



## The Forming Factors of Business Field Diversification Decision in Family Business Enterprise in Indonesia

Andy Sanjoko<sup>1)</sup>\*, Damelina B. Tambunan<sup>1)</sup>

<sup>1)</sup>Magister Management, Universitas Ciputra Surabaya, Surabaya, Indonesia

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\*Corresponding Email: [andy.sanjoko@hotmail.com](mailto:andy.sanjoko@hotmail.com)

### Abstract

Family Business Enterprise (FBE) has unique matters and is different from non-FBE in general such as succession issues, leadership transfer, internal conflicts, and decreasing company performance. One of the strategies that can be applied is to diversify the business as done by large FBEs in Indonesia. This study aims to determine what factors shape business diversification decisions at FBEs in Indonesia. The method used is a quantitative approach using EFA (Exploratory Factor Analysis) and distributing questionnaires to 183 respondents who have been obtained through purposive sampling. The results showed, that from 8 factors 7 factors shape the decision to verify FBE in Indonesia, which are resources and leader's characteristics, stimulus, business competition, business environment, internal conditions, potential opportunities, and market trends. The resources and leader's characteristics factor dominate the verification decision, especially for different business fields (conglomerates). Meanwhile, the market trend, which was originally an indicator of the market factor, turned into one of the main factors in making verified decisions

**Keywords: Diversification; Family Business Enterprise; Strategic Management**

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## INTRODUCTION

In the current era of globalization, the global economy is increasingly integrated and complex. The global economy has a significant impact on family business enterprises (FBE) (Novotná et al., 2022; Baranyai & Kozma, 2019) as they exist within the context of the larger world economy (Julita et al., 2020). The role that FBE play in the global economy is multidimensional (Calabrò et al., 2022). A family business enterprise is a type of company that is owned and operated by a family and its members and can encompass a wide range of businesses, from small businesses to large, established corporations (Rangkuty & Zulmi, 2020). Family business firms have strong relationships between family members revolves around the level of engagement and influence that the family has in the operations and decision-making of the business (Basly & Saunier, 2019; Deferne et al., 2023). So, they have advantages in terms such as loyalty, stability, and long-term commitment (Sriarianie et al., 2023). FBE concentrate on the business's long-term success (Miroshnychenko et al., 2023). However, relationships within FBE can also be challenging due to internal competition and complex leadership issues (Maharajh et al., 2023; Cerutti et al., 2023)

Furthermore, it is stated that the problems that often arise are related to governance, succession, leadership transfer, internal disputes, and company performance (Putri & Djatmiko, 2019; Zaidi et al., 2024; Valencia & Pratama, 2024). FBE must develop adaptive strategies and strengthen crucial processes to generate a competitive and sustainable advantage (Zapata-Cantu et al., 2022; Soegiharto & Perdhana, 2021). FBE can take certain actions, such as establishing good succession planning, strengthening professionalism and transparency in company management, or diversifying businesses. Business diversification is a business strategy that is carried out to expand the company's portfolio, with the hope of increasing the company's source of income or reducing the risk of failure of a business (Damayanti & Manurung, 2022; Phylcia & Meiden, 2021). Business diversification can be done by entering the same market segment (related / concentric business diversification) or by entering different market segments (unrelated business diversification/ conglomerate (Wegwu, 2020).

In the current era of globalization, the global economy is increasingly integrated and complex. The global economy has a significant impact on family business enterprises (Djarum Group which is a FBE business in cigarettes, then develops business units by diversifying the conglomerate by entering new industries, such as the banking industry (BCA),

electronic products (Polytron), plantations (HPI Argo), shopping centers (Grand Indonesia), e-commerce (Blibli), online travel agents (tiket.com), food and beverages (Yuzu, FOX'S, and KRIZZI) and so on with a total of 39 subsidiaries.

The same thing is also seen in Ciputra Group which has grown to have several companies and business fields. Ciputra Group, which has a core business in the field of property and real estate, has expanded its business by conducting concentric diversification with different market segments and locations and diversifying conglomerates by entering new industries, such as offices, health services, education, entertainment (waterparks), and shopping centers & hotels (Leaf, 2015)

Cahyo (2020) found that the effect of diversification on company performance was strengthened by the moderating role of the company's life cycle at the growth and mature stages. Meanwhile Siama (2021) found that several rational considerations influence diversification, including development opportunities from the core business, saturation in the industry, and the desire to provide usability and attractiveness to customers. In addition, the CEO's educational background turns out to be able to strengthen the positive significance of the diversification strategy on company performance (Putra & Bimo, 2022). It can be concluded that the diversification strategy affects company performance positively.

## **RESEARCH METHODS**

This research is quantitative research that uses deductive thinking patterns (rational-empirical) and statistical techniques in analyzing its variables. The method used in this quantitative research is an exploratory approach, which aims to explain the relationship between the variables analyzed by the researcher. The measuring instrument used in this study was a questionnaire analyzed using the SPSS statistical program version 29.0.1.0. This research was conducted in Surabaya, Indonesia with a period for collecting questionnaire data via Google form in the period of May 2023 - June 2023.

The population of this research is family business actors in Indonesia, regardless of the generation of the business and the number of business units owned. The sample of this study was taken by purposive sampling method, which is a sampling technique used when the researcher already has a target individual with the appropriate characteristics. The criteria set for this purposive sampling are:

1. Family businesses in Indonesia are represented by business owners (shareholders) or non-shareholder family members involved in family business management.
2. Has 1 or more business fields that are different from the core business.
3. Is a private company.
4. Has a yearly business turnover below 50 billion Rupiah (SME).

According to Goretzko (2021) Determining the number of factors in exploratory factor analysis is arguably the most crucial decision a researcher faces when conducting the analysis. Issues related to the number of samples required for Exploratory Factor Analysis (EFA) receive special attention because too small a sample size often affects the application of EFA. Chaiwan et al. (2023) stated that the appropriate and sufficient number of samples is not be less than 50. A larger sample size leads to higher accuracy and precision, while Herrador-Alcaide et al. (2023) stated that a a sample size of 100 cases may be sufficient. From this basis, the number of samples in this study was set at a minimum of 100 respondents and for this study, 183 valid respondent data were obtained.

### Research Instruments

In this study, 8 initial factors forming diversification decisions have been formulated with a total of 20 indicators as follows:

**Table 1.** The Forming Factors of Diversification Decisions

Factor	Definition	Indicator
Competitor	Competitors are individuals or companies that sell or produce the same or similar products as ours, whether they are goods or services in terms of form, benefit, or function.	1. Product 2. Price
Market	A market signifies a place or a mechanism that brings together buyers and sellers (demand and supply) of a particular good/service to create an equilibrium point between the price and the amount of product/service provided.	1. Market Demand 2. Market Trend
Government	The government is a group of particular people who properly and correctly coordinate and lead in the relationship between themselves and the community and the units within the government itself.	1. Program 2. Rule
Company Performance	Company Performance is a description of an organization or company's achievement to realize the company's goal, objective, vision, and mission.	1. Profit 2. Cost
Business life cycle	The business Life Cycle is one of the topics in management science that discusses the characteristics of a company's lifetime.	1. <i>Growth</i> 2. <i>Mature</i> 3. <i>Decline</i>
Resource Availability	Resources are everything that is used to produce products or services that can be commercialized by a business or company.	1. Asset 2. Capital 3. Human Resource
CEO profile	CEO is a top leader who takes control of the company and each CEO has different leadership styles and backgrounds.	1. Education Background 2. Risk Profile 3. Network

**Table 1.** The Forming Factors of Diversification Decisions

<b>Factor</b>	<b>Definition</b>	<b>Indicator</b>
Succession	Succession is an overall process in business aimed at preparing for the transfer of power and control to the next generation.	<ol style="list-style-type: none"> <li>1. Preparation of Succession</li> <li>2. Internal Conflict</li> <li>3. Pruning</li> </ol>

(Source: Processed data, 2023)

The data used in this study are primary data collected from respondents using a questionnaire via Google form which will be given to shareholders or family members (non-shareholders) in family companies. This questionnaire contains a collection of questions that can provide information which is then measured using a Likert scale. In addition to primary data, this research also uses secondary data from literature, articles, journals, previous research, and other data that support the topic of this research.

This study uses data analysis with the Exploratory Factor Analysis (EFA) 2nd order method using SPSS. This method identifies the relationship between manifest variables or indicator variables in building a construct. The stages in conducting EFA research are Kaiser Mayer Olkin (KMO), Bartlett's Test of Sphericity, Measure of Sampling Adequacy (MSA) for each variable, factor extraction with Eigenvalues, factor rotation, and naming new factors.

## **RESULTS AND DISCUSSION**

The data that has been collected then tested for validity and reliability. Ghozali (2018) states that the validity test is used to measure whether a questionnaire is valid or not. A questionnaire is said to be valid if the questions on the questionnaire can reveal something that will be measured by the questionnaire. In this study, the deviation tolerance is limited to 5% so that if the instrument test results produce a deviation rate below 5%, the data is considered valid. Then, a questionnaire is said to be reliable if a person's answer to a statement is consistent or stable over time. The reliability test can be seen through the Cronbach Alpha value of the research instrument. A value greater than 0.6 means that the instrument is reliable (Duli, 2019).

After knowing the validity and reliability of the data, the data can be analyzed using the EFA 2nd order method using SPSS. By using EFA, research does not necessarily have initial information or initial hypotheses, but starts from indicators which then form variables.

### **Description of Respondent Characteristics**

The questionnaire made by the researcher was distributed using Google Forms and obtained data from 91 respondents, after filtration using the established purposive sampling criteria, only 25 data were obtained that met the criteria. For that reason, a decision was made to redistri-

bute the questionnaire online which succeeded in obtaining 378 respondents with 158 data that matched the sampling criteria, resulting in a total of 183 respondent data.

**Table 2.** Respondent Demography Data

<b>Variable</b>	<b>Category</b>	<b>Percentage</b>
Gender	Man	42%
	Woman	58%
Age	18-24	25%
	25-30	31%
	31-35	20%
	36-40	13%
	41-45	6%
	46-50	3%
	51-55	3%
	Domicile	Sumatera
Sulawesi		3%
Nusa Tenggara Barat		1%
Kalimantan		2%
Jawa Timur		29%
Jawa Tengah		6%
Jawa Barat		14%
Jabodetabek		35%
D.I. Yogyakarta		1%
Bali		3%
Year of establishment of the holding business	<1995	3%
	1995-2000	7%
	2001-2005	6%
	2006-2010	7%
	2011-2015	19%
	2016-2020	43%
	2021-2023	16%
Year of establishment of the second business	<1995	1%
	1995-2000	4%
	2001-2005	0%
	2006-2010	10%
	2011-2015	11%
	2016-2020	45%
Types of holding companies	2021-2023	29%
	F&B	32%
	Fashion	15%
	Service	11%
	Entertainment	1%
	Contractor	2%
	Convection	4%
	Manufacture	2%
	Education	1%
	Trade	29%
Reasons for the establishment of the second business	Technology	3%
	Develop Skill	1%
	Diversification	4%
	Divestitures	1%
	Expansion	13%
	Expertise	3%
	Hobby	4%

**Table 2.** Respondent Demography Data

Variable	Category	Percentage
	Investment	2%
	Attempt	5%
	Supporting the Main Business Taking Chances	4%
	Networking	13%
	Passion	1%
	Additional Income	1%
	Market Demand	39%
	Succession	4%
	Leisure	4%
		2%

(Source: Processed data, 2023)

From Table 2 above, it can be seen that the number of male respondents is less than female, with the most types of businesses in the food and beverage sector and the year of establishment between 2016 and 2020. Meanwhile, the reason for establishing the second business was influenced by additional income.

**Table 3.** Description of Research Factors

Factor	Mean	Std. Deviation
<b>Competitor (X1)</b>		
Product Uniqueness	4.31	0.873
Replacement Products	3.94	1.001
Complement Products	4.01	0.972
Competitors Price	4.30	0.909
Price Gap	4.30	0.832
Price and Product Mismatch	4.33	0.794
Average	4.198	
<b>Market (X2)</b>		
Over Demand	4.07	0.987
Specific Demand	4.27	0.813
Go with Up Trend	4.07	0.984
Prepare with Up Trend	4.02	1.046
Exit with Down Trend	4.15	0.917
Average	4.166	
<b>Government (X3)</b>		
Mentoring Program	4.02	1.089
Subsidies Program	4.03	1.048
New Rules	4.07	0.998
Prohibition	3.96	1.121
Average	4.02	
<b>Company Life Cycle (X4)</b>		
Growth Stage	4.27	0.840
Mature Stage	4.12	0.850
Decline Stage	4.03	1.048
Average	4.14	
<b>Asset (X5)</b>		
Unproductive assets	4.11	0.933
Ownership of intangible assets	4.09	0.936
Capital availability	4.32	0.791
Access to Capital	4.12	0.959
Competent Human Resource	4.33	0.853
Human Resource Workload	4.11	0.960



**Table 3.** Description of Research Factors

Factor	Mean	Std. Deviation
Average	4.18	
<b>CEO Profile (X6)</b>		
CEO educational background	4.15	0.929
CEO's willingness to learn	4.34	0.789
CEO risk profile	4.16	0.903
CEO wide network	4.34	0.836
Guiding network	4.42	0.765
Average	4.282	
<b>Succession (X7)</b>		
Succession preparation	4.13	0.858
Successor interest	4.10	0.752
Internal conflicts	3.99	1.008
Pruning conflicts	4.02	0.980
Pruning decision making	4.01	1.022
Average	4.05	

(Source: Output SPSS, 2023)

Based on the results of the questionnaire that has been distributed to respondents, the research factor description data is obtained as shown in Table 3 above. From the answers of 183 respondents, it can be seen that the factor of competitors (X1), market (X2), government (X3), company life cycle (X4), assets (X5), CEO profile (X6), succession (X7) has an average result above 4.00, which means that the majority of respondents gave an agreeable answer to the statement given. The eight factors have been tested and it is stated that all indicators are valid and reliable. This can be seen because all data has a Sig value below 0.05 and a positive Pearson Correlation value, so the data can be said to be valid, and has a Cronbach Alpha value based on Standardized Items above 0.6 so that the data can be said to be reliable.

From the results of data processing, the KMO MSA value is 0.926, which is greater than 0.5 means that it passes the sampling feasibility test (appropriate). As for Bartlett's test of Sphericity value, Sig. with a value of <0.001, which is smaller than 0.05 it can be concluded that the data can be used for factor analysis.

**Table 4.** Measure of Sampling Adequacy Test Results

Factor	Variable	MSA
X1	X1.1 Product Uniqueness	.907
	X1.2 Replacement Products	.897
	X1.3 Complement Products	.922
	X1.4 Competitors Price	.867
	X1.5 Price Gap	.878
	X1.6 Price and Product Mismatch	.955
X2	X2.1 Over Demand	.942
	X2.2 Specific Demand	.932
	X2.3 Go With Up Trend	.869
	X2.4 Prepare With Up Trend	.894
	X2.5 Exit With Down Trend	.939

**Table 4.** Measure of Sampling Adequacy Test Results

Factor	Variable	MSA
X3	X3.1 Mentoring Program	.911
	X3.2 Subsidies Program	.912
	X3.3 New Rules	.886
	X3.4 Prohibition	.940
X4	X4.1 Increased Profit	.947
	X4.2 Profit Risk Mitigation	.956
	X4.3 Cost Reduction	.941
	X4.4 Waste Cost Reduction	.942
X5	X5.1 Growth Stage	.926
	X5.2 Mature Stage	.931
	X5.3 Decline Stage	.931
X6	X6.1 Unproductive assets	.937
	X6.2 Ownership of intangible assets	.947
	X6.3 Capital availability	.912
	X6.4 Access to Capital	.954
	X6.5 Competent Human Resource	.909
	X6.6 Human Resource Workload	.903
X7	X7.1 CEO educational background	.943
	X7.2 CEO's willingness to learn	.957
	X7.3 CEO risk profile	.927
	X7.4 CEO wide network	.914
	X7.5 Guiding network	.932
X8	X8.1 Succession preparation	.962
	X8.2 Successor interest	.916
	X8.3 Internal conflicts	.938
	X8.4 Pruning conflicts	.911
	X8.5 Pruning decision making	.920

(Source: Output SPSS, 2023)

To see which factors can be used as factors, the MSA value of each factor-forming item must be above 0.5. From the table above, it can be seen that all items have an MSA value above 0.5 so it can be said that the data is valid and can be continued with factor analysis.

Factor analysis is carried out to reduce existing variables or indicators into several factors. Eigenvalues are used to determine the number of factors that will be retained in the analysis. Items that have Eigenvalues above 1 can be used as new factors, whereas from the results of data processing, it can be seen that 7 new factors are formed that can explain the diversification decision by 66.312%.

After distributing questionnaires and processing data from the answers of 183 respondents, it is known that there are differences in existing factors when compared to the initial factors determined by previous researchers:

**Table 5.** Comparison of Initial and New Factors

Initial Factors	New Factors
COMPETITOR	RESOURCES & LEADER'S
X1.1 Products Uniqueness	CHARACTERISTIC
X1.2 Replacement Products	X1.1 CEO wide network

**Table 5.** Comparison of Initial and New Factors

<b>Initial Factors</b>	<b>New Factors</b>
X1.3 Complement Products	X1.2 Competent Human Resource
X1.4 Competitors Price	X1.3 Ownership of intangible assets
X1.5 Price Gap	X1.4 CEO willingness to learn
X1.6 Price and Product Mismatch	X1.5 Guiding network
	X1.6 Unproductive assets
	X1.7 CEO risk profile
	X1.8 Capital availability
	X1.9 Successor interest
	X1.10 Mature Stage
<b>MARKET</b>	<b>STIMULUS</b>
X2.1 Over demand	X2.1 Subsidies Program
X2.2 Specific demand	X2.2 Mentoring Program
X2.3 Go with Uptrend	X2.3 New Rules
X2.4 Prepare with Uptrend	X2.4 Succession preparation
X2.5 Exit with Downtrend	X2.5 Access to capital
	X2.6 Profit Risk Mitigation
<b>GOVERNMENT</b>	<b>BUSINESS COMPETITION</b>
X3.1 Mentoring Program	X3.1 Competitors Price
X3.2 Subsidies Program	X3.2 Products Uniqueness
X3.3 New Rules	X3.3 Price Gap
X3.4 Prohibition	X3.4 Price and Product Mismatch
	X3.5 Complement Products
	X3.6 Increased Profit
<b>COMPANY PERFORMANCE</b>	<b>BUSINESS ENVIRONMENT</b>
X4.1 Increased Profit	X4.1 Decline stage
X4.2 Profit Risk Mitigation	X4.2 Waste Cost Reduction
X4.3 Cost Reduction	X4.3 Prohibition
X4.4 Waste Cost Reduction	
<b>ENTERPRISE LIFE CYCLE</b>	<b>INTERNAL CONDITION</b>
X5.1 Growth stage	X5.1 Internal conflicts
X5.2 Mature stage	X5.2 Human Resource Workload
X5.3 Decline stage	X5.3 Pruning decision making
	X5.4 Pruning conflicts
	X5.5 Complement Products
<b>RESOURCE AVAILABILITY</b>	<b>POTENTIAL OPPORTUNITIES</b>
X6.1 Unproductive assets	X6.1 Cost Reduction
X6.2 Ownership of intangible assets	X6.2 CEO educational background
X6.3 Capital availability	X6.3 Over demand
X6.4 Access to capital	X6.4 Specific Demand
X6.5 Competent Human Resource	
X6.6 Human Resource Workload	
<b>CEO PROFILE</b>	<b>MARKET TREND</b>
X7.1 CEO educational background	X7.1 Go with Uptrend
X7.2 CEO willingness to learn	X7.2 Prepare with Uptrend
X7.3 CEO risk profile	X7.3 Exit with Downtrend
X7.4 CEO wide network	
X7.5 Guiding network	
<b>SUCCESSION</b>	<b>N/A</b>
X8.1 Succession preparation	

**Table 5.** Comparison of Initial and New Factors

Initial Factors	New Factors
X8.2 Successor interest	
X8.3 Internal conflicts	
X8.4 Pruning conflicts	
X8.5 Pruning decision making	

(Source: Processed data, 2023)

At the beginning of the research, 8 factors were determined that shape diversification decisions in FBEs in Indonesia, which were competitors, market, government, company performance, company life cycle, resource availability, CEO profile, and succession. After research and data processing, only 7 factors were formed that were able to explain diversification decisions in FBEs in Indonesia with each component item, namely:

**Resources & Leader's Characteristic Factor**

The first factor in this study which is the most dominant has a variance factor of 42%. This can be interpreted as the first factor that can explain the diversification decision at FBE in Indonesia by 42%. 10 indicators in the Resources & Leader's Characteristic factor have in common, which are related to the company's capabilities.

Company capability as one of the main determinants of diversification decisions is considered quite relevant and reasonable. When a company has sufficient resources and an extensive network, the CEO as the leader of the company will more easily make decisions to diversify by entering new markets or even new business fields (conglomerates) that have not been mastered before to obtain competitive advantages. The profile of a CEO who always wants to learn and develop will also bring new ideas and views as well as expertise in capturing existing opportunities, which are needed especially when entering new markets or not previously occupied. This is in line with the research results of Siana (2021) that the decision on the reason for diversification also due to the stimulus coming from the government and triggers them to seize the opportunities opened by the stimulus. Diversifications seem promising in enhancing efficiency on the internal operational activities (Panjaitan et al., 2020)

**Stimulus Factor**

The second factor in this study has a variance factor of 5.6%. This can be interpreted that this second factor can explain the diversification decision on FBE in Indonesia by 5.6%. Stimulus is an encouragement or stimulation that triggers someone or something to take a certain action or behavior, while prevention is an action or effort taken to avoid an unwanted event or result. Stimulus does have a significant impact on the industry and the

role of the CEO as the top leader and strategic decision maker of the company has a very crucial role in seeing opportunities and threats that arise from various situations that emerge. Therefore, the findings of the inclusion of stimulus as one of the determinants of diversification decisions are considered quite relevant and based. This finding also strengthens the findings of Aqmal (2019) who found that companies diversified conglomerates as a result of the encouragement of assistance programs from the local government and new government regulations that open up export opportunities (Anandarin & Trisnawati, 2021)

### **Business Competition Factor**

The third factor in this study has a variance factor of 5.4%. This can be interpreted that this third factor can explain the diversification decision on FBE in Indonesia by 5.4%. Companies must actively innovate to compete with new entrants or existing substitute products. Therefore, business competition is naturally one of the factors that shape business diversification decisions. This is also in line with research by Siama (2021) which found that the reason companies diversify is because of the intense competition in the same industry, so companies decide to develop their business in other fields that can still complete their parent business. In addition, by developing complementary businesses, companies can provide more value to customers than their competitors (Farida & Setiawan, 2022)

### **Business Environment Factor**

The fourth factor in this study has a variance factor of 3.8%. This can be interpreted that this fourth factor can explain the diversification decision on FBE in Indonesia by 3.8%. Business Environment or the business environment itself is all components that affect the business, either internally such as production efficiency, company life cycle, corporate culture, and technology, or externally such as the economy, government policies, restrictions, and market and customer conditions.

By understanding the business environment, companies can gain several benefits such as knowing the opportunities and threats that exist. When the company knows the changes that may occur and how these changes affect the business, the company can take the necessary anticipatory actions, either by staying in the same business or immediately transferring the business to another industry that is not affected and has great potential. In addition, companies can take action faster than competitors and can be utilized by companies to gain a competitive advantage. Thus, the finding of the inclusion of the Bu-

Business Environment as one of the factors shaping diversification decisions is appropriate (Handoyo et al., 2023)

### **Internal Condition Factor**

The fifth factor in this study has a variance factor of 3.5%. This can be interpreted that this fifth factor can explain diversification decisions in FBEs in Indonesia by 3.5%. Internal improvement refers to actions taken by the company to make improvements from within through a change or renewal to get better results than before, so researchers named the fifth factor "Internal Conditions".

Companies can be more open to seeing all the weaknesses and strengths of the company and creating business opportunities that may arise from empowering the company's strengths and weaknesses. In addition, companies can be more responsive in identifying threats that may arise and preventive actions by utilizing the company's internal conditions. Therefore, internal conditions are naturally one of the factors that shape business diversification decisions (Wegwu, 2020)

### **Potential Opportunity Factors**

The sixth factor in this study has a variance factor of 3.1%. This can be interpreted that this sixth factor can explain diversification decisions at FBEs in Indonesia by 3.1%. A business opportunity is a form of business idea that is exploited and has the potential for customers to meet their needs or desires.

In addition to the opportunity itself, it also requires a person's strengths in terms of mentality, knowledge, and supporting facilities so that these opportunities can be managed and utilized properly. Opportunities to increase CEO education also have the potential to shape diversification decisions. Therefore, the finding of potential opportunities to be one of the factors that shape business diversification decisions should be considered (Munoz-Bullon et al., 2018)

### **Market Trend Factor**

The last factor in this study has a variance factor of 2.6%. This can be interpreted that this seventh factor can explain diversification decisions in FBEs in Indonesia by 2.6%. This factor is the same as the initial factor in the research model, so no new name is used and continues to use "Market Trend". There are 4 indicators of product diversification for company efficiency, one of which is Market Trend Orientation, which is making a diversification strategy based on new trends, innovation, and intelligence gathering to make decisions (based on market response). By analyzing the market trend, the company can

have several advantages, including: building company strategy, determining the direction of business expansion, and becoming an indicator of change, so that the company can readily respond to changes that occur and make all the necessary adjustments to take advantage of the moments that arise from these changes (Bima & Aprianingsih, 2022)

## CONCLUSION

Transition of ownership and management organization are problems that often occur in Family business enterprises. One way to overcome this problem is to diversify the business. So, this study aims to find out what factors shape the decision to verify FBE businesses in Indonesia. From the results of factor analysis, only 7 factors were formed. New factors that shape diversification decisions in FBEs in Indonesia are resources & leader's characteristic, stimulus, business competition, business environment, internal conditions, potential opportunities, and market trends. This study found that the resources & leader's characteristic factor is a factor that greatly dominates the diversification decision of FBEs in Indonesia, especially in diversification with different business fields (conglomerates). In addition, market trends also have a significant effect on investment and diversification decisions although, in the factor analysis in this study, market trends are the last factor to shape diversification decisions. For future research, researchers can increase the number of respondents and take samples per region in Indonesia specifically, on the premise that each region in Indonesia has its characteristics. Researchers can focus research on the level of certain generations of company owners, on the basis that each generation has its way of thinking.

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