

## **TRANSGENERATIONAL INNOVATION AND FAMILY NETWORK CAPITAL: FAMILY BUSINESS SUSTAINABILITY STRATEGIES IN AN ERA OF DISRUPTION**

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### **ABSTRACT**

This study examines how intergenerational innovation and family network capital sustain family businesses amid disruption. Using a literature-based approach in Indonesian and global contexts, it integrates three key elements: systematic knowledge transfer between generations, balanced management of social and digital networks, and innovation driven by the next generation. Findings highlight that tacit knowledge transfer through direct involvement and mentorship enhances continuity and trust but may restrict innovation without external bridging links. Digital networks improve creativity and firm performance. The study proposes a triadic model *codify, coach, co-lead, close-bridge-digitize*, and *sense-transform-govern* to strengthen knowledge flow, network capital, and sustainability among Indonesian family SMEs.

**Key words:** transgenerational innovation; family business; social capital; family network; sustainability.

### **INTRODUCTION**

Family businesses dominate the business structure in Indonesia and function as one of the primary pillars of national economic resilience (Epsilon, 2024). Their contribution to employment creation, regional income distribution, and gross domestic product highlights their structural importance. Despite this dominance, many family enterprises struggle to survive beyond the second or third generation. The rate of intergenerational failure remains relatively high, often driven by weak adaptation strategies, limited professionalization, and inadequate responses to environmental turbulence and digital disruption. Rapid technological advancement, shifting consumer behavior, and evolving social dynamics require family business models to transform strategically without eroding the core values, identity, and legacy inherited from their founders.

First, intergenerational knowledge transfer represents a central mechanism for long-term sustainability. Empirical evidence from qualitative studies in Indonesian family businesses confirms that the knowledge transmitted across generations is predominantly tacit rather than explicit (Kusuma, 2016). This tacit knowledge includes experiential skills, business intuition, relational strategies, and value systems that cannot be easily codified. Its transfer requires physical presence, sustained interaction, routine participation in operations, role modeling, and gradual immersion in decision-making processes. Importantly, the process often combines both planned mentoring and unstructured learning through daily practice. The effectiveness of this transfer is influenced by relational trust, psychological ownership, organizational culture, and the active involvement of predecessors in guiding successors (Martínez et al., 2013). Without structured engagement, tacit knowledge risks fragmentation or loss.

Second, family social capital provides a critical source of competitive strength. Trust-based coordination, shared norms, and long-term orientation foster stability and commitment within family enterprises (Moufdi & Mansouri, 2022). However, excessive reliance on closed networks may limit exposure to new knowledge, diverse perspectives, and external partnerships. Research indicates that many family SMEs tend to operate within tightly bonded relational circles, reducing access to broader market opportunities. To enhance innovation capacity and internationalization potential, a balance between bonding social capital and bridging social capital is necessary. In the digital era, this dynamic extends to digital social capital. Engagement in online business communities and social media networks has been positively associated with growth intention, turnover expansion, and product or process innovation among family-owned SMEs (Tiwasang et al., 2022). Digital platforms thus function not only as marketing tools but also as strategic networking mechanisms.

Third, intergenerational innovation and cross-generational leadership serve as key drivers of transformation. The next generation frequently acts as the catalyst for digitalization, strategic renewal, and organizational professionalization. Intergenerational leadership models—where senior experience and junior technological competence are integrated—have been shown to enhance governance quality and sustainability performance (Why Intergenerational Leadership Is Redefining Business, 2025). In the Indonesian context, however, innovation transformation faces structural constraints, including limited managerial competence, financial constraints, and

technological barriers. Addressing these challenges requires deliberate knowledge transfer mechanisms, creative economic integration, and strategic capacity building to prevent stagnation (Rahadi, 2017).

Gap analysis reveals that existing literature often treats knowledge transfer, social capital, and innovation as separate analytical domains. Few studies propose an integrated operational framework that combines these dimensions within the context of Indonesian family SMEs facing digital disruption. This fragmentation limits practical applicability for business transformation strategies. Therefore, the purpose of this research is to develop a comprehensive strategic framework that integrates intergenerational innovation, family social capital, and structured knowledge transfer as interconnected pillars of sustainability. By contextualizing these elements within Indonesia's socio-economic environment, this study aims to provide actionable recommendations for strengthening resilience and ensuring long-term continuity of family businesses in the disruption era.

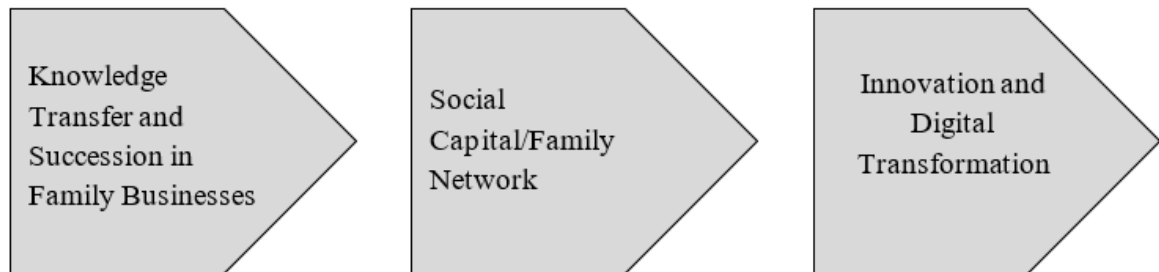


Figure 1. Research Conceptual Model

## METHOD

This article presents a conceptual study grounded in a directed literature review that systematically integrates insights from three interrelated domains. The first domain focuses on knowledge transfer and succession dynamics in family businesses, with particular attention to empirical findings from Indonesian contexts. This stream of literature emphasizes the role of tacit knowledge transmission, mentorship patterns, intergenerational trust, and the socio-cultural characteristics that shape continuity in family-owned SMEs. Studies examining succession challenges in Indonesia highlight how informal learning mechanisms, relational proximity, and value-based inheritance influence long-term sustainability, yet also reveal structural vulnerabilities when knowledge is not formally institutionalized.

The second domain explores family social capital and network structures, including the distinction between network closure and bridging ties, as well as the emerging concept of digital social capital. This body of literature examines how bonding social capital strengthens trust, coordination, and long-term commitment within family enterprises, while excessive closure may restrict access to innovation and external resources. Research on bridging networks and structural holes suggests that expanding relational connections beyond immediate family circles enhances innovation capacity and market expansion. In the digital era, online networks and social media communities function as new forms of social capital that facilitate knowledge exchange, collaboration, and growth opportunities for family-owned SMEs.

The third domain addresses innovation and digital transformation in family businesses during the disruption era. This area of scholarship highlights the critical role of the next generation as drivers of digital adoption, strategic renewal, and professionalization. Intergenerational leadership models are increasingly recognized as mechanisms for integrating experiential wisdom with technological competence. However, studies also document persistent barriers in developing economies, including limited digital literacy, financial constraints, and resistance to change.

Sources for this review were selected from Indonesian and Asian peer-reviewed journals, professional institutional reports, and scholarly publications published between 2010 and 2025. Selection criteria emphasized relevance to family business sustainability, contextual applicability to Indonesian SMEs, and conceptual rigor. The exploration synthesizes these findings into an operational three-pathway strategic model that integrates intergenerational knowledge transfer, network capital optimization, and innovation-driven digital transformation. The model is designed to provide a contextualized framework applicable to local Indonesian SMEs navigating disruption while preserving family-based identity and values (Kusuma, 2015).

## RESULTS AND DISCUSSION

### 1. Intergenerational Knowledge Transfer: From Tacit Knowledge to Organizational Capacity

Consistent findings across Indonesian family business studies indicate that the knowledge transferred between generations is predominantly tacit in nature. Such knowledge is embedded in routines, intuition, personal judgment, relational handling, and founder-specific logic developed through years of practice. Its transfer requires

intensive direct interaction between founder and successor through verbal instruction, observational learning, daily operational involvement, informal discussions, and experiential “learning by doing.” Succession, therefore, is not merely a formal appointment process but a gradual socialization into leadership identity and business philosophy.

The effectiveness of this process depends heavily on the founder’s willingness to delegate authority, provide structured exposure, and inspire confidence in the successor. Failures frequently arise from over-centralized control, reluctance to relinquish decision-making power, absence of structured mentoring, and the lack of documentation of critical operational knowledge (Hatak & Roessler, 2014). When tacit knowledge remains solely in the founder’s memory, organizational continuity becomes vulnerable.

To strengthen sustainability, tacit knowledge must gradually be transformed into transferable organizational capacity. This requires codification mechanisms such as standard operating procedures (SOPs), succession manuals, documentation of “creator logic” or founding principles, and process mapping. In addition, two-way mentoring systems and shared leadership models—where successors progress from assistant to manager to leader—create structured developmental pathways (Kusuma, 2014; 2015; 2016). Such staged delegation fosters legitimacy, dynamic capabilities, and leadership readiness.

## 2. Family Network Capital: Closing for Strength, Bridging for Growth

Family social capital represents a significant strategic resource. Strong bonding ties enhance trust, reduce coordination costs, and facilitate long-term planning (De Groot et al., 2022). High internal trust allows rapid execution and minimizes transaction uncertainty. However, excessive network closure can restrict exposure to new information, diverse perspectives, and innovation opportunities. In globalized and digitally connected markets, limited external linkages may hinder competitiveness.

Balancing bonding capital with bridging capital is therefore essential. Bridging ties—through partnerships with industry associations, universities, suppliers, and technology actors—expand access to knowledge and markets. Strategic management of structural holes enables idea recombination and opportunity recognition (Kontinen & Ojala, 2012).

The digital era further introduces digital social capital. Participation in online business communities and social media networks correlates with higher turnover growth, stronger innovation performance, and greater product and process development among family-owned SMEs (Tiwasong et al., 2022). Digital networks function as platforms for visibility, collaboration, and knowledge exchange. Effective family governance prevents erosion of social capital during generational transitions.

## 3. Transgenerational Innovation and Cross-Generational Leadership

In the disruption era, transformation requires cross-generational collaboration. The next generation often acts as the catalyst for digitalization, growth initiatives, and professionalization while preserving core values and heritage (“New Report,” n.d.). Intergenerational leadership models enhance stakeholder empathy, long-term orientation, and sustainability performance (Davis, n.d.). The inclusion of younger board members improves responsiveness to environmental risks and innovation trends.

In Indonesia, innovation transformation must integrate creative economy initiatives with conservative value preservation (Rahadi, 2017). Without structured renewal, family businesses risk stagnation.

### The Three-Track Strategy Model

#### A. Knowledge Transfer Track: Codify – Coach – Co-Lead

Codify: Systematically document key processes, operational manuals, product portfolios, and founding principles.

Coach: Implement reciprocal mentoring, role rotation, project-based learning, and structured evaluation.

Co-Lead: Gradually delegate authority through progressive leadership stages.

#### B. Network Capital Track: Close – Bridge – Digitize

Close: Strengthen internal trust and coordination.

Bridge: Expand external networks strategically.

Digitize: Build digital social capital through online networks and marketplaces.

#### C. Innovation and Sustainability Track: Sense – Transform – Govern

Sense: Monitor disruption and integrate cross-generational insights.

Transform: Adopt digital initiatives and ambidextrous strategies.

Govern: Institutionalize governance structures and sustainability objectives.

### Practical Implications for Indonesia

Indonesian family-owned MSMEs, particularly in culinary, craft, and trade sectors, require structured 2–3-year succession roadmaps incorporating innovation projects, digital channel development, and partnership expansion (Rahadi, 2017). Active participation in digital and industry communities accelerates innovation and market reach (Wardhana & Hariwibowo, 2020). Cross-generational boards equipped with transformation KPIs enhance strategic alignment (Setiyowati, 2025). Finally, sustaining traditional identity while integrating modern design and technology prevents stagnation and strengthens long-term competitiveness (Family Enterprise, 2025).

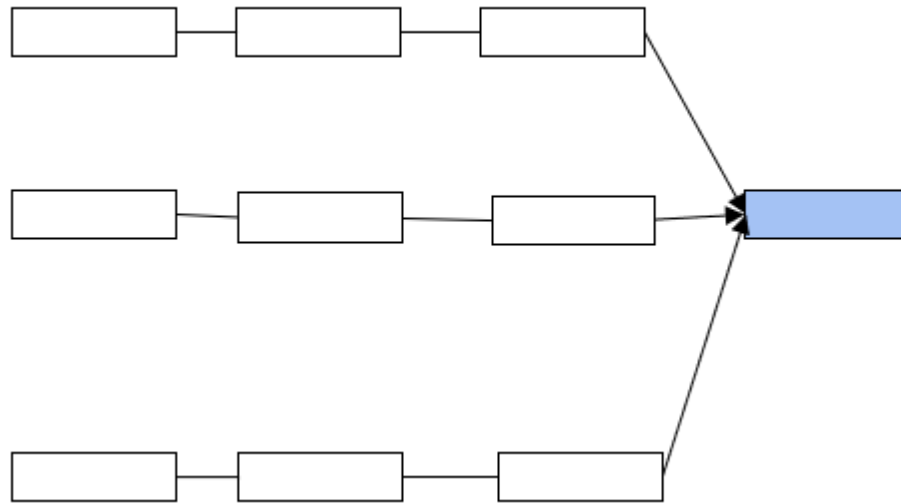


Figure 2. Three-Track Operational Strategy Model

Main Theme	Focus/Path	Key Elements	Implementation Recommendations
Intergenerational Knowledge Transfer	Codify – Coach – Co-lead	Tacit knowledge, mentoring, gradual roles	SOP, reverse mentoring, role transition
Family Network Capital	Close – Bridge – Digitize	Trust, digital networks, bridging external	Digital community, association, online marketplace
Innovation & Sustainability	Sense – Transform – Govern	Digitalization, professionalization, cross-generational governance	Digital project, council, ESG KPIs

Table 1. Three-Track Strategy Model for Family Business Sustainability in the Disruption Era

**CONCLUSION**

Three interrelated pillars are fundamental to ensuring the sustainability of family businesses in an era marked by rapid disruption and technological change. The first pillar is systematic, practice-based intergenerational knowledge transfer. This process must go beyond informal observation and incorporate structured mentoring, gradual delegation of authority, and documentation of critical operational knowledge. Tacit knowledge—embedded in routines, values, and experiential insights—needs to be intentionally transmitted through direct involvement, hands-on practice, and shared decision-making. Without structured succession pathways, the continuity of strategic capabilities remains fragile.

The second pillar concerns the orchestration of family network capital. Family businesses must balance strong internal bonding ties—characterized by trust, cohesion, and long-term orientation—with external bridging connections that expand access to new markets, ideas, and technologies. In the digital era, this balance increasingly includes the development of digital social capital through participation in online business communities, professional platforms, and collaborative networks. Such hybrid networking enhances innovation potential and market responsiveness while preserving relational strength.

The third pillar is innovation transformation driven by the next generation and supported by intergenerational governance structures. Younger family members often act as catalysts for digitalization, strategic renewal, and professionalization, while senior generations provide stability and experiential wisdom. Effective intergenerational leadership integrates these complementary capabilities, strengthening adaptive resilience and sustainability performance.

Global evidence underscores the importance of tacit knowledge and founder involvement, while Indonesian findings highlight the strategic role of intergenerational leadership and digital social capital in fostering innovation.

The three-track model synthesizes these insights into an operational framework, offering practical guidance for family-owned MSMEs to remain resilient, competitive, and profitable over the long term.

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