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Agency or Stewardship? Rethinking Governance and Conflict in Chinese-Indonesian Family Businesses

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Abstract: This study examines how agency-related tensions and stewardship commitments coexist in the governance of Chinese-Indonesian family businesses in Batam. It asks how family members interpret authority, succession, financial accountability, and continuity across generations. An interpretive qualitative design with a phenomenological orientation draws on six purposively selected informants from three generations. Semi-structured interviews, observations, documents, and field notes inform thematic analysis supported by NVivo 14, including hierarchical coding, matrix queries, and cluster analysis. The analysis identifies five connected themes: founder dominance, intergenerational conflict, family loyalty and stewardship, financial transparency, and guanxi-based social capital. Founder control and informal financial practices create tensions over autonomy and accountability, while loyalty, reputation, and responsibility for the family legacy sustain commitment. The generational coding matrix indicates that younger participants emphasize financial transparency more strongly without abandoning stewardship values. These descriptive patterns do not constitute statistical tests. The study contributes a culturally situated interpretation in which agency and stewardship explain different dimensions of the same governance practices. It also suggests that professional reporting, clearer roles, and structured succession can express stewardship by protecting long-term continuity rather than undermining family solidarity.

Introduction

In the Chinese-Indonesian family businesses examined in Batam, ownership, managerial authority, and kinship obligations intersect in everyday decisions. This overlap presents a governance dilemma: founders may regard close supervision as a duty to protect the

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enterprise, whereas successors may experience the same practice as a constraint on initiative and accountability. The phenomenon matters because disagreements over decision rights, succession, and financial reporting can threaten continuity even when family members share a strong commitment to the business.

Agency Theory provides one explanation for this dilemma by linking governance tensions to divergent interests, unequal authority, and information asymmetry (Jensen & Meckling, 1976). In a family firm, such tensions need not follow a simple owner–manager division; they may emerge between founders and successors or between family members who exercise different levels of control. Concentrated decision-making therefore raises questions about accountability even when all parties are relatives.

Stewardship Theory offers a different, but not necessarily competing, account of managerial motivation. Donaldson and Davis (1991) suggest that managers may identify with collective organizational goals rather than consistently pursue individual advantage. In family enterprises, loyalty, sacrifice, and responsibility for the family name can sustain cooperation, although these commitments do not by themselves resolve disputes over authority.

The cultural setting adds another dimension to this tension. In the literature used here, guanxi describes enduring personal networks, ganqing concerns emotional closeness, and xinyong refers to credibility and reputation (Chinomona, 2012; Lestari, 2018). These relationships may make coordination easier while also encouraging recruitment and decisions based on personal proximity rather than formal criteria.

Succession makes the competing meanings of control particularly visible. Handler (1990) conceptualizes succession as an adjustment of roles between the entrepreneur and the next generation, while Lansberg (1999) emphasizes the difficulty of transferring authority. As younger family members seek digital reporting, clearer responsibilities, and more systematic management, founders may interpret those proposals as challenges to established trust and leadership.

Prior scholarship supplies important but partial explanations of these processes. Agency research highlights the consequences of concentrated ownership and control (Jensen & Meckling, 1976; Claessens et al., 2000), whereas stewardship and socioemotional wealth scholarship emphasizes collective commitment, identity, and continuity (Donaldson & Davis, 1991; Gomez-Mejia et al., 2007). Research on succession and Chinese-Indonesian relational practices adds further insight (Handler, 1990; Lestari, 2018), but these perspectives leave room for a closer examination of how family members experience both conflict and loyalty within the same governance arrangements.

This study therefore asks how Chinese-Indonesian family members in Batam interpret governance, how authority and succession generate intergenerational tensions, and how stewardship commitments shape business continuity. Batam provides a relevant setting for examining these questions in family enterprises embedded in trading and service activities and relational business networks. The contribution is an interpretive account of agency and stewardship as simultaneous, culturally situated processes, including the possibility that younger generations express stewardship through demands for professional governance rather than through unquestioning deference.

Research Method

This study adopts a qualitative interpretivist-constructivist paradigm with an interpretative phenomenological orientation. The design was selected because the research seeks to understand how family members interpret governance, conflict, trust, authority,

succession, and continuity through their lived business experiences. The study was conducted in Batam City and involved six informants purposively selected from Chinese-Indonesian family firms spanning three generations.

Purposive selection sought variation in generation, business sector, experience, and family role. Two informants represented each of the first, second, and third generations, allowing comparison of perspectives across positions in the succession process. These accounts offer interpretive depth rather than a statistically representative sample of Chinese-Indonesian family businesses.

Table 1. Profile of Research Informants

No.	Initial	Generation	Business Sector	Years Involved
1	Mr. EH	First (Founder)	Building materials distribution	±35 years
2	Ms. MT	First (Founder)	Grocery trading	±30 years
3	Mr. CA	Second	Property and contracting	±18 years
4	Ms. DE	Second	Courier services	±15 years
5	Mr. ESK	Third	Digital business and retail	±6 years
6	Ms. FT	Third	Culinary and franchise	±5 years

Source: Research data processed (2026).

Data were collected through semi-structured in-depth interviews lasting approximately 60–100 minutes per informant, supplemented by field observations, documentation, and field notes. With participant consent, interviews were recorded and transcribed verbatim. The use of multiple sources allowed the researchers to compare narrated experiences with contextual and documentary evidence.

NVivo 14 was used to organize and analyse the qualitative data. The analysis involved importing and classifying source materials, hierarchical coding through open and axial coding, word-frequency queries, matrix coding queries, cluster analysis, and visualization through hierarchy charts and project maps (Bazeley & Jackson, 2013; Priyatni et al., 2020). Trustworthiness was strengthened through source and method triangulation, member checking, and an audit trail.

Result and Discussion

Coding of the interview and supporting materials identified five themes: founder-generation dominance, intergenerational conflict, family loyalty and stewardship, financial transparency and management, and social capital and guanxi culture. Table 2 reports the coded references and the number of sources contributing to each child node. These descriptive coding outputs indicate the prominence and distribution of topics in the analysed material; they are not statistical significance tests or measures of the prevalence of a behaviour in the wider population.

In Table 2, responsibility for the family name (16 references), cross-generational continuity (15), and strategic decision centralization (14) are among the most frequently coded subthemes. Their proximity in the data indicates that loyalty and concentrated authority can be discussed within the same governance setting rather than appearing as mutually exclusive patterns. Agency Theory helps interpret the accountability risks of centralization, while Stewardship Theory explains why family members may nevertheless regard continued involvement as a collective obligation (Jensen & Meckling, 1976; Donaldson & Davis, 1991).

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Table 2. Coding Tree Structure in NVivo 14

Parent Node	Child Node	Coding References	Sources
Founder Generation Dominance	Strategic decision centralization	14	6
	Low trust in external parties	9	5
	Founder syndrome	11	5
Intergenerational Conflict	Resistance to management modernization	13	6
	Divergent risk orientations	8	4
	Communication style differences	7	5
Family Loyalty and Stewardship	Responsibility to uphold family name	16	6
	Willingness to sacrifice for the business	12	6
	Cross-generational sustainability orientation	15	6
Financial Transparency and Management	Commingling of personal and business funds	10	5
	Push for financial system digitalization	9	4
	Minimal formal internal audit	8	5
Social Capital and Guanxi Culture	Personal trust-based business relations	12	6
	Family proximity-based recruitment	7	4
	Reputation and xinyong	6	4

Source: Research data processed (2026).

Word-frequency queries repeatedly surfaced terms concerning family, business, trust, generation, and legacy. This lexical pattern is consistent with the prominence of relational commitments in the thematic coding, although word frequency alone cannot establish participants' intended meanings. Read together with the interviews and coded passages, the pattern suggests that governance is understood through identity and inherited expectations as well as formal organizational roles.

Table 3 shows 19 founder-dominance coding references for the first generation, compared with 11 for the second and four for the third. Financial-transparency references follow the opposite descriptive pattern, increasing from four to nine and then 14, while stewardship references are 12, 14, and 17 across the three generations. These are coded-reference counts, not independent observations or inferential tests; nevertheless, their contrast supports a cautious interpretation that younger participants articulate loyalty alongside a stronger interest in transparent and professional management.

Table 3. Matrix Coding Query: Theme by Generation Cross-tabulation

Theme	First Generation	Second Generation	Third Generation
Founder Generation Dominance	19	11	4
Intergenerational Conflict	6	15	7
Family Loyalty and Stewardship	12	14	17
Financial Transparency and Management	4	9	14
Social Capital and Guanxi Culture	11	9	5

Source: NVivo 14 matrix coding query output (2026).

The reported cluster analysis groups founder dominance with social capital and guanxi, and intergenerational conflict with financial transparency and stewardship. Such coding similarity does not establish causality, but it provides a useful way to examine which concerns appear together in the material. The grouping is compatible with a dual-theory interpretation: relational trust may sustain founder authority, while demands for accountability may arise from commitment to the family enterprise rather than opposition to it.

Agency-related conflict is particularly visible in the concentration of strategic authority among founders. First-generation informants often regard continued control as a legitimate consequence of having created the business. Successors, however, may interpret the same behaviour as excessive centralization that limits autonomy and delays professionalisation. This dual interpretation is consistent with the notion of founder syndrome (Lansberg, 1999) and with evidence of concentrated ownership in Asian family firms (Claessens et al., 2000).

A first-generation participant explains, “Although the children are already involved in the business, the final decision remains mine. I built this business from nothing.” The quotation illustrates the founder’s justification of centralized authority through personal investment and responsibility. From an agency perspective, the same arrangement may constrain successor autonomy; succession scholarship similarly identifies the difficulty of relinquishing control as a recurring challenge (Lansberg, 1999).

Stewardship remains visible despite these tensions. One third-generation participant states, “We stay together because this business is not just about money; it is a family legacy.” This account locates continued participation in an obligation to preserve family identity, consistent with stewardship motivation and the socioemotional wealth emphasis on identity and continuity (Donaldson & Davis, 1991; Gomez-Mejia et al., 2007).

These findings are consistent with Stewardship Theory and with the socioemotional wealth perspective, which explains why family firms may prioritize identity, control, reputation, and continuity over purely financial outcomes (Gomez-Mejia et al., 2007). Younger generations in this study do not reject these values. Instead, they attempt to protect the family enterprise by introducing professional reporting, digital systems, periodic audits, and clearer role structures.

Financial boundaries offer a concrete example of governance vulnerability. A third-generation participant reports, “Sometimes family expenses are still taken from company funds because that’s how it has always been.” The account suggests that habitual overlap between household and business finances can complicate accountability, a concern consistent with agency arguments about monitoring and information asymmetry (Jensen & Meckling, 1976).

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The third generation shows greater concern for formal financial governance through digital reporting, periodic audits, and performance evaluation based on quantitative information. However, older family members may resist such changes because they associate formalisation with reduced flexibility and weaker interpersonal trust. The resulting tension illustrates the difficulty of reconciling traditional relational governance with contemporary principles of transparency, accountability, and independence (OECD, 2015).

Participants describe guanxi-based relationships as useful for negotiation, customer retention, and maintaining trust over time. Emotional closeness and reputational credibility also appear in accounts of how business relationships are sustained, reflecting the concepts of ganqing and xinyong discussed by Chinomona (2012) and Lestari (2018). Yet reliance on familiarity may limit the adoption of transparent recruitment and decision procedures, making relational capital both a resource and a potential governance constraint.

The evidence answers the central theoretical question by showing that agency and stewardship are not alternative labels for separate types of family firms. Within the accounts studied, concentrated authority, uneven financial boundaries, and disagreements over modernization coexist with loyalty, sacrifice, and concern for continuity. Agency Theory illuminates the potential conflicts generated by control arrangements, while Stewardship Theory explains the collective commitments that may motivate both founders and successors (Jensen & Meckling, 1976; Donaldson & Davis, 1991).

The generational coding pattern further suggests that stewardship can change its practical expression without disappearing. Younger informants place greater emphasis on transparent financial systems and professional procedures while continuing to describe the business as a family responsibility. This interpretation extends the stewardship discussion by treating professionalization as a possible means of protecting socioemotional wealth and long-term viability, rather than assuming that formal governance necessarily weakens family solidarity (Gomez-Mejia et al., 2007).

Conclusion

The study finds that governance in the Chinese-Indonesian family businesses examined in Batam is negotiated through the overlap of family relationships, founder authority, and expectations of business continuity. Agency and stewardship provide complementary explanations of these experiences: family members may contest decision rights while remaining committed to the enterprise. The research question is therefore answered by understanding governance as a culturally embedded process in which control and care operate together.

Intergenerational conflict appears in disagreements about centralized decisions, modernization, and financial accountability. The coding matrix records a stronger emphasis on founder dominance in first-generation accounts and on financial transparency in third-generation accounts, while stewardship references remain visible across all three generations. These descriptive results support the interpretation that successors may seek clearer governance not to abandon family obligations, but to sustain the business under changing managerial conditions.

Theoretically, this account cautions against treating stewardship as passive obedience or agency conflict as proof of weak family commitment. Practically, the findings point to clearer decision rights, documented succession arrangements, separation of household and business funds, periodic financial review, and space for successors to develop managerial

responsibility. Such measures may strengthen accountability while retaining the relational trust that participants regard as valuable.

The study draws on six purposively selected informants and an interpretive qualitative design, so its findings support contextual and analytical interpretation rather than population-level generalization. Coding-reference frequencies and cluster outputs should not be interpreted as tests of causal relationships or generational differences. Future research could examine additional family firms, include non-family managers, and follow succession processes longitudinally to assess how these interpretations develop over time.

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