

## **Digital Transformation in Family Businesses: The Role of Gen Z and Millennials in Shaping Business Sustainability**

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### **ABSTRACT**

This study explores the differences in digital management between Millennials and Generation Z in family businesses in the era of digital transformation through a comprehensive narrative literature review approach. Generation Z, as digital natives, brings a new perspective influenced by technological advancements, cultural changes, and flexible and collaborative leadership styles. Their approach to adopting digital innovation differs from the more cautious Millennial generation, which emphasizes stability through structured methods. This methodology involves a critical analysis of credible academic literature to synthesize insights into the contributions of both generations in accelerating digital transformation, bridging the generational gap, and facilitating cross-generational collaboration in family businesses. The research findings emphasize the importance of an inclusive leadership model and an adaptive organizational culture to effectively integrate the unique characteristics of Millennials and Gen Z. This study highlights the need for family business strategies that are responsive to the demands of digitalization and the expectations of the new generations for long-term sustainability and competitiveness.

**Key words:** digital transformation; family business; leadership; gen z; sustainability; icebef; UPI

### **INTRODUCTION**

Digital transformation is a crucial requirement for family businesses to survive in the highly dynamic and challenging modern era. Digital technology offers significant opportunities to improve operational efficiency, expand market reach, and drive product and service innovation. However, negative perceptions about technological risks and the complexity of implementation are often major obstacles for some family business owners, particularly Millennials, who tend to be more cautious in adopting new technologies (Sari et al., 2023).

In contrast to Millennials, Generation Z, who grew up with digital technology from the beginning, tends to be more optimistic and adaptable to digital innovation. This generation has a better understanding of technology and is more open to change than previous generations of leaders. Gen Z brings a perspective focused on data-driven decision-making, transparency, and flexibility to the family business work culture (Salmah et al., 2025). They widely use e-commerce platforms, social media as marketing tools, and digital payment systems to support family business transformation (Putri & Rajaguguk, 2025).

Despite the significant potential for digitalization, many family businesses in Indonesia are still in the early stages of digitalization. The main challenges faced include limited internal capacity, a conservative organizational culture, and differences in perceptions between generations regarding technological change (Nahdi & Mukhlis, 2023; Mikušová et al., 2025). The Digital Transformation of Family Businesses – Review and Research Agenda (2025) highlighted significant gaps in digital strategy and leadership that impact the readiness of family businesses for comprehensive technological transformation.

Previous research also shows that the digital competency of the next generation is crucial for the successful adaptation and innovation of family businesses. Digital skills encompass more than just technical abilities, but also encompass data analysis, digital creativity, and effective digital communication management (Rani & Desiyanti, 2024). Digital training and education are key to strengthening the competitiveness and sustainability of family businesses in the era of disruption (Bangsawan, 2023).

Therefore, this study aims to explore the differences in digital management between Millennials and Generation Z in family businesses, examining how perceptions, adoption, and implementation of digital technology differ across generations. The study also highlights the impact of these differences on leadership, innovation, and the sustainability of family businesses, as well as the importance of a collaborative, intergenerational approach to optimize digital transformation across the board.

## METHOD

This research uses a narrative literature review approach to explore the differences in digital management between Millennials and Generation Z in the context of family businesses in the era of digital transformation (Salmah et al., 2025). This approach emphasizes the critical integration and interpretation of findings from various recent studies, building an in-depth narrative of the phenomenon under study.

The literature was collected from international and national journal databases published between 2020 and 2025 (Desembrianita, Anwar, & Zuhroh, 2024). Sources were selected based on topic relevance, academic quality, and contribution to the understanding of digital transformation and intergenerational dynamics in family businesses.

Keywords used included variations related to "Generation Z and family business," "digital transformation of family business," and "digital management of Millennials and Gen Z."

The analysis was conducted narratively, organizing key findings into digital management patterns, differences in leadership styles, technology adoption, and challenges of generational collaboration (Salmah et al., 2025). This approach also critiques the methodology and findings of previous research to identify trends, gaps, and factors driving and inhibiting digital transformation in family businesses.

The reliability of the study was maintained through source triangulation and critical evaluation to ensure the validity of the narrative (Desembrianita et al., 2024). Thus, this method provides a comprehensive overview of the unique contributions of Millennials and Gen Z to the advancement of digital management in family businesses.

## RESULTS AND DISCUSSION

A narrative literature study reveals significant differences in digital management between Millennials and Generation Z, which influence the dynamics and success of digital transformation in family businesses. Generation Z, as digital natives, has a high capacity to adopt new technologies and innovations, and shows a strong preference for the use of social media, e-commerce platforms, and digital payment systems (Salmah et al., 2025; Putri & Rajaguguk, 2025). They prioritize data-driven decision-making and flexible digital collaboration, which accelerates innovation and adaptation processes.

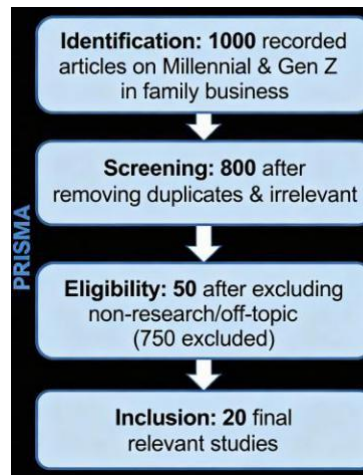
In contrast, Millennials demonstrate a more cautious and structured approach to managing the digitalization of family businesses. They tend to balance technology use with managerial experience, prioritize stability, and often adopt technology gradually to minimize risk (Sari et al., 2023; Nahdi & Mukhlis, 2023). Their digital leadership style is more formal and prioritizes clear procedures, which are essential foundations for business continuity in conservative environments.

These differences in management styles impact the digital transformation process in family businesses, particularly in terms of strategic decision-making and technology integration. Intergenerational collaboration is a key factor in balancing the rapid innovation of Gen Z with the stable experience of Millennials. Research also notes that an organizational culture that adapts to change, supported by effective digital literacy training, is crucial for the success of digital transformation (Rani & Desiyanti, 2024; Mikušová et al., 2025).

Furthermore, uneven adoption of digital technology across generations can lead to internal conflict and role imbalances within family businesses. Therefore, an inclusive and intergenerational leadership model is crucial to facilitate dialogue, understanding, and effective collaboration, thus accelerating the process of adaptation and continuous innovation (Desembrianita et al., 2024).

Dimension	Millennials	Generation Z	Example Practices in Family SMEs	Key Indicators (KPIs)	Managerial Implications	Sources
Technology Orientation	Gradual adoption; emphasize feasibility, stability, and comfort before full-scale implementation.	Rapid adoption; digital natives; adaptive to emerging technologies.	Implementation of digital POS systems, online storefronts, marketplace integration (Shopee/Tokopedia), WhatsApp Business.	Implementation time (weeks), percentage of digitized processes, operational error rate.	Controlled but agile adoption through pilot projects; scale quickly after successful testing.	Sari et al., 2023; Salmah et al., 2025
Leadership Style	Formal, structured, procedure-oriented,	Flexible, collaborative, transparency-driven.	Written SOPs, RACI framework, use of Trello/Notion,	SLA completion rate, employee engagement	Inclusive leadership combining structural	Nahdi & Mukhlis, 2023; Salmah et al., 2025

	focused on continuity.		weekly stand-ups, real-time dashboards.	scores, task resolution time.	clarity with agility.	
Decision-Making	Pragmatic and risk-minimizing; prefer staged evaluation.	Data-driven, adaptive, experiment-oriented.	A/B testing campaigns; small-scale investment experiments (4–6 weeks).	Conversion rate, CAC, ROI, decision cycle time.	Hybrid decision-making model integrating evidence-based analysis and governance oversight.	Sari et al., 2023; Rani & Desiyanti, 2024
Digital Platforms & Tools	Gradual adoption of e-commerce and social media; limited trials before scaling.	Intensive use of e-commerce, social media marketing, and digital payments.	Instagram Reels, TikTok Shop, QRIS/virtual accounts, Shopee/Tokopedia marketplace.	GMV, CTR/engagement rate, percentage of cashless transactions.	Faster scalability when Gen Z leads digital execution under Millennial governance.	Putri & Rajaguguk, 2025
Risk Management	Risk-averse; demand SOP compliance and mitigation planning.	More tolerant of experimentation and short-term digital trials.	Pilot sandbox testing, budget caps, cybersecurity checklists.	Number of incidents, financial losses from incidents, percentage of successful experiments.	Balanced innovation portfolio with safety controls to reduce material failure risk.	Sari et al., 2023; Nahdi & Mukhlis, 2023
Work Culture & Collaboration	Value role clarity and structured hierarchy.	Cross-functional collaboration, flexibility, and transparency.	Quarterly OKRs, monthly retrospectives, cross-generational forums.	Employee retention rate, eNPS, number of cross-team initiatives.	Adaptive culture encouraging intergenerational dialogue and collaboration.	Salmah et al., 2025; Desembriani et al., 2024
Digital Competence	Strong in governance and process management.	Strong in digital literacy, creativity, and content communication.	Training programs in data literacy, digital marketing, and basic cybersecurity.	Percentage of certified employees, post-training assessment scores, analytics tool adoption rate.	Tiered training aligning governance expertise with digital literacy.	Rani & Desiyanti, 2024; Bangsawan, 2023
Common Challenges	Resistance to rapid change; concern over cost and risk exposure.	Cultural friction with conservative values; high expectations for rapid change.	Structured change management plan, multi-channel internal communication, executive sponsorship.	Adoption rate of initiatives, time-to-value, number of escalations.	Intensive change management and perception alignment strategies.	Mikušová et al., 2025; Nahdi & Mukhlis, 2023
Organizational Needs	Clear roadmap, SOP, and control mechanisms.	Collaborative tools, autonomy, real-time data access.	Lightweight policy framework, role-based access systems, shared KPI dashboards.	SOP compliance rate, MTTR, data accuracy and availability.	Governance that enables innovation while ensuring accountability.	Digital Transformation of Family Businesses – Review and Research



**Figure 1. Research Procedure**

#### Description

1. Identification: Shows the number of initial articles found on the topic of differences between Millennials and Gen Z in family businesses.
2. Screening: Articles that were irrelevant, duplicate, or off-topic were screened and discarded.
3. Eligibility: Articles that passed screening were then further assessed, but some were still excluded because they did not meet the criteria (e.g., not being scientific research, or not addressing two-generation family businesses).
4. Inclusion: The most relevant and high-quality articles were selected for the final synthesis and became the basis for the research findings.

#### Study Synthesis Results

Based on selected articles:

Significant differences were found between Millennials and Gen Z in leadership patterns, communication styles, and digital technology adoption. Gen Z brings a spirit of innovation, work flexibility, collaboration, and data-driven decision-making, as well as a penchant for social issues and environmental sustainability. The resulting synergies or frictions are key to transforming family businesses to survive and thrive in the digital age.

#### Summary

This PRISMA flow diagram visualizes the steps researchers took to identify the best articles related to the impact of differences between Millennials and Gen Z on family businesses, ensuring that the final findings are truly derived from objective and relevant research (see the generated image above).

## CONCLUSION

The differences in digital management between Millennials and Gen Z in family businesses have a significant impact on innovation, leadership strategy, and business sustainability. Generation Z, as digital natives, tend to adapt more quickly to new technologies, are oriented towards data-driven decision-making, and have a collaborative and flexible leadership style. Meanwhile, Millennials are more cautious, employing a structured approach and focusing on stability and managerial experience in the digitalization process.

This research confirms that intergenerational collaboration is key to leveraging each generation's strengths, aligning the rapid innovation of Gen Z with the stable and experienced approach of Millennials. A collaborative approach and the creation of an adaptive and inclusive organizational culture are crucial to bridging the perception gap and ensuring effective digital transformation in family businesses.

By understanding the characteristics and digital management of these two generations, family business owners can design more optimal adaptation and development strategies. The success of digital transformation in

family businesses depends heavily on their ability to integrate traditional values with technological innovation to achieve sustainable long-term competitiveness.

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