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## Exploring Family Businesses Succession in Indonesia: The Knowledge Management Lenses

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### ABSTRACT

This study aims to formulate knowledge management strategies within the scope of family businesses to achieve succession success. The researchers examined knowledge management practices in family businesses in Indonesia, which have a collectivistic culture and contribute to family business literature. Successor characteristics were measured using an exploratory qualitative case study approach using Likert scales and semi-structured face-to-face interviews to support data. The study's results found that successor characteristics in family businesses positively influence all succession phases, and the average values in all phases meet good criteria. Suggestions for future researchers, this family business study is limited to successful intergenerational transfer cases. It does not examine failed cases, so it needs to expand the sample to a wider range of family businesses undergoing transition.

Keywords: Succession Planning; Family Business; Intergenerational Knowledge Transfer; Succession Knowledge Transfer Process Model

### INTRODUCTION

On a global scale, family businesses have become resilient and agile supporters of the national economy (Suwarno & Harianti, 2021). Several studies have found that family businesses are crucial for the government in supporting economic development and growth (Brinkerink et al., 2020a; Schell et al., 2018a). Several studies in various countries have shown that family businesses can address social and economic issues, reduce unemployment rates, and support educational programs. Furthermore, Credit Suisse Research Institute's (CSRI) report presented its findings that 76% of the companies listed in the CS Global Family 900 are in Asia (Group, 2019). During the COVID-19 pandemic, family businesses, particularly family-owned companies, have shown remarkable economic resilience, with 64% expecting an increase in revenue growth in 2021 and 79% not requiring additional capital in 2021 (Bartels & Englisch, 2021).

As a country that relies on the micro, small, and medium enterprise sectors, many business

entities in Indonesia are family businesses (Koentjoro & Gunawan, 2020). The total assets of family businesses are estimated to reach IDR 134 trillion, which accounts for around 25 per cent of Indonesia's Gross Domestic Product (GDP) (Cooper, 2014). However, there is relatively little literature exploring family business management, specifically regarding knowledge management, which is crucial in supporting succession success (Duh, 2014a). The transfer of knowledge and leadership between generations within a family business organization is an exact process that is not easily replicable (Harms, 2014; Zybura et al., 2021a). The previous research found that 30% of family businesses successfully conducted succession between the first and second generations (Wang et al., 2019). However, the success of next-generation succession is more difficult to achieve, thus requiring established planning and strategies (Plana-Farran et al., 2022; Silva et al., 2021; Song et al., 2022). Thus, one of the gaps this research aims to fill is formulating a strategy for the success of a

family business succession, considering the previously identified challenges.

In addition to succession strategy, another construct explored in this research is a legacy transfer within the framework of family business leadership (Tang & Hussin, 2020a). The study emphasizes that leadership succession in family businesses is crucial to ensuring the company's sustainability. One weakness of family businesses is poor knowledge management, characterized by resistance to change and inadequate readiness of successors. However, the success of the successful strategy lies in ensuring that the designated successor possesses the necessary knowledge to continue the leadership (Bell & Pham, 2021). The next issue frequently faced by family businesses is the dependency on tacit knowledge (Nonaka, 2009a). Until now, there has been a lack of empirical research and theoretical foundation analyzing succession preparation and planning in family businesses.

This study employs the framework of knowledge management theory (Nonaka, 2009a). This study aims to explore the factors that influence succession success in family businesses in Indonesia. Previous studies have shown that the competence and knowledge of the successor generation play an important role in the success of succession (Canovi et al., 2022; Woodfield & Husted, 2017b). Moreover, individual performance evaluation and assessment of successors should be incorporated as an integral part of the succession planning process (Ahmad & Yaseen, 2018). Menurut (Borre et al., 2022) Family businesses have unique characteristics that distinguish them from other businesses, namely knowledge management based on family relationships, organizational culture, and the skills and experiences of family members involved in the business.

Departing from research (Martini & Dewi, 2020b) and is based on the theoretical framework of the SECI model of (Nonaka, 2009a) and the succession theory of (Handler, 2016a), This study aims to formulate a knowledge management strategy in the scope of a family business that can serve as a

reference to achieve succession success. The researcher explores knowledge management practices in family businesses in Indonesia that are heavily influenced by collectivist culture to contribute to the literature on the family business.

## LITERATUR REVIEW

### Succession in Family Business

Succession is one of the important factors in a family business to survive in the long term (Borre et al., 2022). The succession stage in the family business life cycle is when ownership and managerial control are transferred to the younger generation, which usually consists of successors prepared over a certain period (Silva et al., 2021). In a family business, succession is defined as the continuation of social heritage that should be carried on by the most suitable successor (Burton et al., 2022). Succession is a crucial stage in the family business life cycle, as it can create organizational and family tensions that can hinder the transfer of power process (Duh, 2014b). Therefore, creating and transferring knowledge in the succession process is critical to the family's success (Brinkerink et al., 2020b). If not effectively managed through the succession process, this can lead to business failure immediately or over time. Therefore, the creation and transfer of knowledge used in the succession process have potentially important implications for effective business succession (Duh, 2014b).

Previous studies have defined succession in family businesses. Successful succession can be defined as achieving a sustained positive business performance and ensuring its continuity (Brinkerink et al., 2020a). However, succession also involves unique contextual factors that must be considered over time, including different stakeholders (Wang et al., 2019). A study by (Suhartanto, 2022; Zybura et al., 2021a) The study found that high-performing and sustainable family businesses share several common succession characteristics (Bertolozzi-Caredio et al., 2020), such as a good relationship between predecessors and

successors (Woodfield & Husted, 2017a), The successor's experience in subordinate roles outside the business enables them to gradually take on leadership responsibilities (Zybura et al., 2021b), The organizational culture that values learning and growth, and the successor's commitment to the business (Tang & Hussin, 2020b).

This research uses a succession model (Handler, 2016c) This describes four stages of role transition between predecessor and successor within the organization. In the initial stage, the predecessor is the sole leader while the successor is undergoing education and training. Next, the successor acts as an assistant in formal training, where the predecessor still holds full control over decisions. In the third stage, the successor starts taking on more responsibility and power within the organization while continuing to deepen their knowledge. In the final stage, the successor becomes the primary decision-maker, while the predecessor becomes an advisor or consultant replacement. This process involves not only a gradual transfer of power and responsibility but also learning and preparation of the successor for their ultimate role.

### **Knowledge Management in Business Succession**

Knowledge is information relevant to protecting or maintaining a business over time based on experience and education. (Nonaka, 2009b). Managing knowledge is a key success factor in transferring the business to the next generation and is important in managing and protecting the business over time (Duh, 2014b). (Nonaka, 2009b) The literature emphasizes that knowledge is a critical resource for any organization and is shaped through continuous social interaction between tacit and explicit knowledge. The spiral process of four modes of knowledge transformation (socialization, externalization, combination, and internalization) is used in knowledge creation. The SECI knowledge transfer model is the most used knowledge management process model. Tacit knowledge is individual, contextual, and difficult to formalize, while explicit knowledge is

formalized, written, and shared for use and transfer in the future between individuals (Farnese et al., 2019a; Koentjoro & Gunawan, 2020; Pérez-Pérez & Hernández-Linares, 2020a). Despite its importance, the challenges in creating, sharing, and transferring knowledge remain a critical concern for any organization, especially for family businesses when the new generation must take over the business from the previous one (Canovi et al., 2022; Kie et al., 2020; Ungerer & Mienie, 2018).

Several characteristics, such as nepotism, impact knowledge management in family firms (Magistretti et al., 2020), are Bound by tradition, affective relationship trust between family members, and challenging succession processes (Woodfield & Husted, 2017a). The transfer of knowledge can facilitate succession and enhance organizational knowledge creation. Several factors influence knowledge transfer in family businesses, such as trust, commitment to the business, inter- and intra-generational relationships, and other factors (Pérez-Pérez & Hernández-Linares, 2020b). A case study (Casprini et al., 2017) shows that the special abilities and human capital that create knowledge can be used for knowledge transfer for successful succession (Chandler, 2021). Effective knowledge management can truly enhance organizational knowledge creation and absorption capacity and is crucial for the intergenerational strategic renewal of the organization (Martínez et al., 2014).

These studies indicate that knowledge creation and transfer are integral parts of the succession process, and that knowledge transfer occurs throughout the process (Schell et al., 2018b). This is part of developing a model, which is done to determine what types of activities occur and at what stage. There are limitations to the role of knowledge management in family business succession (Tang & Hussin, 2020c). As shown by a study, family businesses cannot remain successful in the long term by solely inheriting knowledge; transforming knowledge or developing innovations from existing knowledge is one process for the long-term success of family businesses (Letonja et al., 2021a; Wang et al.,

2019). This research implies that knowledge transfer alone is insufficient to ensure succession or a company's sustainability. Moreover, many companies do not fully utilize all available resources for knowledge transfer because they prioritize tradition over innovation and "family ties" over change over time (Woodfield & Husted, 2017a).

### METHOD

This research utilized an exploratory qualitative case study design to allow for the most extensive elaboration and exploration of the succession processes and the role of knowledge transfer within them. Exploratory qualitative research is highly suitable for the in-depth investigation of phenomena, enabling a very detailed analysis process (Saunders et al., 2012). Meanwhile, the multiple case study approach was chosen because it provided opportunities for detailed analysis of specific examples and comparisons among those cases (Kurt, 2020). This rich-information design was chosen to address a significant gap in the research on this topic.

Interviews were conducted with the current owners of each family business using 50 Likert scale questionnaires and involving 4 in-depth interviews. The interviews were recorded and then transcribed for analysis. In some small to medium-sized companies and businesses, additional data was collected through observation (directly observing the family business) and secondary data provided by small and medium-sized companies and businesses.

A survey was conducted by distributing Likert scale questionnaires to family businesses in Indonesia. The questionnaires were reinforced with interviews.

The triangulation technique was used by cross-checking primary and secondary data to strengthen validity and reliability (John & J, 2018). The interview transcripts were cross-checked with the interviewees to ensure the accuracy of the information. The data were analyzed in three stages, as proposed by the author (Tashakkori & Teddlie, 2015). The interview transcripts were also cross verified with the interviewees to ensure the accuracy of the information. The data were analyzed in three stages proposed by the researchers, starting from data reduction, data display, and conclusion drawing using ATLAS.TI. An iterative approach was used for coding, and an initial codebook was created from existing knowledge transfer and succession planning literature. The initial coding process continued until a theoretical saturation point was reached, where no new codes were identified (Saldaña, 2021). The codebook was finalized, and the interviews were re-coded using the new codebook in the same collection order. The results were tabulated, and a narrative interpretation of the findings was prepared. A succession model was developed in the final analysis stage, adapting the initial theoretical framework based on the research findings.

### RESULT and DICUSSION

#### Characteristics of the Next Generation

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Business Characteristics	General Business Operation Area	Total Business
Type of Business	Manufacturing	3
	Retail	9
	Food and Bevarage	10
	Food Processing/Production	12
	Clinic	1
	Estate	2
	Mining	2
	Personal Service	11

		N = 50
Gender	Male	37
	Female	13
		N = 50
Respondent's Age	20 - 30 years	15
	30 - 40 years	7
	40 - 50 years	15
	50 + years	13
		N = 50
Years of Operation	1 - 5 years	8
	5 - 10 years	10
	10 - 15 years	12
	20 + years	20
		N = 50

Source: Author.

**Table 2.** Demographic characteristics of interviewees.

Code	Generation	Age Range	Years in Business	Role
D1	Third (3rd)	30	10	CEO
D2	Second (2nd)	26	5	Owner
D3	Third (3rd)	27	5	Owner
D4	Third (3rd)	45	15	Owner

Source: Author.

The characteristics of business owners based on the type of business in this study are as follows: 3 persons (6%) are from the manufacturing sector, 9 persons (18%) are from the retail sector, 10 persons (20%) are from the food and beverage sector, 12 persons (24%) are from the food processing/production sector, 1 person (2%) is from the clinic sector, 2 persons (4%) are from the estate sector, 2 persons (4%) are from the mining sector, and 11 persons (22%) are from the personal service sector.

Based on the business type, the characteristics of business owners in this study were 3 individuals (6%) in manufacturing, 9 individuals (18%) in retail, 10 individuals (20%) in food and beverage, 12 individuals (24%) in food processing/production, 1 individual (2%) in a clinic, 2 individuals (4%) in an estate, 2 individuals (4%) in mining, and 11 individuals (22%) in personal services. Based on gender, the study included 37 male (74%) and 13 female (26%) business owners. This indicates that male heirs dominate with 74%. Meanwhile,

based on age, the business owners in this study were 15 individuals (30%) aged 20-30 years, 7 individuals (14%) aged 30-40 years, 15 individuals (30%) aged 40-50 years, and 13 individuals (26%) aged 50 years and above. This shows that business owners aged 20-30 and 40-50 dominate family businesses.

Based on the length of business operation, it shows that family businesses with more than 20 years of operation are owned by 20 people (40%), followed by those with 10-15 years of operation owned by 12 people (24%), those with 5-10 years of operation owned by 10 people (20%), and those with less than 5 years of operation owned by 8 people (16%). This indicates that leadership longevity of over 20 years is consistent in maintaining the business.

### Knowledge Processes Across Succession Phases

Developing a knowledge process model for succession involved research investigating a knowledge process that occurred throughout the phases of succession. One of the

succession frameworks used as a basic reference was the Handler framework, which consists of four stages: pre-succession, training, transition, and succession (Handler, 2016b). This framework was used as a basic reference for conducting questionnaires and interviews. Therefore, during the interviews, the researcher

found that the respondents' answers when explaining the training and transition phases had similarities and were considered the same process. This indicates the need for a more detailed model development that considers the differences in each succession phase.

**Table 3.** Pre-Succession Phase

Indicators	Response (%)					Mean	Description
	1	2	3	4	5		
Y1.1 Early Involvement	2%	2%	10%	32%	54%	4.34	Good
Y1.2 Formal Education	2%	2%	8%	30%	58%	4.40	Good
Y1.3 Early Exposure	2%	2%	6%	48%	42%	4.26	Good
Y1.4 Work Experience	0%	6%	10%	46%	38%	4.16	Good
<b>Pre-Succession Phase (Y1)</b>						4.29	Good

Resource: Primary Data Analysis

Table 3 shows that the pre-succession phase variable possessed by the successor generation has a mean value of 4.29. Therefore, the pre-succession phase in family businesses has been categorized as good.

*"At first, I was invited to work first to join my father at work, then I was told to pay attention to how it worked." (D2).*

The successors were allowed to observe the previous owner's work methods. This shows that this experience can be part of the initial training for potential future successors (Schell et al., 2018c). By observing their father's work, the successor can learn the skills and be allowed to learn and acquire the leadership strategies needed to succeed in the future.

*"Indeed, from childhood, it educates me and also introduces me to many, for example, if there chatting with suppliers, chatting with sales and so on." (D1).*

The interview results indicated that the previous owner could provide the guidance and support needed by the successor during the pre-transition period. Early exposure prepares the next generation to take over the family business (Ljubotina & Vadnjaj, 2017). In family business succession, introducing children to the family business and allowing them to be involved in business operations directly can help

them understand how the business is run and how they can contribute to the future.

The researcher highlights that formal education and work experience is crucial in the pre-succession phase. Formal education provides a worker's foundational knowledge and skills better to understand their field (Ahmad & Yaseen, 2018). In comparison, work experience provides an opportunity to apply and develop that knowledge and skills in the real world over time.

*"My latest education is S1 from Singapore" (D1). "In the future, maybe I will direct him to enter a vocational school, especially light vehicle engineering, where he is now still in high school" (D4).*

*"so my first involvement was to help from the selling price first, so I went into the IT system, entered my IT system and then entered accounting." (D1).*

The results indicate that formal education and work experience complement each other in both contexts and are key to ensuring effective knowledge transfer and management between successors and the work environment. Therefore, stakeholders should consider both factors to build effective succession and knowledge management programs (Woodfield & Husted, 2017a).

**Table 4.** Phase Transition

Indicators	Response (%)					Mean	Description
	1	2	3	4	5		
Y2.1 Observation	2%	2%	14%	50%	32%	4.08	Good
Y2.2 Seminars and Courses	0%	4%	18%	50%	28%	4.02	Good
Y2.3 Stakeholder Engagement	0%	4%	6%	48%	42%	4.28	Good
Y2.4 Manuals and procedure documents	0%	4%	12%	64%	20%	4.00	Good
Y2.5 Teamwork	2%	2%	12%	52%	32%	4.10	Good
Y2.6 Strategic Planning	2%	2%	18%	48%	30%	4.02	Good
Y2.7 Motivation	0%	2%	10%	46%	42%	4.28	Good
Y2.8 Leadership	2%	2%	4%	56%	36%	4.22	Good
Y2.9 Problem-Solving	0%	4%	8%	60%	28%	4.12	Good
<b>Phase Transition (Y2)</b>						4.12	Good

Resource: Primary Data Analysis

Based on Table 4, it is shown that the variable of the transition phase owned by the successor generation has a mean value of 4.12. Thus, the transition phase in family businesses is considered good. This is also supported by the results of the interviews, where during the transition process, several factors support the successor in developing their skills.

*"I joined work with my parents initially because I felt like I wanted to know what business my parents were doing, and since then, I started to be interested in seeing the business." (D2).*

*"I have a plan related to the existing system in logistics. From manual to computerized " (D1).*

Observation and strategic planning are factors that can influence succession in family businesses. Observation can help the next generation understand and appreciate the values and business practices implemented by the previous generation (Tirdasari & Dhewanto, 2020). Through observation, the next generation can identify the challenges and business opportunities faced by the family business and develop the skills and knowledge needed to manage the business successfully.

*"I do work together with other employees " (D2).*

*" Related to taxation, I also try to solve the problem from the root; the answer is from accounting. " (D1).*

According to D2, as the second generation shows, teamwork is essential in the succession process of family businesses. In a family business, teamwork is crucial to ensure the smooth operation of the business. In this regard, the successor must be able to work with other employees to ensure the business continues to run smoothly and achieve desired outcomes. On the other hand, according to Ivan Marcelino, problem-solving skills are necessary for the succession process of family businesses. In a family business, there are often legal, financial, or tax issues. Therefore, the successor must resolve these issues efficiently and effectively. Good problem-solving skills can help the next generation overcome these issues quickly and accurately. Both are related to the succession process of family businesses since teamwork and problem-solving skills are important factors in ensuring the continuity of the family business. With good teamwork, the successor will be able to manage the business more effectively, while good problem-solving skills will help the successor to solve issues quickly and accurately.

*" I participated in seminars several times, especially research that discusses life's calling.*

*Yes, I have to develop myself in many fields when we are a family business. " (D1).*

According to D1, the next generation must know the importance of self-development in many fields to succeed in family business succession. Successors must be able to prepare themselves well to take over ownership and management of the business (Kie et al., 2020). One way to prepare oneself is by attending relevant seminars and courses related to the family business. In this regard, research about calling can help the next generation understand the vision and mission of the family business, as well as find ways to expand the business and develop their business skills (Tang & Hussin, 2020b). Therefore, attending seminars and courses refers to the SECI Model concept. (Nonaka, 2009a) Therefore, when individuals share their experiences with others in the organization, tacit knowledge is transferred from one individual to another through social interaction, such as attending seminars and courses, which can help the next generation effectively prepare for the family business succession process and ensure the continuity of the family business in the future.

*" There are documents and procedures that my parents have about coal. " (D2).*

In this process, the previous owner has prepared business documents to prepare the successor to continue the business (Tang & Hussin, 2020b). Concept of SECI Model (Nonaka, 2009a) The SECI Model concept can also be applied to learning about business procedures and manuals. In the Externalization stage, individuals can articulate tacit knowledge (such as knowledge about existing business procedures and manuals) into explicit knowledge, which can be written in the form of documents and written procedures. The Combination stage then allows existing explicit knowledge to be combined with other explicit knowledge to generate new knowledge, such as by integrating business procedures and manuals with new processes and technologies emerging in the market. Finally, the Internalization stage allows individuals to learn

and apply new knowledge directly in business practice.

*" It's just that there is a gradual involvement at the beginning, just to see them, for example, discussing negotiations or wanting to compromise. They are told to try to solve it themselves if they are more advanced, but they are still assisted. " (D2).*

The interview results indicate that in the family business succession process, the business successor only observed and participated in discussions and negotiations with stakeholders, such as family members and employees. However, over time, the business successor began to be given responsibilities to complete more complex and independent tasks, albeit still accompanied by stakeholders. This shows the existence of mentoring carried out by stakeholders, both in providing guidance, support, and trust to the business successor.

However, researchers have also realized that the involvement of the previous owners in mentoring can have negative effects if they continue to interfere in the decision-making and day-to-day operations of the business, thus inhibiting the successor's ability to take over leadership responsibilities independently. This is consistent with the opinion (Pipatanantakurn & Ractham, 2022) This aligns with the opinion that the previous owner needs to find the right balance between providing the necessary support and guidance to the successor and giving them enough freedom to develop their vision and leadership strategies.

*" I show that my leadership skills are great, and I always put the interests of my employees first. " (D2).*

*"At first, I was not motivated at all, but since I continued to participate and it has become a habit, it has made me more motivated, and I also have an idea that I can make my business even more advanced, but with the minimum possible work but the maximum possible results." (D3).*

In the above interview results, it is evident that the successor has great leadership qualities and always considers the interests of employees, which is an important factor in



maintaining and expanding the family business. Additionally, the successor is strongly motivated to develop the family business by working minimally but producing maximally. In the succession process, this can help the successor understand the importance of working smart and efficiently in leading the family business and encourage the development of new ideas to

improve business performance. Therefore, in the succession process, stakeholders need to consider the leadership abilities and motivation of the family business successor and help them acquire the necessary skills and experience to lead and develop the family business sustainably (Martini & Dewi, 2020a).

**Table 5.** Phase of Succession

Indicators	Response (%)					Mean	Description
	1	2	3	4	5		
Y3.1 Adaptation to the times	2%	2%	10%	32%	54%	4.34	Good
Y3.2 Innovation	2%	2%	8%	30%	58%	4.40	Good
Y3.3 Stakeholder Trust	2%	2%	6%	48%	42%	4.26	Good
Y3.4 Family Member Involvement	0%	6%	10%	46%	38%	4.16	Good
Y3.5 Communication	2%	2%	14%	50%	32%	4.08	Good
Y3.6 Vision and Strategy	2%	2%	4%	56%	36%	4.22	Good
<b>Phase of Succession (Y3)</b>						4.24	Good

Resource: Primary Data Analysis

Table 5 shows that the succession phase variable owned by the next generation has a mean value of 4.24. So that the succession phase in the family business has been included in the good criteria. This is also reinforced by the results of interviews that in the succession process, several factors determine the success of succession.

*"Those who had it before can be said to be clueless, so meeting these modern things is a bit awkward. While we're not young, it must be easier to learn and dare to explore, and we already know what's what." (D3).*

*"Honestly, in the beginning, I was quite difficult because the employees were low in human resources because most of them graduated from elementary school." (D2).*

Based on the interviews, several factors can be attributed to the determinants of succession to the times and innovations (Koentjoro & Gunawan, 2020; Letonja et al., 2021b). First, the previous owner's lack of tech-savviness indicates a lack of adaptation to modern technology, which is key to development in the present era. Second, the younger generation's greater learning and exploration abilities can be an important factor in obtaining innovation and

keeping up with the times. Third, the limitation of low human resource management becomes a barrier to achieving success and innovation; however, the successor strives to seek patterns in employee management. Therefore, adaptation to technology, learning and exploration abilities, and good HR management can be crucial factors in determining the success of succession for developing innovation and keeping up with the times (Schell et al., 2018d). According to (Handler, 2016a) it is important to have a leader who can anticipate changes in the business environment and adopt the appropriate strategies to face them. Therefore, the successor demonstrates compatibility with the principles of Handler's theory in managing the company and preparing for succession.

The involvement of family members and communication is a determinant of succession. The interview statement mentioned, *"for support from my own family, maybe from my closest family or biological family, maybe all of them support me to run this business." (D2).* Indicates that support from family is very important in running the business and preparing for succession. Another statement also mentioned, *"Yes, from me, I told them nicely not to do it*

*again, then I educated them properly."* (D3). This shows the importance of good communication in managing a business. In theory (Farnese et al., 2019b; Nonaka, 2009a), it is claimed that business success depends on an organization's ability to generate and manage knowledge. One important aspect of managing knowledge is through effective communication and the involvement of family members in the succession process. Meanwhile, the theory of (Handler, 2016a) emphasizes that human resource management is key to achieving corporate success. In this case, family involvement and good communication are also part of effective human resource management. Therefore, the involvement of family members and good communication can be determinants of succession in running the business and succession preparation, in line with the principles of the theory of succession (Handler, 2016c; Nonaka & Toyama, 2003b).

Succession determinants related to stakeholder trust and the vision and mission of the successor are very important in succession. The interview statement mentioned that *"working hard, having a vision for the future and being simple also helped me get my parents' approval."* (D1). This statement indicates that the ability to work hard and have a simple vision for the future has helped the interviewee gain parents' trust. This shows that the trust of stakeholders such as parents is very important in succession. It can be influenced by the ability of potential successors to show determination and a clear vision for the future. (Woodfield & Husted, 2017b).

Another interview statement also mentioned that *"I have a vision for the future, not just stuck but also a picture of what I want to be in the future."* (D1). Shows that potential successors have a more specific and planned vision for the future. This suggests that having a clear and detailed vision and mission can increase the chances of succession. (Brinkerink et al., 2020b). This is because a clear and detailed vision and mission can help build confidence and trust from other stakeholders, such as

employees, business partners or investors. So, the ability of a potential successor to demonstrate determination and a clear vision for the future and have a detailed plan can help increase the trust and confidence of other stakeholders, which can contribute to a successful succession. (Woodfield & Husted, 2017a).

## Discussion

The results of this study indicate that successor characteristics in family businesses positively influence all phases of succession, including the pre-succession, transition, and succession phases. This suggests that early involvement, early exposure, and work experience of family members in the pre-succession phase encourage successors to build tacit knowledge and be motivated to continue the business, as mentioned by (Koentjoro & Gunawan, 2020; Letonja et al., 2021a). Additionally, the researchers found that tacit knowledge becomes explicit in the transition phase of succession. Tacit knowledge held by family members in the transition phase, such as observation, seminars, courses, stakeholder engagement mentoring, manuals and procedures, teamwork, strategic planning, motivation, leadership, and problem-solving, can be converted into explicit knowledge processes, socialization, and externalization. This process can help family members articulate their tacit knowledge into explicit knowledge that others can understand. (Nonaka, 2009a) supports this perspective. In the above interview results, it is evident that the successor has great leadership qualities and always considers the interests of employees, which is an important factor in maintaining and expanding the family business. Additionally, the successor is strongly motivated to develop the family business by working minimally but producing maximally. In the succession process, this can help the successor understand the importance of working smart and efficiently in leading the family business and encourage the development of new ideas to improve business performance. Therefore, in the succession process, it is important for stakeholders to

consider the leadership abilities and motivation of the family business successor and help them acquire the necessary skills and experience to lead and develop the family business sustainably.

The final finding of this study is that during the succession phase, it was found that in the socialization stage, factors such as technology adaptation, learning and exploration capabilities, and good human resource management (HRM) can occur through the interaction process between organizational members and family members. Through this process, tacit knowledge can be exchanged and developed together (Woodfield & Husted, 2017a). Next, in the externalization stage, the successor can explicitly communicate the business's vision and mission to previous stakeholders and organizations, such as employees, business partners, or investors. This can increase previous stakeholders' confidence and trust in the business's ongoing and future. Furthermore, in the combination stage, a clear vision, mission, and detailed plans can be combined with the implicit and explicit knowledge possessed by members of the organization and family members. This process can improve the quality of the succession strategy and success in running the business. Finally, in the internalization stage, the

combined knowledge can be internalized into the organization and family as new tacit knowledge that can be developed and used to improve the performance of the organization and family in running the business.

In the context of succession and proprietary knowledge management (Nonaka & Toyama, 2003a), founders and successors should mutually agree on the succession plan and process when they realize the time is ripe for succession. This is consistent with the perspective of (Handler, 2016c) It is important to establish a shared agreement between the leader and successor to ensure the continuity of the family business. Three key factors should be considered in the succession framework: pre-succession phase, transition phase, and succession phase. Together, they influence the proper succession and ensure the continuity of the family business. The conceptual model in Figure 1 also emphasizes that other key factors, such as founder, successor, and environment, must be seriously considered. The environmental factor includes employees, relatives, and family members in the internal environment. Therefore, in summary, the researcher argues that succession in family businesses is determined by three key factors that ensure the continuity of the family business.

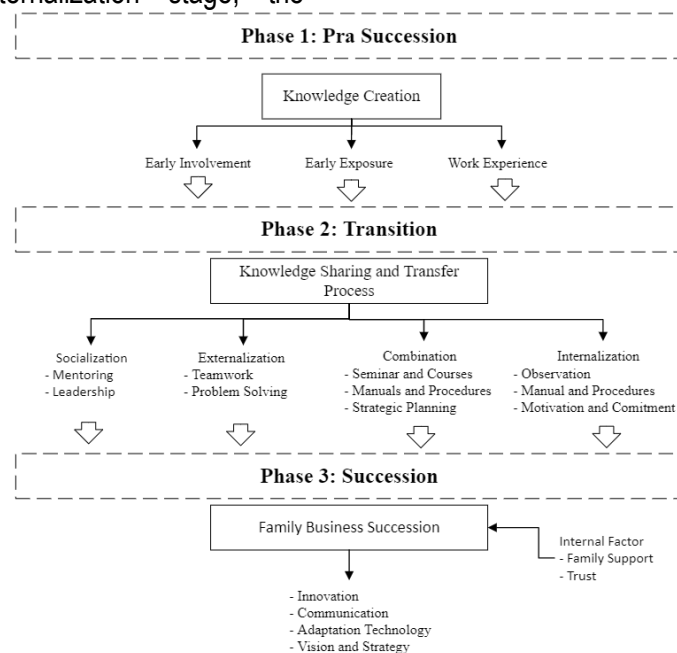


Figure 1. Family Business Succession Strategy

## CONCLUSION

This research indicates that family business succession is influenced by unique characteristics of family businesses, such as family relationships, organizational culture, expertise, and experience of family members involved in the business. Therefore, a knowledge process model for succession should consider these factors so that the implemented knowledge management strategies can be tailored to the conditions and needs of family businesses in Indonesia. Moreover, a clear vision, mission, and detailed plans can also improve the quality of succession strategies and business success. However, it is important to recognize that internal factors such as willingness and commitment to continue the business for succession success also play a crucial role. The involvement of non-family members can also be a strong factor in ensuring succession success. By considering these factors, successful and sustainable succession can be created for family businesses in Indonesia. Additionally, this process enables the exchange and development of implicit and explicit knowledge, which can improve the quality of succession strategies and overall family business success. Considering these characteristics of family businesses, it is expected that succession strategies can be developed more effectively so that family

businesses can develop and grow in the long term.

The implications of this research are addressed to family business owners preparing for intergenerational transitions. This research shows that factors such as clarity of goals, communication, and appropriate successor selection can influence the success of intergenerational transitions. Therefore, family business owners who want to ensure their transition success can consider evaluating and improving these factors before transitioning. This research has some limitations, providing opportunities for further investigation. The limitation of this study is that it only focuses on successful intergenerational transfer cases and does not examine failed cases. As a result, it is unclear whether the identified factors are specific to successful cases or whether they also apply to failed successions. Suggestions for further research include looking further into cultural differences in intergenerational transitions, as factors influencing transition success may vary between cultures. Additionally, research can expand the scope to include failed cases, providing more comprehensive insights into the factors that influence intergenerational transitions. Research can also test a cross-cultural model to understand how these factors interact in various cultural contexts.

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