Business Ethics and Corporate Governance's Influence on the Sustainability of Family Businesses with Company Size as an Intervening Variable

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Abstract

The purpose of the study is to examine the influence of business ethics and corporate governance on the sustainability of family businesses, with company size as a mediating variable. The size of the company is a parameter for assessing and determining the scale of the enterprise. The population in this study consisted of 38 companies that were members of the West Java Jamu Entrepreneurs Association. The determination of the number of samples used purposive sampling with criteria in the form of a family business, so that the sample used was 12 family business companies with 48 respondents. Data collection techniques are carried out by using several instruments, namely questionnaires, interviews, and field observations. According to the findings of this study, business ethics has a positive impact on the long-term viability of a family business. Good corporate governance positively affects the sustainability of the family business. Meanwhile, the size of the company also has a positive effect on the sustainability of the family business. The size of the company turns out to be able to mediate relationships in the mediation variable; the size of the company is able to influence business ethics on the sustainability of the family business, while the mediation variable shows the size of the company is able to also influence Good corporate governance is important for the sustainability of the family business. The findings of this study provide useful information for herbal medicine company owners related to the influence of the variables studied. These findings are useful for employers to better understand the dynamics of family business sustainability in promoting business ethics, good governance, and company size.

Keywords: Family Business, Business Ethics, Corporate Governance, Company Size.

A. INTRODUCTION

The West Java Jamu Entrepreneurs Association (GP Jamu) is an organization that houses entrepreneurs who have herbal medicine businesses in the West Java province. The herbal medicine business has a company size based on the business scale from the smallest business to the industrial scale. The majority of GP Jamu West Java members are private companies and a few State-Owned Enterprises (SOEs). Some of the members of GP Jamu West Java are family businesses. A privately managed company is a type of business that includes several relatives in the ownership or activities of the business. Annisa et al., (2021) said that most organizations in Indonesia are controlled by private companies that are evenly distributed in all business areas. However, quite a few family businesses in Indonesia are able to survive to the next generation. The data presented shows that only 13% of family businesses are able to survive until the third generation and as many as 70% of family businesses in Indonesia are unable to survive until the second generation (Qarsa, 2022). One of the
family businesses in the herbal medicine industry that cannot survive until the next generation is PT Nyonya Meneer. Internal disputes occurred during the transition of generations which caused the family business to be declared bankrupt (Idris, 2017).

The large contribution to the economy is driven by the hard efforts of family businesses to secure their businesses in the midst of competitive competition in order to continue earning income by upholding the values of business ethics and religion in decision making and stewardship whose behavior is regulated in such a way as to benefit the company (Davis et al., 1997). Family members involved in business management generally have the goal of increasing income stability while maintaining business sustainability and providing satisfaction to family members (Hussein, 2019). In addition, Kemalasari & Yunus (2020) said that family businesses have the same values of loyalty and honesty and emphasize moral behavior more than other types of businesses because in them business managers will fully contribute by prioritizing their business interests in advancing their business over their personal interests.

However, Dieleman & Koning (2020) say that in general, leaders in family businesses have longer tenures, which makes them fully powerful, which can lead to unethical business behavior. This triggers the family business to be unable to survive by prioritizing the ability of the leader alone. However, not a few family businesses are able to survive for generations. According to Annisa et al. (2021), many family businesses lack the ability to manage their business well so that they cannot survive long in the future due to the many challenges that must be faced and the inability to implement good governance in the company.

The above phenomenon causes most family businesses to not have the ability to pass through their third generation. The unsustainability of the family business is generally due to internal conflicts triggered by the uncertainty of predecessors in preparing family members who will become successors. So that there is no solid cooperation between the previous generation and the next generation which causes differences of opinion in business management to cause disputes (Soedibyo, 2012). Meanwhile, it is not an easy thing for family businesses to carry out business ethics and corporate governance well, plus there are limited knowledge. If this condition is left unchecked, it can risk declining company performance which has a negative impact on the sustainability of family businesses (Annisa et al., 2021). An understanding of the importance of implementing business ethics and corporate governance in family businesses cannot be separated from company conditions. The size of the company can be an indicator that links the ability of company leaders in family businesses with the implementation of business ethics and corporate governance in relation to business sustainability. It is possible that family businesses can lead to professional companies (Aviatri & Nilasari, 2021).

The main issue of this study is the ability of leaders in family businesses to act ethically in running their business and implementing corporate governance. Implicit assumptions about moral and ethical behavior among members may result in the belief that formal codes of conduct are largely unnecessary and may even conflict with corporate culture despite the perceived large size of the company (Annisa et al., 2021).
According to Pin (2020), the sustainability of family businesses is a serious problem so planning needs to be done to lead to success. The size of the company relates to the availability of a plan to achieve success. But the majority of family businesses, both founders and successors, put business sustainability at the heart of their success.

Previous researchers agree that attention to business morals is equivalent to awareness of moral qualities in carrying out daily work. The business moral approach offers the best potential as a reason to further develop business maintainability through execution boards (Yunia, 2018). Likewise, according to (Tedja, 2020), the implementation of business moral standards in organizations and good company management called corporate governance (GCG) is believed to provide positive results for the progress of the organization’s business in the not too long term short but also long-term which makes business development remain stable and promising.

Most previous research has been on the sustainability of family businesses that practice jointly between the application of business ethics and corporate governance. Previous research did not clearly disclose the size of the companies sampled. Therefore, this study aims to examine the influence of business ethics and corporate governance on the sustainability of family businesses associated with company size. The size of this company is an indicator that can relate the condition of a company with all its characteristics that contain various measurement parameters to assess and determine a company assessed as a small or large business (Manurung et al., 2019). This research is not only conducted to one company but several family business companies that are more specific to herbal companies members of the West Java Jamu Entrepreneurs Association so that herbal companies play an active role in advancing the economy in Indonesia.

B. LITERATURE REVIEW

1. Stewardship Theory

Stewardship theory is an alternative viewpoint on managerial incentives. According to this theory, executive managers are far from reckless opportunistic individuals because they naturally want to do a good job and be good custodians of company assets. According to the idea of stewardship, there is no overarching problem with executive motivation (Donaldson & Davis, 1991). Stewardship theory, which has its roots in psychology and sociology, looks at scenarios where CEOs feel compelled to act in the best interests of the business because they serve as stewards. The human model is built on a steward, according to stewardship theory, whose behavior is controlled so that pro-organizational collectivistic behavior is more useful than individualistic self-serving behavior.

The behavior of a steward will not deviate from the interests of his organization if given a choice between self-serving behavior and pro-organizational behavior. A steward will not replace or exchange cooperative behavior for selfish behavior. Therefore, although the interests of stewards and principals may not coincide, stewards value cooperation more than defection in situations where actions are justified (Davis et al., 1997). Because stewards can be persuaded to act according to
the wishes of principals and organizations, stewardship theory applies governance frameworks based on psychology and sociology to analyze management problems (Sudaryo et al., 2021).

2. Family Business Sustainability
   Family is about relationships, characterized by emotional bonding, attachment, and trust. For family businesses, love, service, and protection for the vulnerable are the norm. The involvement of the next generation in family businesses before they have a formal role is believed to be important in developing successors and has been linked to long-term business success (Howorth & Nick Robinson, 2021). Siahaan et al. (2022) said that to achieve business existence in the long term is to maintain business continuity. Business sustainability is a strategy to develop a business so that the business remains afloat for a long time (going concern). Business sustainability is a concept that shows the success of the company to continue to stand and refers to the "triple bottom line" or commonly known as the 3Ps, namely People, Planet, Profit where these 3Ps are used to measure the extent to which the company has succeeded in running its business and its focus is not only on profit, but also pays attention to people and the planet (Muniarty et al., 2022).

3. Company Size
   Wati (2019), claims that company size reveals the disparity between business risks faced by large and small businesses. According to total assets, total sales, average sales rate, and average total assets, the size of the company can be determined. Basically, there are only three categories of company sizes: giant corporations, medium-sized companies, and small companies. The classification of company size according to the Regulation of the Republic of Indonesia Number 006 of 2012 concerning Traditional Medicine Industry and Business starts from the smallest business scale, namely Jamu Business (UJG), Jamu Business (UJR), Traditional Medicine Micro Business (UMOT), and Traditional Medicine Small Business.

4. Ethics Business
   Business ethics (also known as corporate ethics) is a type of applied ethics or professional ethics that investigates ethical principles and moral or ethical dilemmas that occur in the workplace. It deals with all areas of business behavior and applies to individuals and entire companies. Sudarso et al. (2021), defines business ethics as "a modern standard or set of values to govern the actions and behavior of individuals in business organizations." Corporate ethics is the study of best practices for establishing and managing globally accepted norms and morality as guidelines for everyone who runs a company. Business ethics also helps business people in approaching business difficulties morally (Kusuma et al., 2023).

   Kesuma et al. (2020), define that business ethics concentrates on moral norms and values held by individuals, groups, and companies. In addition, business ethics is the study of the good and bad aspects of business interaction with stakeholders by
using management and legal knowledge to achieve corporate goals. Keraf (1998) put forward the principles in business ethics, namely the principle of autonomy, the principle of honesty, the principle of doing good and not doing evil, the principle of justice, the principle of respect for oneself. The principles of business ethics must be implemented by business people so that company goals can be achieved according to moral standards.

5. Good Corporate Governance

Corporate governance is a system of internal and external checks and balances to ensure organizations release their accountability to all stakeholders and act in a socially responsible manner in all aspects of their business activities. In corporate governance, stakeholders must be able to serve as good stewards, and the board must strive for the success of the organization. In addition, the board must prioritize and balance the interests of the organization’s many stakeholders (Solomon, 2020). According to Gunawan (2021), corporate governance is a comprehensive management method in which senior executives direct and supervise the entire company through the use of management information and hierarchical management control structures. Governance activities ensure that critical management information reaching the executive team is complete, accurate, and timely to enable appropriate management decision making, and provide control mechanisms to ensure that management strategies, directives, and instructions are carried out in a systematic and effective manner.

Sudarmanto et al. (2021) define corporate governance as a pattern used by corporations to regulate and create an appropriate environment in controlling company management in order to generate added value for interested parties. Good Corporate Governance (GCG) refers to good corporate management practices. Based on the Decree of the coordinating minister for Economic Affairs Number: KEP/31/M.EKUI/08/1999 (KNKG) stipulates five pillars of GCG as guidelines for the implementation of GCG in companies, then refinement of the guidelines in 2006 known as the TARIFF concept. The premise of this Tariff is as follows:

a. Transparency

The concept of transparency can be used to maintain company objectivity when providing information to stakeholders clearly, accurately, easily accessible and clearly understandable so that stakeholders who have relationships with the company can be held accountable.

b. Accountability

Performance appraisal of an organization or company can be assessed using this concept. With this concept, a performance can be managed properly and precisely and measurably so that it can be seen to what extent the performance provides results that are sustainable through the process of planning, organizing, implementing and evaluating in order to achieve the expected goals.
c. Responsibility
This concept makes each person individually and company able to reflect their responsibilities to comply with various duties in their work activities based on established rules and policies referenced by the government that are related to the business activities of the company. This concept is also a concept that is not limited only to the responsibility attached to individuals when carrying out their work between superiors and subordinates, but also a responsibility attached to the company as well as to stakeholders and the community in the environment around the company.

d. Independency
This concept can be self-actualization so that the company has the ability to stand alone so that it can compete in its business activities strongly and independently with high competitiveness in its business environment.

e. Fairness
This concept is used for companies as a guide in maintaining company stability, fairness and equality conditions for each individual member of a company and interested parties based on their authority. So that each element in a company will not have different opportunities to be able to develop themselves and make major contributions appropriately and both to the organization and the company.

6. Business Ethics on Company Size
Company ethics, according to research by Aviatri & Nilasari (2021), is an assessment of ethical and unethical things to be applied in company activities. Maintaining the survival of a trading company requires the application of business ethics. Trading companies that ignore business ethics and local rules will not be able to survive in the long run. The big companies that survive to this day are those that follow the rules of business. Trading today is a company that is quite often found in the daily operations of both small and large businesses. The company's business ethics play an important role in forming a strong, competitive, and value-creating company, which requires a solid foundation. Business ethics can be practiced in many areas. Although the company is a micro-enterprise, maintaining mutual trust in cooperation will have a significant impact on its reputation (Aswir & Misbah, 2018). The findings of Silviyah & Lestari’s (2022) research confirm that the application of Islamic business ethics must be carried out as a step to develop new awareness in business activities, regardless of the size of the company. The application of Islamic business ethics has a beneficial effect on the improvement of Micro, Small and Medium Enterprises. The author uses the three studies mentioned above as a basis for conducting additional research on these two factors, so the hypothesis is as follows:

H1: Business ethics positively affect the scale of the corporation.
7. Influence Good, Corporate, Governance to Company Size

Good corporate governance has a huge impact on the size of a company. Larger organizations typically have more complex agency issues, which require stricter corporate governance frameworks. Meanwhile, because smaller organizations have greater prospects for expansion, they need more external investment. More external financing can only be obtained if small-scale companies have effective corporate governance implementation processes. In addition, larger companies tend to attract more public attention than smaller companies. This encourages larger companies to develop better corporate governance (Sihwahjoeni, 2015). GCG has a positive effect on company size, GCG has a positive effect on sustainability reports, company size has a positive effect on sustainability reports, and mediation of company size has a positive effect on the relationship between GCG and sustainability reports (Anwar, 2021). The author uses the three studies mentioned above as a basis for conducting additional research on these two factors, so the hypothesis is as follows:

H2: Good Corporate Governance has a positive effect on the size of the company.

8. The Effect of Company Size on Family Business Sustainability

Zajkowski et al. (2022) in their research said that entrepreneurial success factors involving profits, business sustainability and growth have the same significant impact in family businesses are self-perception of competitive advantage factors and intangible resources of the company. This study evaluates the relationship between multidimensional success factors and the measurement of multidimensional success of family businesses with the main assumption being that small and medium-sized companies fall into this business group. The size of the company can be seen from the large number of employees. The right number of employees according to business activities has an impact on company performance which is an important factor in the sustainability of family businesses. The size of the company has a significant influence on the sustainability of family businesses characterized by increased revenue and industry growth (Cioca et al., 2020).

The results of this study expose that disclosure of family business ownership can contribute to negative outcomes. Most family businesses are small. The study found that the size of small-scale companies for family businesses is perceived as unfavorable by consumers. So, small-scale family businesses that promote their business status should be careful in communicating small company size information. In the same way, family businesses with large company sizes tend to benefit if they communicate their company size when promoting their family ownership. So that the size of the company becomes biased for the sustainability of family businesses leading to more positive evaluative results in the consumer market with competitive advantages (Shen &; Tikoo, 2020). Of the three studies above, the author makes the study the basis for new research on these two variables, so that the hypothesis proposed as follows:

H3: The size of the company has a positive influence on the sustainability of the family business.
9. The Effect of Business Ethics on Family Business Sustainability by Mediating Company Size

Research conducted by Kemalasari & Yunus (2020) shows that honest attitudes carried out are consistent as ethical behavior in family businesses, there are often violations committed by top management. This research has contributed both in theory and practice by providing evidence of ethical behavior practices in small-scale family businesses in general in developing countries for business sustainability. In contrast to research conducted by Graafland (2020) ethical behavior in company performance when family members in management are involved, the results of the study show weaker for large companies than for small companies. Other research reveals that public companies are easier and more consistent in maintaining business sustainability by implementing ethical behavior that upholds business ethics based on three pillars, namely morality, capability and integrity (Kusmiarti, 2020). The authors combined the existence of a mediating link of firm size that impacts both variables among the three. As a result, the author develops the following hypothesis:

H4: Business ethics positively affect the sustainability of family businesses mediated by the size of the company.

10. The Effect of Good Corporate Governance, on Family Business Sustainability by Mediating Company Size

In his research, Hategan et al. (2019) said that Romanian family businesses which are generally small-scale companies are aware of the changes that may arise and they have begun to implement internal processes oriented towards sustainability. In addition, the main family involvement in business is ownership, governance, management and succession, which have a correlation with the performance of their companies. From this research, it can be analyzed that family businesses will experience sustainability when governance involves the main family even though the company is small-scale. Another study was put forward by Widiatmoko & Mulya (2021) that the implementation of GCG has a significant effect on family businesses through the disclosure of sustainability reports. However, the size of the company does not have a significant effect on the disclosure of sustainable reports as a result of GCG implementation. Wardhana (2018) also revealed that MSMEs with the majority being family businesses consider GCG implementation to be an important thing from business that must be applied in business sustainability by using detailed guidelines that vary from the MSME level.

The results showed that the consideration of power succession in family businesses is multidimensional, requiring a complex corporate governance process in decision making. Among the main considerations, the characteristics of the size of the company with the size of the family capital and the amount of inheritance are key to the sustainability of the family business. With a correct understanding of the company's environmental factors and the company's future needs as well as business management practices aligned with family traditions and succession plan strategies, it is certain that family businesses will continue (Liu, 2018). From these studies can
be taken hypotheses, namely:
H5: Good Corporate Governance positively affects family businesses mediated by company size

11. The Influence of Business Ethics on Family Business Sustainability

Like all commercial ventures, a company’s ethical business practices are closely linked to its success in the long and short term. Whether a company is a good investment depends on its reputation among the local community, other businesses, and individual investors. Investors are more likely to buy shares in a company or support its activities if they perceive the company is not operating responsibly. When an ethical and socially responsible investment industry emerges, companies will be more motivated to act morally. As more investors seek out ethically operating companies to invest in, more and more organizations are urged to take these issues more seriously (Melissa Horton, 2018). (Krahara & Ali, 2020), showed in their research that business ethics have a good and considerable impact on the long-term viability of traditional retail businesses. However, the impact of retail management performance on the long-term viability of traditional retail companies depends heavily on marketing as the most powerful factor. According to his research findings, understanding aspects of human business ethics and managerial capabilities is a key component in ensuring the sustainability of traditional retail enterprises. A hypothesis can be derived from the study, namely:
H6: Business ethics positively affect the sustainability of family businesses

12. The Effect of Good Corporate Governance on Family Business Sustainability

Good corporate governance, especially in the narrow sense of interaction between shareholders, the board of commissioners, and the board of directors to achieve corporate goals, is basically a system (inputs, processes, outputs) and a collection of rules that control the company operation. (Purwanto & Mustamu, 2013) discuss interactions between various interested parties. Good corporate governance is combined to manage these interactions, guard against critical strategic mistakes, and ensure that mistakes that occur can be addressed immediately (Purwanto & Mustamu, 2013). So that the sustainability of the company can be carried out. According to Kurniyati & Khairiyani (2020), every organization will do everything possible to maximize its value. Based on the findings of this study, investors use the results of the CGPI (Corporate Governance Perception Index) survey when making investment decisions. As a result, it is clear that GCG is the most significant in the long-term viability of the company. Meanwhile, according to Purwanto & Mustamu (2013) explained in their research that GCG affects the sustainability of the company. The better the governance, the stronger the family company will be to survive. From these studies can be taken hypotheses, namely:
H7: Good Corporate Governance has a positive effect on the sustainability of family businesses
13. Research Model

The current research, the author developed a research model as shown below:

![Research Framework](image)

**Figure 1. Research Framework**

Explanation:
- Direct Relationship
- Indirect Relationship

C. METHOD

According to Sugiyono (2012), population is a general area which is a collection of objects / subjects with quantities that have certain characteristics that the author uses as an analytical tool in producing conclusions. The participants of this study were members of the West Java Jamu Entrepreneurs Association. *Purposive* sampling was used to obtain a sample from a population of 38 companies. *Purposive* sampling based on Sugiyono (2012) is a method that is used to determine the sample that is the source of data to be obtained with various thoughts and certain criteria. According to Suwarno et al. (2022), a family business is a business managed directly by the founder or family representative (spouse, parents, children, or heirs) who takes over the company; at least one family member who plays a role in the management (board) and administration of the company; and 25% as company investors. Sampling with the specified criteria is made in the form of a preliminary questionnaire. Using this initial questionnaire aims to group companies that are family businesses. From the questionnaire data, as many as 15 member companies of the West Java Jamu Entrepreneurs Association were obtained which are family businesses. So that as many as 15 family business companies were taken as samples that will be the source of this study. Each sample has a minimum of 1 respondent.

<table>
<thead>
<tr>
<th>Number</th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CV Bintang Terang Lestari</td>
</tr>
<tr>
<td>2</td>
<td>PT Elanazma Prima</td>
</tr>
<tr>
<td>3</td>
<td>CV Jasarama</td>
</tr>
<tr>
<td>4</td>
<td>PT Holistic Indonesia</td>
</tr>
<tr>
<td>5</td>
<td>PT MiteraSejatra Jaya Agung</td>
</tr>
<tr>
<td>6</td>
<td>CV Bin Dawood</td>
</tr>
<tr>
<td>7</td>
<td>CV Albaik Herbal Indonesia</td>
</tr>
</tbody>
</table>
The author used primary data in the research conducted. Primary data is data obtained directly from the resource person to become a subject in research based on research instruments from researchers. Primary data can be in the form of opinions from research subjects, observations of an event, which researchers observe on the results of testing. In the research conducted, data collection was carried out by taking several instruments, namely questionnaires, interviews and field observations. The interview is conducted in a predetermined list of structured questions. Interviews are conducted in-depth and seek more information as needed and a list of open-ended questions. Further observations were made to support the results of the interview with a structured process. According to Sugiyono (2012), variables are everything that researchers have identified in various ways and in any form to be researched so that researchers can obtain information related to their research and then draw conclusions. The independent variable (X), the bound variable (Y), and the intervening variable (Z) were all used in this study. Independent variable (X) where this variable is a stimulus, predictor, antecedent variable and is generally called the independent variable in the expression of the word Indonesian. An independent variable is a variable that can have an influence or a variable can cause changes in the appearance of the dependent variable (Sugiyono, 2012). The independent variables studied are business ethics (X1) and Good Corporate Governance (X2).

Sugiyono (2012) suggests that the dependent variable is an output variable, criterion, consequent and is generally called a bound variable in the expression of the word Indonesian the dependent variable is a variable that is influenced by the emergence of independent variables. The dependent variable studied is the sustainability of the family business (Y). In theory, mediating variables are variables that are difficult to measure and observe that result in an indirect relationship between the independent and dependent variables. The mediation variable is a variable that exists between the independent and dependent variables, preventing the independent variable from directly affecting changes in the dependent variable (Sugiyono, 2012). Company size (Z) was the mediating variable in this study.

The author utilizes the Smart PLS program to process data in this investigation. Smart PLS is a data processing software that uses the Partial Least Squares (PLS) approach to Structural Equation Modeling (SEM). SEM is a statistical tool used to solve multilevel models that cannot be solved using linear regression equations.
simultaneously. SEM can also be thought of as a combination of regression and factor analysis. Evaluation operations include determining the validity and reliability of instruments (confirmatory factor analysis), evaluating variable relationship models (path analysis), and hypothesis modeling (structural models and regression analysis). The results of the data processing will be used as a reference in collecting information for users and stakeholders at the final stage (Raharjo & Santosa, 2020).

D. RESULT AND DISCUSSION

1. Descriptive Analysis

Respondents are family members who are directly involved in business activities at various levels of management from ordinary staff to commissioners. Where is the size of the company at the level of Traditional Medicine Micro Enterprises (UMOT), Traditional Medicine Small Enterprises (UKOT) and Traditional Medicine Industry (IOT) with the length of business from 1 year to more than 10 years. Based on the respondent’s profile, data is obtained as shown in table 2 of the statistical description.

<table>
<thead>
<tr>
<th>No</th>
<th>Demographics</th>
<th>Description</th>
<th>Sum</th>
<th>%</th>
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<tbody>
<tr>
<td>1</td>
<td>Gender</td>
<td>Man</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>Woman</td>
<td>23</td>
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<tr>
<td>2</td>
<td>Age</td>
<td>17 to 25 years old</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>26 to 34 years old</td>
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<td>25%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>35 to 43 years old</td>
<td>13</td>
<td>24%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>44 to 50 Years</td>
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<td>9%</td>
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<tr>
<td></td>
<td></td>
<td>&gt;51 Years</td>
<td>8</td>
<td>15%</td>
</tr>
<tr>
<td>3</td>
<td>Position</td>
<td>Staff</td>
<td>21</td>
<td>38%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SPV - Coordinator</td>
<td>2</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Manager</td>
<td>9</td>
<td>16%</td>
</tr>
<tr>
<td></td>
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<td>Senior Manager</td>
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<td>2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Director</td>
<td>15</td>
<td>27%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Commissioner</td>
<td>7</td>
<td>13%</td>
</tr>
<tr>
<td>4</td>
<td>Education</td>
<td>SMA - D3</td>
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<td></td>
<td></td>
<td>S1</td>
<td>28</td>
<td>51%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>S2</td>
<td>5</td>
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</tr>
<tr>
<td>6</td>
<td>Size</td>
<td>IoT</td>
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<td>16%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>UKOT</td>
<td>41</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>UMOT</td>
<td>5</td>
<td>9%</td>
</tr>
<tr>
<td>7</td>
<td>Relationship</td>
<td>Child</td>
<td>12</td>
<td>22%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Brothers and Sisters</td>
<td>7</td>
<td>13%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cousin - Brother-in-Law</td>
<td>20</td>
<td>36%</td>
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<tr>
<td></td>
<td></td>
<td>Husband and Wife</td>
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<td>22%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Parents</td>
<td>4</td>
<td>7%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>55</td>
<td>100%</td>
</tr>
</tbody>
</table>
2. **Outer Model Testing**

An analysis of the outside model was performed by Hair et al. (2014) to confirm that the measurements used allow them to be used as valid and reliable measurements. It determines the relationship between latent variables and their indicators in the analysis of this model. An individual's reflexive size is considered high if it correlates > 0.6 with the construct to be assessed, but an outer loading value between 0.5 - 0.6 is considered sufficient (Hair et al, 2014). Validity in Discrimination, Composite Reliability, While Cronbach's Alpha is used to test a variable, if it has a Cronbach’s alpha value of more than 0.6, then testing the Significance of formative indicators of weights with formative indicators of weights values with constructs must be significant (Hair et al., 2014). The study shows that all indicators have values greater than 0.6, which implies that the corresponding indicators meet the requirements of the external loading test. As a result, the overall external loading test result is greater than 0.6. According to the test findings, all indicators have an external charge greater than 0.6. So that validity and dependability can be evaluated.

3. **Convergent Validity Test**

The model is observed from the results of Average Variance Extracted (AVE) obtained when assessing convergent validity. If a model has a value greater than 0.5 then it is said to have met convergent validity. Appendix 7 summarizes the value of Average Variance Extracted in this research model. Based on Average Variance Extracted (AVE) data, business ethics variables have an AVE of 0.682, Good Corporate Governance has an AVE of 0.699, Family business sustainability has an AVE of 0.692, and firm size has an AVE of 0.686. As a result, the convergent validity requirements in this study are met with a value greater than 0.5, and further testing can be carried out.

4. **Discriminant Validity Test**

*Fornell-Larcker* is the approach used to assess the validity of discriminants. As for how to read it by reading diagonally between variables or constructs. In the *Fornell-Larcker* output it can be seen that the values between variables diagonally compared to other values look larger. This means that all research variables have met the validity test and can be continued with reliability tests.

5. **Reliability Test**

Cronbach Alpha, rho-A, and Composite Reliability all have a value of at least 0.6, according to Hair et al. (2017). The reliability test results show that business ethics variables have a Cronbach Alpha of 0.903, rho-A of 0.904, and Composite Reliability of 0.928. Family business continuity with Cronbach Alpha values of 0.885, rho-A 0.904, and Composite Reliability 0.917, and company size variables with Cronbach Alpha values of 0.866, rho-A 0.894, and Composite Reliability 0.686. This shows that the research model passes the validity and reliability test and can be used in subsequent model estimations.
6. Structural Model Evaluation (Inner Model)

Based on substantive theory, inner model analysis describes the interrelationships between latent variables. R-square for dependent constructs, Stone-Geisser Q-square test for predictive relevance, and t tests and significance of structural path parameter coefficients can be used to evaluate inner model analysis. Statistical t-values and probability values can be used to test hypotheses. For hypothesis testing, specifically using statistical statistics, the t-statistical value for a 5% waiver is 1.96. As a result, when the t-statistic is greater than 1.96, then the hypothesis is accepted and the hypothesis is rejected. To use the probability of rejecting/accepting a hypothesis, Ha is accepted if the p value is less than 0.05. Hair and colleagues (2014).

7. Multicollinearity Test

Multicollinearity test is performed to determine the presence or absence of multicollinearity. This test is based on the value of Variance Inflation Factor that does not exceed 10 (Hair et al., 2014). Based on these results, the maximum value of the Variance Inflation Factor (VIF) of 5.366 shows that all indicators have a VIF value less than the specified limit of 10 and are declared free from symptoms of multicollinearity.

8. Coefficients of Determination

The coefficient of determination (R-Square) approach is commonly used to evaluate structural models. The function of R-Square is to determine how much influence exogenous latent variables have on endogenous variables. The R-Square value was corrected by 0.843, with factors of business ethics, Good Corporate Governance, and company size amounting to 85.1% of the family business sustainability variables. Other variables outside the research model accounted for the remaining 14.9%. While the modified R-Square value of company size is 0.777, the Good Corporate Governance business ethics variable can represent 78.5% of the company size variable. Other variables outside the research model accounted for the remaining 21.5%.

<table>
<thead>
<tr>
<th></th>
<th>R Square</th>
<th>R Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Business Sustainability</td>
<td>0.851</td>
<td>0.843</td>
</tr>
<tr>
<td>Company Size</td>
<td>0.785</td>
<td>0.777</td>
</tr>
</tbody>
</table>

Source: Smart-PLS Output 3

9. Path Analysis

The degree of significance of each relationship in the hypothesis can be observed with the t statistic and the p value of the path coefficient or inner model analysis. A hypothesis is considered significant if its t-statistic is greater than 1.96 and its p-value is less than 0.05. Next, the model is evaluated by looking at the significance value and performing bootstrapping techniques to identify influences between variables. This process resamples the complete original sample. The number of
bootstrap samples used in this study was 5000. The anticipated t value is greater than 1.28 with a significance level of 10%, greater than 1.65 with a significance level of 5%, and greater than 2.326 with a significance level of 1%. In this investigation, a significance level of t-value of 5% is used with a t-value greater than 1.65. The results of the t value of this study are shown in the table below:

**Table 4. Path Coefficients (Direct Effect)**

<table>
<thead>
<tr>
<th>Source: Smart-PLS Output 3</th>
<th>Mean STDEV T-Values P-Values</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Original Sample (O)</strong></td>
<td>Sample Mean (M)</td>
</tr>
<tr>
<td>Business Ethics -&gt; Family Business Sustainability</td>
<td>0.351</td>
</tr>
<tr>
<td>Business Ethics -&gt; Perusahaan_ Size</td>
<td>0.587</td>
</tr>
<tr>
<td>GCG -&gt; Family Business Sustainability</td>
<td>0.351</td>
</tr>
<tr>
<td>GCG -&gt; Perusahaan_ Size</td>
<td>0.37</td>
</tr>
<tr>
<td>Size Perusahaan_ -&gt; Family Business Sustainability</td>
<td>0.3</td>
</tr>
</tbody>
</table>

**Table 5. Path Coefficients (Indirect Effect)**

<table>
<thead>
<tr>
<th>Source: Smart-PLS Output 3</th>
<th>Mean STDEV T-Values P-Values</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Original Sample (O)</strong></td>
<td>Sample Mean (M)</td>
</tr>
<tr>
<td>Business Ethics -&gt; Perusahaan_ Size -&gt; Family Business Sustainability</td>
<td>0.176</td>
</tr>
<tr>
<td>GCG -&gt; Size Perusahaan_ -&gt; Family Business Sustainability</td>
<td>0.111</td>
</tr>
</tbody>
</table>

The results obtained a significant partial effect (p-value 0.05) on the direct influence based on the output results. The entire model includes p-values and t-statistics that meet the standards for this investigation, so all hypotheses are accepted. While the Sobel test is used to determine the indirect relationship between research variables.

**Figure 1. Sobel test output** ([http://quantpsy.org/sobel/sobel.html](http://quantpsy.org/sobel/sobel.html))

Source: processed by researchers 2023

In the Sobel test, it shows a t-count result of 4.389> t-table (1.96), then in accordance with the calculation results that mediation between GCG on family business sustainability supports the model.

**Figure 2. Sobel test output** ([http://quantpsy.org/sobel/sobel.html](http://quantpsy.org/sobel/sobel.html))

Source: processed by researchers 2023
In the Sobel test, it shows a t-count result of 3.076 > t-table (1.96). So in accordance with the calculation results that mediation between business ethics and family business continuity supports the model.

10. Path Diagram
The path diagram in this study looks like the figure below, based on the results of the output conducted by researchers using 55 samples.

![Path Diagram](image-url)

**Figure 3. Path Diagram**

11. Hypothesis Findings
Based on the results of the path analysis, it can be concluded that H1, H2, and H3 are accepted because they have P-Values of 0.05, and the effect of firm size mediation on H4 and H5 is also accepted. The following table displays the findings of the research hypothesis.

<table>
<thead>
<tr>
<th>RELATIONSHIP</th>
<th>P Value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 Business ethics positively affect the size of the company</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2 Good Corporate Governance has a positive effect on the size of the company</td>
<td>0.002</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3 The size of the company positively affects the sustainability of the family business.</td>
<td>0.015</td>
<td>Accepted</td>
</tr>
<tr>
<td>H4 Business ethics positively affects the sustainability of family businesses mediated by the size of the company</td>
<td>0.043</td>
<td>Accepted</td>
</tr>
<tr>
<td>H5 Good Corporate Governance positively affects the sustainability of family businesses mediated by the size of the company</td>
<td>0.028</td>
<td>Accepted</td>
</tr>
<tr>
<td>H6 Business ethics positively affect the sustainability of family businesses.</td>
<td>0.047</td>
<td>Accepted</td>
</tr>
<tr>
<td>H7 Good Corporate Governance has a positive effect on the sustainability of family businesses.</td>
<td>0.019</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

A family business is a company where most family members are involved in the service and management of the business. Family businesses engaged in the herbal medicine business/industry are able to provide job opportunities, provide herbal products needed by the community as consumers, pay taxes, make donations and
others. Based on the results of interviews with several respondents, the majority of family businesses in the herbal medicine business/industry involve their family members to manage the business/industry. Family members who have higher education levels are generally placed in strategic positions in the company. So that the existence of a family business in the field of business/herbal industry in the midst of the community has created various benefits such as increasing economic growth and reducing the unemployment rate. Such success can be due to how leaders in family businesses act ethically or unethically towards employees and stakeholders.

According to one respondent, the power of leaders in family businesses holds a major influence on the sustainability of their business. According to him, business ethics are needed in running a herbal medicine company, but it must still be accompanied by the ability of leaders to control all elements of resources in order to create harmonious conditions, considering that most company managers are family members. Business ethics is an assessment of ethical and unethical things to be applied in business activities in herbal medicine companies. The stronger the business ethics carried out by the herbal medicine company, the stronger the size of the company in the eyes of consumers and the government. This research is in line with research conducted by Silviyah & Lestari (2022) which explains that the application of business ethics has a positive effect on the size of companies such as Micro, Small and Medium Enterprises.

The size of a company will be influenced by good corporate governance that is right on target. The better GCG is implemented, the more people will perceive the organization to be credible and large. Larger companies have more complicated stewardship challenges, so they require a stricter process of implementing Good Corporate Governance. Meanwhile, smaller organizations have greater growth potential, therefore requiring more external capital and leader capacity to run their business. More external financing can only be obtained if small-scale companies have effective corporate governance implementation processes. In addition, larger companies tend to attract more public attention than smaller companies. Small and large businesses in the herbal medicine business/industry, according to respondents, require expertise in implementing GCG. They believe that GCG has been implemented in their company, but they do not realize that what has been done is part of GCG implementation. This research supports the findings of Anwar, (2021), Sriwahyuni (2015), who found that GCG has a beneficial effect on firm size. The large and small composition of high assets and large company size affect the implementation of GCG to encourage companies to run the company’s operational operations effectively and avoid harmful corporate practices.

The size of a herbal medicine company has many factors that can affect the business sustainability of a family business. The sustainability of this family business is characterized by factors of increasing income and industrial growth (Cioca et al., 2020). Increased revenue and growth of industries such as herbal medicine will affect the number of employees, increased costs and increased capital which will ultimately impact the size of the company and the sustainability of the family business. The right
The number of employees according to business activities has an impact on company performance which is an important factor in the sustainability of family businesses. Cost efficiency and proper application of assets are also important factors in the herbal medicine industry. Small and medium-sized herbal medicine companies are included in the group that has multidimensional success factors and multidimensional success measurements in family businesses, so the size of the herbal medicine company determines the sustainability of the business. The study found that the size of the company has an impact on the sustainability of family businesses in the field of herbal medicine. The findings of this study are consistent with the findings of Zajkowski et al. (2022), (Shen & Tikoo, 2020), and (Cioca et al., 2020), which found that firm size has a beneficial influence on the sustainability of herbal medicine family businesses.

The business ethics of the family herbal medicine company will be able to ensure the continuity of the family business. A good family herbal medicine company is built on the reputation of its employees and respected by the public, other businesses, and investors. Herbal medicine companies that follow ethical business methods will be successful in the short and long term. Success will not be achieved if ethical business procedures are not followed. Since there is an ethical and socially responsible investment sector, morally acting herbal medicine companies are growing. As more investors seek out ethically operating companies to invest in, more and more organizations are urged to take these issues more seriously (Melissa Horton, 2018). The findings of this study are in line with the findings (Krahara & Ali, 2020), which found that business ethics have a beneficial impact on the sustainability of family companies.

Corporate governance of family herbal medicine is able to synergize the relationship between shareholders, the board of commissioners, and the board of directors in order to achieve company goals through good inputs, processes, outputs. The impact is that the strategy implemented by the company can be executed properly and strategic mistakes can be avoided for the progress of the company. Errors caused by management due to wrong decisions are able to be handled well (Purwanto & Mustamu, 2013). The stronger the corporate governance with good norms and rules, the stronger the sustainability of the family business. The results of this study are in line with research conducted by Purwanto & Mustamu (2013); Kurniyati & Khairiyani (2020) who explained in their research that GCG has a positive influence on the sustainability of family businesses.

This study shows that the size of the company is able to mediate the relationship between business ethics and family business sustainability. This explains that properly run business ethics will affect business sustainability through the size of the herbal medicine company. This company-size mediation explains that strong and good ethics will make the public assess the capabilities of herbal medicine companies and assume that these companies will last a long time in serving the community. People will have the perception that companies that apply business ethics well are companies that are large in size and vice versa. Also keep in mind that in family businesses the biggest ethical violators are upper management or family so the
sustainability of this business depends on how family management manages its business. The results of this study are in line with research conducted by Kemalasari & Yunus (2020), Graafland (2020), Kusmiarti (2020), which explained that business ethics behavior has an influence on the sustainability of family businesses.

This study shows that the size of the company is able to mediate the positive influence of Good Corporate Governance on the sustainability of family businesses. This explains that the implementation of Good Corporate Governance that is appropriate and in accordance with the provisions will affect business sustainability through the size of the herbal medicine company. Family businesses are generally small and medium scale companies, where they are aware of the changes that may arise, then they will begin to implement appropriate internal processes oriented towards business sustainability. Generally, herbal medicine companies have a vision for the future to be able to compete with chemical and parallel drug products. The results of this study are in line with research conducted by Hategan et al. (2019), Widiatmoko & Mulya (2021), Liu (2018), who explained in their research that company size is able to mediate the positive influence of Good Corporate Governance on family business sustainability. This study explains that family business owners consider GCG implementation to be an important thing from business that must be implemented using detailed guidelines that vary from the business level. GCG will have an impact on business sustainability in the future and will make the size of herbal medicine companies increase in the eyes of the public.

E. CONCLUSION

According to this study, corporate ethics have a beneficial effect on the size of a company. Good corporate governance increases the scale of the corporation. Meanwhile, the size of the company has a beneficial impact on the survival of the family company in the long run. The relationship between business ethics and good corporate governance is mediated by the size of the company. The size of a company can has an impact on business ethics and the viability of a family company. The size of the company can also have an impact on the viability of a family business. The research findings provide important information for herbal medicine business owners regarding the influence of the variables analyzed. These findings can help entrepreneurs better understand the dynamics of family business sustainability in terms of advocating for the use of business ethics, corporate governance, and company size.

Researchers understand that only 55 answers from 15 herbal medicine businesses do not represent the total number of herbal entrepreneurs in Indonesia, which is one of the shortcomings of this study. Due to limited respondent data and unsupportive areas, researchers only received 55 respondents, which is one of the challenges in data collection. The questionnaire-based data collection method also has its drawbacks. Not all respondents can be counted on to give honest and sincere answers to the questions asked. Researchers cannot regulate the quality of answers
because the location of respondents does not allow them to answer honestly according to actual conditions and understand the topic of the question correctly.

Even with limitations, researchers hope that the results of this study can provide knowledge and insight, especially for the researchers themselves and more broadly for the general public and academics; In addition, the impact of family business sustainability and company size are very important factors that need further research. Therefore, this study is strongly recommended to be expanded by adding or replacing research factors that are not contained in this study to enrich and provide more comprehensive data. In addition, researchers can further develop them in other industries or organizations to obtain new results and contribute to the study repertoire.

This research provides theoretical implications for academics to study business ethics, corporate governance, and company size in the herbal medicine industry, so that theoretically it can be used as a reference and input for academics for further research development. This research can be used as a reference in formulating family business continuity policies in terms of considerations of business ethics, corporate governance, and company size in the herbal medicine industry. Furthermore, this research can be used as a foundation for future research on factors affecting the sustainability of family companies in Indonesia.

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This section is optional. The author can express his gratitude to those who are considered to have contributed (including funders) to complete this article. If not, this section can be left blank.

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