.

To make this research more objective and the data more accurate, researchers looked for informants by conducting in-depth interviews, where the interviews were intended to obtain accurate information from trusted data sources. Apart from that, researchers also conducted interviews with supporting informants who were still related to the focus of this research to obtain additional data regarding risks that occurred before and during the COVID-19 pandemic. For this reason, the researcher divided this interview into three discussions to make it more systematic and focused. That is: a. research results, b. description of research identity: key informant identity and identity of supporting informants, c. discussion.

The results of the analysis through interviews, researchers analyzed that during the Covid-19 pandemic and before the Covid-19 pandemic, changes in operational working hours were not much different from PT. Srijaya Family Industries is just PT. Panama Steel experienced slightly more difficulties than PT.IKS in completing work on time, PT. Panama Steel experienced difficulty in communicating directly with other employees so working at PT. Panama Steel had many delays during the COVID-19 pandemic and customers from PT. Panama Steel during Covid, many were disappointed about work not being completed on time, therefore several employees of PT. Panama Steel was temporarily laid off for an undetermined period of time, the employees who were sent home were employees who lacked an attitude of loyalty towards the company.

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The results of the analysis through interviews showed that during the Covid-19 pandemic and before the Covid-19 pandemic, there was a slight difference because during the Covid-19 pandemic, the company turnover at PT. The Srijaya Family Industry declined drastically during COVID-19, buyers at PT. The Srijaya Family industry has decreased significantly compared to before COVID-19, therefore, the company held an internal meeting



to increase sales at PT. IKS so that the company can survive during the Covid-19 pandemic, the results of the internal meeting concluded that there were changes or additions to the strategy after the new strategy was implemented well within a period of 2 months by the PT company. The Srijaya Family Industry experienced improvements compared to the previous month, with many changes in strategy in the marketing section, market methods, and improved advertising aimed at maintaining the company during the Covid-19 incident for raw materials and selling materials for the PT company. The Srijaya Family Industry is still of the same quality as before the Covid-19 pandemic. In order to maintain customer trust in PT. Srijaya Family Industry.

The results of the analysis through interviews, researchers analyzed that during the Covid-19 pandemic and before the Covid-19 pandemic it also had an influence on Employment Law. regarding how far PT. Srijaya Family Industries that work from the office must be responsible for the work safety of their workers, including the risk of exposure to Covid-19. The concept of liability based on risks that can occur to workers is similar to environmental liability which both provide liability not based on error, but based on risk. Covid-19 poses a high risk to other people, therefore it is necessary to question a company's responsibility for this risk, both from a moral perspective and especially from a legal perspective. PT's responsibility. The first step for the Srijaya Family Industry is to prevent the spread of Covid-19 by implementing health protocols. Companies that gather people automatically have stricter health protocols. There are various gradations of PT.IKS responsibility depends on the risks of the work. One form of responsibility of PT. Industri Keluarga Srijaya is that employees are provided with insurance.

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The results of the analysis through interviews showed that during the Covid-19 pandemic and before the Covid-19 pandemic, there were differences in strategies during the Covid-19 pandemic and before the Covid-19 pandemic, not much different from PT companies.

## 5. CONCLUSION

Based on the results of the analysis and research that has been carried out, the conclusions of the research are to compare various types of risk. In terms of operational risks observed at PT. IKS and PT. Panama Steel before and during the Covid-19 pandemic, there were differences where before Covid-19 all workers came in and out of work like companies in general, but during Covid-19 the workers worked work from home (WFH) and worked in shifts to reduce the spread of the covid-19 virus.

In terms of strategic risk, what was observed at PT. IKS and PT. Panama steel before and during the Covid-19 pandemic, differences were found in handling strategies during Covid-19, at PT. IKS focuses on new marketing methods, without reducing employees, while

at PT. Panama Steel, apart from changing or adding new strategies, also reduces employees with the aim of reducing costs.

In terms of legal risks observed at PT. IKS and PT. Panama steel before and during the Covid-19 pandemic. It was found that the legal regulations were the same as before Covid-19 because the government had established the legal regulations during Covid-19 and were mandatory to comply with to stop the spread of the Covid-19 virus experienced in the context of the COVID pandemic. -19 among PT. Srijaya Family Industries and PT. Panama Steel.

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