ABSTRACT

Managerial short-termism happens when a CEO prioritizes current short-term benefits instead of future well-being of the company. This can be done by choosing whether the company will invest in R&D or instead enjoy better current performance from increase of profit. This study aims to explore various relations between family firms and managerial short-termism, also to examine whether political connection influences these relations. This study uses 608 observations of non-financial firms listed on Indonesia Stock Exchange (IDX) year 2015 - 2016. Hypotheses were tested using Ordinary Least Square Regression. This study reveals that firms containing family ownership up to 19% are more likely engaged in managerial short-termism. With the increase of family ownership, family firms better preserve its future well-being. In other words, the more stake and risk the family put into family firms, the firms are less likely engaged in managerial short-termism. But when family firms are exposed to political connection, short-termism tends to happen. This study has implications that no matter how much the family control or get involved, family firms are more likely engaged in managerial short-termism when exposed to political connection. This study is useful for management of family firms to carefully decide how much investment should be put in R&D and for investors to understand family firms' behavior. This study adds more perspective of managerial short-termism with various levels of ownership and involvement of family firms that highly influence to what extent the management cares about the company's future well-being. This study also gives scenario when family firms are exposed to political connection that encourages family firms to engage in managerial short-termism.

Keywords: Family firms, Managerial short-termism, Political connection, R&D