EXPERIENCES OF E-COMMERCE ADOPTION AMONG INDONESIAN FAMILY-OWNED SMES: A PHENOMENOLOGICAL STUDY

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Article Info

Article history:
Received June 26 , 2026
Revised July 09 , 2026
Accepted July 13 , 2026

Keywords:
Family Business, Adoption of e-Commerce, Socioemotional Wealth, Digital Transformation, Sustainability of MSME

ABSTRACT

Family-owned MSMEs account for 99% of all businesses in Indonesia, yet only 30% survive into the second generation. Meanwhile, the adoption of e-commerce has become a competitive necessity, but it often clashes with the family values that form the foundation of these businesses. This study aims to uncover the lived experiences of family-owned MSME entrepreneurs in adopting e-commerce amid the pressure to preserve socioemotional wealth (SEW). Using interpretive phenomenological analysis (IPA), this study examines a case of a manufacturing SME in Central Java with five key informants. The results identified three essential themes: the founder's existential ambivalence, the second generation's struggle with dual legitimacy, and the renegotiation of senior employees' loyalty. The findings yield a "Digitalized Personalized Formalization" model, which demonstrates that digitalization does not replace family values but rather reinterprets them through digital practices. The theoretical contribution lies in the modification of the SEW concept for the context of Indonesian collectivism, while the practical implications emphasize the importance of co-digital leadership training and digitalization programs that are sensitive to family dynamics.

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INTRODUCTION

Family businesses are the backbone of Indonesia's economy, accounting for 99% of all businesses and employing 97% of the national workforce (Purba et al., 2023). However, the sustainability of family businesses in Indonesia faces very serious challenges, as data shows that only 30% survive into the second generation and only 10% make it to the third generation (Wicaksono, 2026). This paradox is further complicated by the rise of digital transformation, which is fundamentally changing the landscape of business competition. The adoption of e-commerce is no longer merely a strategic choice but has become an unavoidable competitive necessity for business operators, including family-owned SMEs that have long relied on conventional business models based on personal relationships (Basly & Hammouda, 2020; Soluk & Kammerlander, 2020). External pressures from digital platforms, global competition, and the demands of modern supply chain certification have forced family-owned SMEs to adapt quickly or risk losing their relevance in an increasingly digitized market (Ceipek et al., 2020; Vial, 2019).

The literature on family businesses, which is dominated by Western contexts, often assumes a binary trade-off between preserving family values and adapting to modern management practices (Berrone et al., 2012; Gomez-Mejia et al., 2011). This assumption becomes problematic when applied to the Indonesian context, which embraces high levels of collectivism, where family values are not merely individual preferences but constitute the ontological foundation of the social order (Reina et al., 2022; Swab et al., 2020). Socioemotional wealth (SEW), developed by Gomez-Mejia et al. (2011), explains why family business owners often make economically suboptimal decisions to maintain family control, identity, and harmony. However, the application of the SEW concept in the context of Asian collectivism requires substantial modification because family values in Indonesia are not merely factored into individual utility calculations but form the very foundation of the social order itself (Chrisman et al., 2021; Soluk et al., 2021). Previous research by Chrisman et al. (2021) and Swab et al. (2020) has shown that management theories developed in Western contexts cannot be directly applied without adjustments to local cultural characteristics.

Research on e-commerce adoption among MSMEs generally employs a quantitative approach based on the Technology Acceptance Model (TAM) or the Unified Theory of Acceptance and Use of Technology (UTAUT), which treats digitalization as an individual cognitive decision (Manafe et al., 2025; Venkatesh et al., 2003; Vial, 2019). These approaches fundamentally fail to capture the emotional, relational, and generational dynamics that characterize family businesses (Brundin & Hartel, 2014; Soluk, 2022). Phenomenology, by contrast, provides access to the lived experiences of actors as beings-in-the-world; experiences rich in meaning, emotion, and social negotiation (Manen, 1997; Smith et al., 2009). Phenomenological research in organizational contexts remains very limited, particularly studies examining the intersection of digital transformation and family dynamics in developing economies (Beck, 2021; Braun & Clarke, 2019). This limitation represents a significant research gap given the urgency of digitalizing family-owned SMEs in Indonesia and the accompanying socio-emotional complexities.

Based on this background, this study aims to fill a gap in the literature by uncovering the lived experiences of Indonesian family-owned MSME entrepreneurs in adopting e-commerce amid the pressure to preserve socioemotional wealth. The research question developed is: What are the lived experiences of family-owned MSME entrepreneurs in adopting e-commerce amid the pressure to preserve socioemotional wealth? This study makes a theoretical contribution to the literature on family business, digital entrepreneurship, and organizational phenomenology by revealing the essence of the digitalization experience from the perspective of the entrepreneurs; a perspective often overlooked in quantitative approaches. Practically, these findings are expected to provide an empirical basis for the Ministry of Cooperatives and SMEs in designing digitalization programs that are not only technical but also sensitive to the socio-emotional dynamics of entrepreneurial families, thereby enhancing the success and sustainability of the digital transformation of family-owned SMEs in Indonesia.

RESEARCH METHODOLOGY

This study employs interpretive phenomenological analysis (IPA), which accommodates the complexity of subjective experience as well as the researcher's critical interpretation within a meaningful context (Manen, 1997; Smith et al., 2009). The research subject is Abason (a pseudonym), a consumer goods manufacturing MSME in Central Java with fewer than 100 employees that is currently in the second-generation transition phase and has adopted the Tokopedia e-commerce platform in 2021 and TikTok Shop in 2023. Five informants were selected through purposeful sampling with maximum variation to capture diverse perspectives: one 68-year-old founder; two second-generation children aged 35 and 32 who are responsible for digital and operational strategies; and two senior employees aged 45 and 42 with 10–12 years of service who represent the voices of non-digital employees. Data collection took place over two weeks and included semi-structured in-depth interviews; two sessions per informant lasting 60–90 minutes; participatory observation of daily activities and family meetings, and analysis of documents such as screenshots of platform dashboards, meeting minutes, and conversations in instant messaging group chats.

Data analysis followed the IPA procedure (Smith et al., 2009), ranging from verbatim transcription, descriptive and conceptual coding, and the development of thematic themes, to the construction of phenomenological narratives that reveal the essence of the experience. The validity of the research was ensured through triangulation of sources across informant categories, member checking by returning interpretations to two key informants, and an audit trail documenting the entire analytical decision-making process (Creswell & Poth, 2017; Lincoln & Guba, 1985).

RESULTS

Case Profile

Abason is a consumer goods manufacturing MSME founded in 1998 in an industrial park in Central Java with an initial capital of two million rupiah. The company's journey reflects the classic narrative of Indonesian MSMEs that grow through individual perseverance, social networks, and market adaptation; all without a complex formal management structure. By 2024, Abason had grown into a company with fewer than 100 employees, a 1,200-square-meter production facility, and distribution to four major provinces on the island of Java. This growth has not been accompanied by a transformation of the human resources management system, which still relies on the founder's personal relationships with each employee. The ongoing transition to the second generation involving two children aged 35 and 32 has served as both a catalyst for professionalization and a source of tension between business logic and family dynamics. The adoption of e-commerce which began with Tokopedia in 2021 and continued with TikTok Shop in 2023 has opened a new front in the previously unpredictable negotiations over power and family identity (Basly & Hammouda, 2020; Soluk & Kammerlander, 2020).

The Founder's Existential Ambivalence

Abason's founder viewed the adoption of e-commerce as a phenomenon fraught with ambivalence both a threat to the business identity he had built over two decades and an opportunity to expand his market reach that could not be ignored. The loss of direct, personal contact with customers which had long been the hallmark and source of pride for his business has created a deep sense of existential anxiety. In a digital world defined by numbers, metrics, and anonymous users, the founder feels he has lost the warmth that formed the foundation of his family business's relationships. "The people I know have proven their loyalty, unlike outsiders who only look good on paper. On TikTok, I don't know who's buying my products. The numbers are on the screen, but that warmth is missing." (Founder, P1).

JIEM : JOURNAL INFORMATIC, EDUCATION AND MANAGEMENT
Vol 8 No 2 (2026): March - August 2026, pp. 834~840
ISSN: 2716-0696, DOI: 10.61992/jiem.v8i2.447

This statement contains more than just nostalgia; it reflects a fundamental disruption to the founder's way of being-in-the-world, in which personal knowledge of customers is not merely a business strategy but also a matter of self-identity. Nevertheless, the founder does not reject digitalization entirely. Instead, he has developed an adaptation strategy that the researcher refers to as a "ritualistic presence."; attending monthly digital strategy meetings without intervening in operations, merely listening and giving symbolic approval to the final decisions. This phenomenon is interesting because it shows that resistance to change, as predicted by the SEW literature (Gomez-Mejia et al., 2011; Swab et al., 2020), does not always lead to rejection but can be transformed into a form of adaptive negotiation that preserves symbolic authority while relinquishing operational control. These findings deepen our understanding that SEW need not be a barrier to innovation, but rather can serve as a mediating factor that enables adaptation to occur in a way that does not threaten family identity (Chrisman et al., 2021; Soluk et al., 2021).

The Dual Legitimacy of the Second Generation

The second generation of Abason faces a unique set of simultaneous pressures: they must prove their digital competence through measurable metrics (GMV, engagement rate, conversion) while also earning the emotional and symbolic approval of the founder, who still holds ultimate authority. Their life experiences are characterized by what researchers refer to as a strategy of hybridity; using language and digital metrics as objective evidence, but framing them within a family narrative that is familiar to the founder. "I learned not only about the product, but also how my father made people feel at home; something no business school teaches. But now I have to prove that TikTok Live can also make people feel connected to our family." (Second Generation, Marketing, P3).

This statement reveals the duality of identity experienced by the second generation: on the one hand, they are children who must obey and respect their father's authority; on the other hand, they are digital leaders who must make decisions based on data and market trends. Their legitimacy is not automatically established through titles or positions, but must be built gradually through a combination of evidence of digital performance and rituals that demonstrate loyalty to family values. These findings enrich the concept of generational succession developed by Ren et al. (2023) and Soluk (2022) by demonstrating that generational transitions in the digital age require a dual legitimacy that was never required of previous generations. The second generation must not only prove that they are capable of managing the business, but also that their digital approach does not undermine the family values that form the company's identity (Bornhausen & Wulf, 2023; Bouncken & Schmitt, 2022).

Renegotiating the Loyalty of Senior Employees

Abason's senior employees perceive digitalization as an existential threat to their identity as loyal and respected members of the company's extended family. They are not only facing the demand to learn new skills, but are also grappling with fundamental changes in the logic of rewards that has long served as the foundation of their motivation. "We older employees are confused. We used to work wholeheartedly because our boss appreciated us, but now we have to meet targets and feel underappreciated." (Senior Employee, P4).

This statement carries complex layers of meaning. For senior employees, being valued is not measured by salary or promotions, but rather by personal recognition from the founder, freedom in their work, and a sense of community that cannot be quantified. Digitalization, with its KPIs, has disrupted this framework of meaning. Their response is not open resistance that can be easily detected, rather than hidden compliance; verbally agreeing in meetings but maintaining the same work pace and old ways in daily practice. This phenomenon reflects a common trade-off in human resource management system transitions (Dekker et al., 2013; Townley, 1997), but in a phenomenological context, it suggests that loyalty is not a static variable that one either possesses or does not possess, but rather a continuous process of negotiation that is vulnerable to disruption. Senior employees are not obstacles to change, but rather actors who are redefining their roles within a changed relational structure (Bürgel & Hiebl, 2023; Chatterjee et al., 2022).

The Essence of the Phenomenon and Theoretical Discussion

The three themes identified converge in the essence of the phenomenon, which the researcher conceptualizes as "Digitalized Personalized Formalization"; a model in which digital structures and metrics are accepted at the surface level but are filled with relational content and family values. The founder maintains a symbolic presence through rituals, the second generation builds hybrid legitimacy through identity negotiation, and senior employees renegotiate their loyalty under conditions that are no longer familiar. This model modifies the SEW's fundamental binary assumption regarding the trade-off between preserving family values and economic adaptation (Berrone et al., 2012; Gomez-Mejia et al., 2011) by demonstrating the potential compatibility between the two within the context of Indonesian collectivism (Reina et al., 2022; Swab et al., 2020).

The phenomenological contribution lies in the revelation that the experience of digitalization is intersubjective and temporal; it cannot be reduced to individual variables as assumed by TAM or UTAUT (Manafe et al., 2025; Venkatesh et al., 2003; Vial, 2019). Each actor exists within a Mitwelt (shared world) where participants influence one another, and where one party's decisions are always linked to the expectations, fears, and responses of the other party. This is consistent with Brundin & Hartel (2014) critique of quantitative approaches, which capture only a small portion of the variance in family business decisions. This study also enriches the literature on family business succession (Ren et al., 2023; Soluk, 2022) by demonstrating that generational transitions in the digital age require mechanisms of legitimacy that have never existed before. In practical terms, these findings suggest that SME digitization programs that focus solely on technical aspects without taking social and emotional dynamics into account risk failing or resulting in ineffective implementation (Basly & Hammouda, 2020; Soluk & Kammerlander, 2020).

CONCLUSIONS

This study reveals that the adoption of e-commerce by family-run MSMEs in Indonesia is a complex intergenerational existential negotiation, rather than a linear technical transition from the informal to the formal sector. The resulting "Digitalized Personalized Formalization" model shows that digitization occurs through the reinterpretation of family values within digital practices, rather than their complete replacement. The three main mechanisms identified are: (1) the ritualistic presence of the founder, which maintains symbolic authority; (2) the second-generation's strategy of hybridity, which builds dual legitimacy; and (3) the renegotiation of loyalty among senior employees seeking to redefine their positions within the new order. The theoretical contribution lies in the adaptation of the SEW concept to the context of Indonesian collectivism, demonstrating the potential compatibility between the preservation of family values and digital adaptation. The practical implications underscore the importance of co-digital leadership programs and digitalization training that are sensitive to socioemotional dynamics, rather than merely technical training on how to use platforms. The limitations of a single-case study open the door to further research using multiple case studies to test the model's transferability, as well as longitudinal designs to assess the long-term sustainability of these mechanisms.

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