

## **CHALLENGES AND OPPORTUNITIES IN FAMILY BUSINESS LEADERSHIP REGENERATION**

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### **ABSTRACT**

The process of leadership regeneration in family businesses is very important to ensure the continuity and stability of the business from generation to generation. However, this process often faces various obstacles, such as disputes between family members, a lack of readiness on the part of the next generation, and differences in values and leadership styles between the founding generation and the newer generation. On the other hand, the presence of younger generations who are more adaptable to technological changes and the global market provides a great opportunity for innovation and transformation of family businesses to become more professional and competitive. This study aims to identify the main challenges faced during the leadership regeneration process in family businesses and explore strategic opportunities that can be utilized to improve business sustainability. The method used is a literature study by reviewing various previous studies related to leadership succession and family business dynamics. The results of the study show that the success of leadership regeneration is greatly influenced by the readiness of the next generation, intergenerational communication, and the implementation of professional governance. In conclusion, effective regeneration requires a balance between preserving family values and implementing modern innovations to maintain the competitiveness of family businesses in the era of globalization.

**Key words:** family business; leadership regeneration; challenges; opportunities; business sustainability

### **INTRODUCTION**

A family business is a type of economic organization that plays a key role in development processes, both nationally and internationally. Generally, a family business is defined as an entity owned, managed, and supervised by one or more family members who are directly involved in strategic decision-making (Poza & Daugherty, 2014). This type of business model is unique because it focuses not only on financial gain but also has a deep social and emotional component, particularly in maintaining family values and legacies passed down from generation to generation. In the Indonesian context, family businesses serve as a pillar of the national economy, making a significant contribution to employment and gross domestic product. According to information from the Family Firm Institute (2021), more than 80% of companies worldwide are family businesses, and approximately 60% of these play a crucial role in their respective local economies. In Indonesia, several large companies that have survived for decades—such as Astra, Kalbe Farma, and Sampoerna—serve as clear examples of successful family businesses that are able to adapt to changing times. However, not all family businesses are able to maintain business continuity from one generation to the next. Many experience a decline in performance or even cease operations after a change in leadership. A major challenge that often arises in family businesses is leadership regeneration, or the intergenerational succession process. Leadership regeneration refers to a planned process aimed at preparing and handing over leadership responsibilities from the founder to the next generation (Handler, 1994). This process is not simply a change of position, but rather a strategic step that includes passing on the vision, organizational cultural values, and managerial skills that are the foundation of the company's success. In many situations, regeneration is the biggest challenge, determining whether a family business can survive long-term or end after the first generation.

Ward (2011) emphasizes that approximately 70% of family businesses fail to survive into the second generation, and only about 10–15% survive into the third generation. The main causes of this failure are often a lack of succession planning, a lack of intergenerational communication, internal family conflict, and differences in perspective between the founding and succeeding generations. The first generation tends to have a strong, authoritarian leadership style based on personal experience, while the next generation is often more modern, technologically inclined, and open to innovation (Le Breton-Miller et al., 2004). These differing perspectives often create friction and disharmony during the leadership transition process. Furthermore, family businesses are characterized by complex social and emotional characteristics. Strong family ties can be both an advantage and a disadvantage. On the one hand, emotional bonds can foster trust, loyalty, and long-term commitment to the company. However, on the other hand, these emotional ties can trigger conflicts of interest, favoritism, or less objective decision-making, influenced more by blood ties than by ability (Sharma et al., 2003). Consequently, the leadership regeneration process often creates internal tensions that are difficult to overcome. However, amidst these difficulties, leadership regeneration also holds significant opportunities for the renewal and development of

family businesses. The next generation, with higher education, global experience, and expertise in digital technology, has the potential to increase the company's competitiveness. They can expand the market through digital marketing strategies, e-commerce, and more creative product diversification. Furthermore, many young people are beginning to realize the importance of professional and transparent management in maintaining the continuity of family businesses (Basco, 2017). Furthermore, regeneration also serves as momentum for organizational restructuring, improving human resource management systems, and clarifying the roles of family members and professionals from outside the family. Therefore, regeneration is not merely about replacing existing leaders, but also building a new leadership system that is more responsive, inclusive, and sustainable. The phenomenon of leadership regeneration in family businesses in Indonesia is very interesting to analyze because it reflects unique social, economic, and cultural dynamics. Many family businesses in Indonesia still face the dilemma of maintaining full control in the hands of the family or allowing space for professionalism and processes.

## METHOD

This study applies a descriptive qualitative method through literature review. This approach was chosen because it allows researchers to explore and understand the phenomenon of young leadership in a deep and comprehensive context, not only from a theoretical perspective but also from the social and cultural perspectives involved. The literature review process was carried out through the collection, analysis, and synthesis of findings from previous studies related to young generation leadership in family businesses. The literature used included international journal articles, academic books, theses, and research reports published between 2010 and 2024. The study procedure was carried out through a series of systematic steps, namely: Literature data collection data was obtained through searches on various academic database platforms such as Google Scholar, ScienceDirect, ResearchGate, and ProQuest using keywords such as "family business succession," "leadership regeneration," "succession planning," and "family business governance."

Filtering and grouping of sources. The collected literature was selected based on criteria of relevance, topicality, and publication quality. Articles that did not discuss the issue of the younger generation or were not related to the context of family businesses were excluded from the study. Data analysis and interpretation. The selected data was then grouped into two main themes, namely: (1) challenges in young family business leadership, as well as (2) opportunities in young family business leadership. Next, a descriptive synthesis was conducted to find common patterns and variations among existing studies. Compilation of review results

The results of the analysis were compiled narratively to provide a comprehensive and in-depth understanding of the phenomenon of young generation leadership in family businesses, as well as how theory and practice interact with each other. This approach did not aim to test hypotheses, but rather to explain the phenomenon and interpret the results of previous studies systematically, thereby providing a solid theoretical basis for the development of family business studies in Indonesia.

## RESULTS AND DISCUSSION

Based on a literature review conducted using various academic sources, several important findings were identified that reflect the complexity of leadership transitions in family businesses. This research involved a study of various relevant international and national journals, including works by Sharma et al. (2012), Le Breton-Miller & Miller (2014), Ward (2019), Susanto & Susanto (2018), and Lee & Lim (2022). From all existing studies, it was revealed that both success and failure in leadership transition are greatly influenced by internal factors such as relationships between family members, cultural values, communication channels, and the readiness of successors, as well as by external factors including technological changes, globalization, and market pressures. Overall, the results of the study show that leadership transition in family businesses is not merely an administrative process to replace the previous leader, but rather a strategic approach that combines the inheritance of values, adaptation to current trends, and restructuring of the managerial system. Thus, this process has two main dimensions, namely challenges and opportunities, which will be further elaborated below.

### 1. Challenges in Family Business Leadership Transition

#### a. Lack of Structured Succession Planning

One significant challenge in family businesses is the lack of structured and clear succession planning. Many family business owners are reluctant to continue the transition process due to emotional factors, such as the inability to relinquish control or concerns about the capabilities of their successors (Sharma et al., 2012). The study revealed that 70% of family businesses fail to survive beyond the second generation because succession is carried out suddenly without adequate preparation. In the Indonesian context, Susanto and Susanto (2018) highlight that most family business owners are still paternalistic and hesitant to hand over control to the younger generation. This often causes the transition process to be difficult and can trigger internal conflicts that affect company performance. This situation is exacerbated by the absence of formal guidelines or governance that support planned succession.

#### b. Differences in Values and Leadership Styles Between Generations

Generational differences give rise to significant differences in values, leadership styles, and business orientation. The founding generation tends to hold traditional values and leadership styles based on personal experience, while the younger generation is more rational, focused on technology, and open to innovation (Le Breton-Miller & Miller, 2014). These differences can be a source of internal conflict that hinders communication and collaboration. Research conducted by Kartika and Hadi (2021) shows that generational incompatibility is often caused by unclear role division and a lack of transparent communication. This conflict can cause the younger generation to feel neglected, while the older generation worries about losing family values if too much innovation is implemented.

c. Limited Capabilities and Experience of the Successor Generation

In addition to values, the readiness of the successor generation is another challenge in leadership transition. Many younger generations do not yet have sufficient practical experience or managerial knowledge to lead family businesses (Ahmad & Yusof, 2020). Often, successors are chosen based solely on blood relations, rather than on ability. As a result, leadership transitions are often ineffective and carry the risk of reducing organizational performance. This emphasizes the importance of entrepreneurship education and leadership training from an early age for future successors so that they are adequately equipped to understand the complexities of the business they will inherit.

d. Dependence on the Founder

Many family businesses still rely heavily on charismatic founders as the center of strategic decision-making. When these leaders retire or pass away, companies often lose direction due to organizational structures that are not strong enough to stand on their own. Ward (2011) explains that successful leadership succession depends not only on the successors, but also on the ability of the previous generation to give freedom and entrust responsibilities to the new generation. High dependence on the founder can hinder innovation and limit the space for the next generation to explore. Therefore, regeneration should be carried out gradually by dividing authority and responsibilities proportionally.

## 2. Opportunities in Family Business Leadership Regeneration

a. Professionalization and Modernization of Management

One significant opportunity in family business leadership regeneration is the increasing awareness of professionalization. Astrachan and Pieper (2016) explain that professionalization is not only related to recruiting experts from outside the family, but also establishing a management system that is more transparent, objective, and competency-based.

Through professionalization, the next generation can improve the company's governance framework, clarify the division of roles between family and non-family members, and minimize potential conflicts. This approach also provides an opportunity for family businesses to maintain their heritage values while implementing more modern management mechanisms that are responsive to market dynamics.

b. Innovation and Digital Transformation

The digital age offers tremendous opportunities for the next generation to renew existing business models. Lee and Lim (2022) reveal that the application of digital technology in family business systems can improve operational efficiency, expand marketing networks, and accelerate data-driven decision making. Younger generations who have grown up amid technological advances have an advantage in implementing digital transformations such as e-commerce, digital branding, and technology-based financial systems. In other words, leadership regeneration is not merely a change of leaders, but also a process of strategic innovation to maintain business sustainability in the global era.

c. Intergenerational Collaboration

Cooperation between the older and younger generations is an important aspect in finding a balance between traditional values and modern innovation. Ward (2019) emphasizes that ideal regeneration must involve combining the experience of the founding generation with the new ideas of the successor generation. Through balanced collaboration, the successor generation can absorb lessons from the founders' experiences, while the founding generation can recognize the importance of strategic innovation. The collaborative approach has proven successful in maintaining continuity of values and increasing loyalty within the company.

d. Strengthening Identity and Business Sustainability

Successful regeneration not only preserves the existence of the business, but also strengthens the company's identity. According to Chua and Chrisman (2024), regenerative leadership focuses on passing on values and creating new systems that support sustainable innovation. This approach integrates aspects of heritage, professionalization, and sustainability, enabling companies to not only survive but also continue to grow. In the Indonesian context, this opportunity can be utilized by developing family business models that adhere to local values, coupled with global strategies. Thus, regeneration is not only about replacing old leaders but also transforming the organizational culture towards cross-generational business continuity.

## 3. Summary of Discussion

Analysis from various sources shows that the challenges and opportunities in leadership regeneration are dynamically interrelated. Problems arising from differences in values, lack of preparation, or resistance to change can be turned into learning opportunities if managed in an adaptive and collaborative manner. The ideal process in regeneration must balance three key elements:

1. Preservation of family values and heritage,
2. Professionalization and efficiency in management, and
3. Adaptation to changing times.

By focusing on these three elements, family businesses can create a regenerative leadership model that is not only sustainable but also creates opportunities for growth in the digital and globalization era.

## CONCLUSION

Leadership regeneration in family businesses is a crucial element that will determine the company's future survival and stability. This process is more than just a transfer of power from the previous generation to the new; it also involves the transfer of values, vision, knowledge, and organizational culture that underpin the family business's identity. Based on the literature review, it can be concluded that leadership regeneration faces several key challenges, including a lack of systematic succession planning, intergenerational conflict caused by differences in leadership styles, and the next generation's limited ability to respond to modern business dynamics. However, behind these obstacles lies a significant opportunity to strengthen the management and competitiveness of family businesses. The younger generation has the ability to innovate, integrate digital technology, and build business networks that are more responsive to changes in the global market. Therefore, the regeneration process can be a crucial time for family businesses to transform into a more professional and future-focused management system. Success in leadership regeneration is influenced by three key elements: focused and transparent succession planning, effective communication between generations, and a balance between preserving traditional values and introducing new innovations. These three aspects must be implemented sustainably to ensure a smooth transition process and maintain the family business's identity. With careful management, leadership regeneration not only ensures business continuity but can also create competitive advantage and long-term sustainability. Therefore, family businesses in Indonesia should begin developing a planned, professional, and values-based regeneration strategy to face contemporary economic challenges while preserving the family's valuable legacy.

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