

DRIVING FAMILY BUSINESS SUSTAINABILITY THROUGH EFFECTIVE SUCCESSION: THE ROLES OF SUCCESSOR COMPETENCE AND FAMILY GOVERNANCE



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Abstract

This study aims to analyze the effects of Succession Planning, Successor Competence, and Family Governance on Family Business Sustainability, with Effectiveness of Succession serving as a mediating variable. A quantitative approach was employed using a survey method targeting owners and family members involved in family businesses. Data were analyzed using Structural Equation Modeling (SEM) with the Partial Least Squares approach. The results indicate that succession planning, successor competence, and family governance have significant direct and indirect effects on family business sustainability. Furthermore, the Effectiveness of Succession was found to mediate the relationships between all exogenous variables and business sustainability, underscoring the critical role of an effective leadership transition in ensuring intergenerational continuity. These findings contribute to the theoretical understanding of family business succession and offer practical implications for business owners in developing structured and sustainable succession strategies.

Keywords: Family Business Succession, Successor Competence, Family Governance, Succession Effectiveness, Family Business Sustainability

INTRODUCTION

Family businesses are an important pillar of the global economy, including Indonesia. More than 80% of business entities are family-controlled and contribute significantly to GDP and employment (Sukamdani, 2023). Despite their significant role, various studies show that the sustainability of family businesses still faces serious challenges, especially related to generational change. Globally, only about 30% of family businesses survive into the second generation, and less than 13% reach the third generation (Lopez-Cozar Navarro et al., 2023). This condition indicates that the sustainability of family businesses is highly vulnerable during the leadership transition phase.

In the context of family businesses, governance cannot be understood solely through the framework of corporate governance as applied to non-family firms. Corporate governance generally focuses on formal mechanisms that regulate relationships among owners, management, and external stakeholders, with the primary objective of enhancing accountability, transparency, and the protection of shareholders' interests. In contrast, family governance is a governance system specifically designed to regulate relationships among family members involved in the business, encompassing emotional aspects, family values, role distribution, as well as decision-making and conflict-resolution mechanisms within an intergenerational context (Baltazar et al., 2023; Li et al., 2023). Therefore, family governance has distinct characteristics and cannot be fully substituted by general corporate governance practices, particularly in addressing leadership succession challenges in family businesses.

The succession process is widely recognized as one of the main determinants in ensuring the sustainability of family businesses across generations. Succession is not only an administrative activity related to the transfer of leadership, but also a strategic process that involves long-term planning, developing the capabilities of potential successors, and structuring relationships between family members and the organization. The lack of preparedness to implement structured succession often leads to various negative consequences for the company, such as increased potential for internal conflict, uncertainty of roles, and disruption of operational stability and the company's strategic direction. This situation can ultimately lead to a decline in long-term business performance and even threaten the overall sustainability of the organization (Kurniawan, 2024).

Successor competence is one of the key factors in the success of leadership succession in family businesses. Such competence encompasses not only technical and managerial skills, but also strategic readiness, stewardship commitment, and the capacity to manage family dynamics. Comprehensive successor training, active involvement of potential successors in the succession process, and the support of formal governance mechanisms have been shown to reduce internal conflict and enhance business continuity. Therefore, a structured, communicative, and culturally sensitive approach to developing successor competencies is essential to ensure that successors are not only legitimate within the family, but also professionally capable of leading the family business (Kallmuenzer et al., 2021; Shahzad et al., 2024).

Various studies emphasize that successor competencies play a central role in the success of the intergenerational transition process. These competencies include leadership skills, managerial abilities, operational experience, and a deep understanding of the culture and values of the family that form the basis of the organization's identity. Successors with a

high level of competence tend to be able to maintain the founder's vision, adapt business strategies in line with environmental developments, and maintain cohesion among family members and employees (Purwandari et al., 2025). In addition, successor competencies have also been proven to contribute significantly to post-succession success, especially in creating continuity in company performance and strengthening long-term competitive advantages (Alayo et al., 2021). Thus, the development of successor competencies is not only an important aspect of HR management, but also a strategic element that affects the overall sustainability of family businesses.

In addition to successor competencies, family governance is an important element that can maintain organizational stability, reduce conflict, and establish communication mechanisms between family members, especially during the generational transition phase (Li et al., 2023). However, some previous studies have emphasized corporate governance in general, rather than family governance as a unique social system in family businesses. Recent research encourages the integration of successor competency, family governance, and effective succession processes as a contemporary model for family business sustainability (Shahzad et al., 2024).

This study is framed by the Resource-Based View (RBV), which conceptualizes a firm's competitive advantage as the result of leveraging internal resources that are valuable, rare, difficult to imitate, and not easily substitutable. In family businesses, these resources extend beyond physical and financial assets to include intangible resources such as family values, trust among family members, intergenerational knowledge, and leadership legitimacy embedded within the family structure. Family governance plays a critical role in orchestrating and transforming these unique resources so that they can contribute sustainably to business performance and continuity (Chukwuma et al., 2022).

Furthermore, Human Capital Theory complements the RBV perspective by emphasizing that the quality of human resources particularly the competencies, experience, managerial skills, and leadership readiness of potential successors is a key determinant of successful leadership transitions in family businesses. In the succession process, the accumulation and transfer of human capital from founders to the next generation do not occur automatically, but are strongly influenced by family governance mechanisms, including succession planning, mentoring systems, and the evaluation criteria used in successor selection (Tajpour et al., 2021).

Based on these two theoretical frameworks, succession effectiveness is not positioned merely as a dependent variable, but as a mediating variable that bridges the influence of family governance on the sustainability and performance of family businesses. Succession effectiveness represents the extent to which family governance is able to convert family resources and successor human capital into a leadership transition that is legitimate, competent, and accepted by all internal stakeholders. Thus, the presence of sound family governance does not directly guarantee family business success; rather, it operates through effective succession as a key process that determines intergenerational business continuity.

The urgency of this research lies in the need to improve the sustainability of family businesses so that they can survive economic pressures, generational changes, and market competition. By understanding the role of successor competence and family governance, this research is expected to be a strategic reference for family business owners in designing effective and measurable succession. Academically, this research contributes to the

development of family management theory through an empirical model that integrates succession factors, successor competencies, family governance, and corporate sustainability.

This study aims to analyze the effect of family governance on the sustainability of family businesses in Indonesia by positioning succession effectiveness as a mediating variable. Specifically, the study seeks to explain how family governance mechanisms manage and transform unique family resources and the quality of successor human capital to produce a succession process that is effective, legitimate, and sustainable. Drawing on the Resource-Based View and Human Capital Theory, this study is expected to provide a more comprehensive understanding of the strategic role of succession effectiveness as a linking mechanism between family governance and intergenerational business sustainability, while also enriching the empirical family business literature in the context of developing countries.

REVIEW OF LITERATURE

Basic Concepts of Family Business

A family business is defined as a company whose ownership, control, and strategic direction are under the control of one or more family members, with the intention of maintaining the business across generations. In this structure, the economic objectives of the company are often influenced by the values, identity, and emotional relationships of the family involved (Alayo et al., 2021).

Succession Planning

Succession planning is defined as a systematic planning process for identifying and developing individuals who will fill important roles in the future. This process considers the identification of key positions, the development of leadership candidates' competencies, and readiness for leadership succession. In the context of family businesses, succession planning is not only oriented toward operational continuity, but also toward the sustainability of family values and intergenerational leadership legitimacy. Therefore, succession planning becomes a crucial foundation that enables leadership transition processes to occur in a structured and well-directed manner, while simultaneously minimizing uncertainty and the potential for internal conflict (Sasminto et al., 2024).

Successor Competence

Successor competence concerns the abilities, knowledge, skills, and psychological readiness of potential successors to lead family organizations. This competence is important for the effectiveness of succession and the continuity of family businesses (Pranatasari, 2022).

Effectiveness of Succession

Succession effectiveness refers to the extent to which the succession process is able to produce leaders who are competent, possess legitimacy, and are capable of maintaining organizational performance and sustainability after the leadership transition. The success of succession is not determined solely by the formal completion of a leadership change, but also by the quality of the outcomes achieved, including the successor's readiness to assume strategic roles, organizational stability, and acceptance by family members and internal stakeholders. The literature indicates that succession effectiveness is influenced by various factors, including the quality of succession planning, the competence and experience of the successor, the level of family involvement in decision-making processes, and leadership

styles that are able to balance professional orientation with family values. Thus, succession effectiveness represents the outcome of the entire succession process and serves as an important indicator for assessing the extent to which family governance is able to support intergenerational business sustainability (Coffie et al., 2024).

Family Business Sustainability

Family business sustainability refers to the ability of family businesses to survive and thrive across generations. Factors influencing sustainability include the success of succession, family governance, successor competency development, and long-term business strategies (Varshney et al., 2024). The sustainability of a family business encompasses the company's ability to survive, grow, and adapt in the long term, while maintaining family values and leadership continuity. Sustainability factors are not only influenced by economic aspects, but also by internal family stability, governance quality, and the effectiveness of the succession process (Ahing & Situmorang, 2024; Calabrò et al., 2021; Putera et al., 2025).

Succession in Family Businesses

Succession is a systematic process that includes the identification, preparation, and transfer of leadership from the founding generation to the next generation. This process is not only a structural change but also a symbolic transfer of values, vision, and organizational legitimacy (Pranatasari, 2022; Saeed et al., 2024). The literature shows that successful succession is a critical determinant of corporate sustainability. Unplanned leadership transitions can lead to family conflicts, organizational instability, decreased performance, and the risk of long-term strategic failure (Santoro et al., 2021).

Family Governance

Family governance is measured as a set of formal and informal mechanisms that regulate relationships among the family, ownership, and business management (Ghalke et al., 2023; Gimenez-Jimenez et al., 2025). Formal mechanisms include written structures and rules designed to guide decision-making and manage leadership transitions, such as the existence of a family constitution, a family council, written succession planning, and formal procedures for the appointment and evaluation of successors. Meanwhile, informal mechanisms refer to unwritten practices that develop through family interactions, including family values, shared norms, levels of trust, emotional closeness, and communication patterns among family members. Formal mechanisms function as tools of control and coordination, while informal mechanisms play a role in building legitimacy, commitment, and internal cohesion. The combination of both reflects the overall quality of family governance and determines the effectiveness of succession processes and outcomes in family businesses.

Family governance in family businesses can be understood through two main theoretical perspectives, namely Agency Theory and Stewardship Theory. Agency Theory highlights the potential for conflicts of interest between owners and managers, including in the context of family businesses, particularly when there is a separation between ownership and control in subsequent generations. In such situations, family governance functions as a control mechanism to minimize opportunistic behavior, reduce information asymmetry, and ensure accountability in strategic decision-making (Bringas & Caro, 2024).

In contrast, Stewardship Theory views family members involved in the business as stewards who possess a collective orientation, long-term commitment, and interests aligned with the sustainability of the firm. This perspective emphasizes that emotional ties, family

values, and a sense of intergenerational responsibility can serve as sources of strength in family governance. Therefore, family governance functions not only as a formal control mechanism but also as a normative mechanism that fosters trust, loyalty, and decision-making oriented toward intergenerational business sustainability (Jasir et al., 2022).

Beyond the agency and stewardship perspectives, Social Capital Theory provides an important foundation for understanding family relationship dynamics in family businesses. Social capital refers to networks of relationships, shared norms, and the level of trust built among family members and within the organization. In family businesses, social capital acts as a binding force that strengthens coordination, facilitates intergenerational knowledge transfer, and enhances the legitimacy of successors in the eyes of family members and non-family employees (Mansouri et al., 2024).

Trust developed through long-term interactions and emotional closeness can reduce the costs of formal monitoring and facilitate more adaptive strategic decision-making. However, social capital that is overly based on personal closeness may also give rise to nepotism and competence-blind decision-making. Therefore, effective family governance needs to balance the use of social capital with formal mechanisms so that family relationships and trust support, rather than hinder, succession effectiveness.

Research Hypothesis

The Influence of Succession Planning on Family Business Sustainability

Structured and systematic succession planning enables family businesses to prepare for leadership regeneration more thoroughly. This process includes identifying potential successors, developing competencies, and transferring knowledge and organizational values from the previous generation to the next. From a Resource-Based View (RBV) perspective, succession planning is seen as a strategic mechanism for maintaining and reproducing the unique resources of family businesses, particularly tacit knowledge and family values, which form the basis of sustainable competitive advantage. Empirical research shows that succession planning has a significant effect on the sustainability of family businesses. Kallmuenzer et al. (2021) found that succession planning improves the readiness of the next generation and the sustainability of family businesses. Coffie et al. (2024) also proved that effective succession planning practices contribute to the success of succession and the long-term stability of family businesses.

H1: Succession Planning has a positive effect on Family Business Sustainability.

The Influence of Successor Competence on Family Business Sustainability

Successor competence is a key factor in ensuring the success of leadership transition in family businesses. This competence includes managerial skills, leadership, business experience, and understanding of the values and culture of the family business. Based on Human Capital Theory, individual competence is a strategic asset that contributes directly to organizational performance and sustainability (Tajpour et al., 2021).

Previous studies have shown that successor competence has a positive effect on family business sustainability. Hidayat et al. (2023) proved that successor competence increases the success of succession and the continuity of family businesses. Frimayasa & Purnama (2025) also found that successor competence contributes significantly to the long-term resilience of family businesses.

H2: *Successor Competence* has a positive effect on *Family Business Sustainability*.

The Influence of Family Governance on Family Business Sustainability

Family governance plays a role in regulating relationships between family members and the business, including decision-making mechanisms, conflict resolution, and the division of roles and responsibilities. Strong and transparent family governance can create organizational stability, minimize internal conflicts, and strengthen trust among family members. These conditions support the creation of long-term sustainability in family businesses. Previous studies have shown that family governance has a positive influence on the sustainability of family businesses. Kurniawan (2024) emphasizes that effective family governance plays an important role in maintaining continuity across generations. Ison (2021) also show that good family governance increases the stability and sustainability of family businesses.

H3: *Family Governance* has a positive effect on *Family Business Sustainability*.

The Influence of Effectiveness of Succession on Family Business Sustainability

The effectiveness of succession reflects the extent to which the leadership transition process runs smoothly, is accepted by family members, and is able to maintain the operational and strategic continuity of the company. An effective leadership transition will strengthen cross-generational business continuity and increase the stability of family businesses. Effective leadership transition will strengthen business continuity across generations and increase the stability of family businesses. Coffie et al. (2024) show that succession effectiveness has a significant effect on the success and sustainability of family businesses after leadership transition.

H4: *Effectiveness of Succession* has a positive effect on *Family Business Sustainability*.

Mediation Role of Effectiveness of Succession

In addition to having a direct effect, the effectiveness of succession also acts as a mediating variable that explains the mechanism of how internal factors influence the sustainability of family businesses. Good succession planning will increase the effectiveness of the succession process through careful preparation, clear communication, and structured transition management. High succession effectiveness will further strengthen the sustainability of family businesses. Coffie et al. (2024) show that the success of succession planning practices is highly dependent on the effectiveness of the succession process.

H5: *Effectiveness of Succession* mediates the influence of *Succession Planning* on *Family Business Sustainability*.

High successor competence will facilitate the leadership transition process, increase acceptance from family members and stakeholders, and ensure business strategy sustainability. Thus, succession effectiveness becomes a mechanism that bridges the influence of successor competence on company sustainability. From the perspective of Human Capital Theory, individual competence will provide added value to the organization if it can be utilized effectively in managerial and leadership processes. Therefore, the effectiveness of succession becomes an important mechanism that bridges the influence of successor competence on the sustainability of family businesses.

Previous studies support this relationship. Coffie et al. (2024) found that successor leadership competencies significantly influence succession success through increased leadership legitimacy and internal acceptance. Hidayat et al. (2023) also showed that successor competencies increase the effectiveness of leadership transitions, which in turn impacts the continuity of family businesses. Similar findings were reported by Frimayasa &

Purnama (2025), who stated that the sustainability of family businesses is greatly influenced by the effectiveness of the succession process, which is supported by successor competence. **H6: Effectiveness of Succession** mediates the influence of *Successor Competence* on *Family Business Sustainability*.

Strong family governance supports a more structured and conflict-free succession process, thereby increasing the effectiveness of succession. The effectiveness of this process further contributes to the long-term sustainability of family businesses. Previous studies show that family governance has an indirect role in the sustainability of family businesses through the effectiveness of succession. Liu (2025) asserts that the existence of family governance mechanisms, such as family councils and family constitutions, improves the smoothness of the succession process and reduces intergenerational conflict. Ison (2021) found that strong family governance improves the effectiveness of leadership transitions, which ultimately strengthens the sustainability of family businesses. Coffie et al. (2024) also show that internal structures and leadership practices supported by good governance contribute to the success of succession.

H7: Effectiveness of Succession mediates the influence of *Family Governance* on *Family Business Sustainability*.

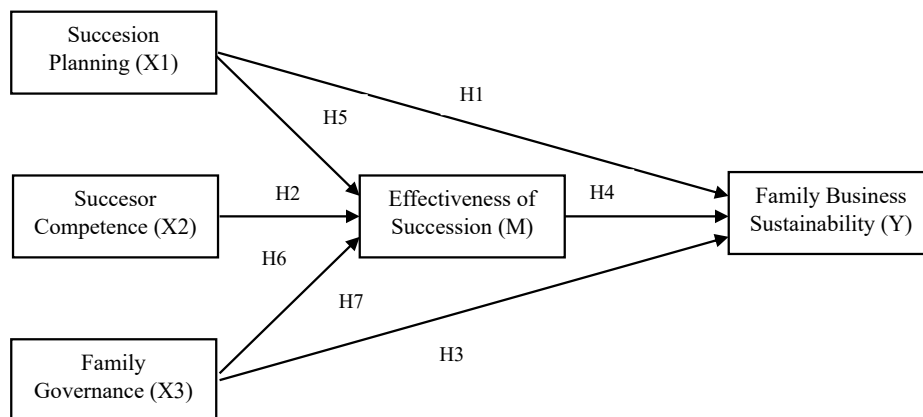


Figure 1.
Research Model

RESEARCH METHOD

This study uses a quantitative method with a causal associative approach. This approach was chosen to analyze the relationships and influences between variables that contribute to the sustainability of succession in *family businesses*, namely the leadership style of the owner, successor training programs, successor competence, work discipline of family members involved, and *family employee* engagement. The data used consists of primary and secondary data. Primary data was obtained through direct surveys of owners, family managers, and members of the next generation of the family involved in the operations of medium-sized family businesses in Indonesia. The study respondents consisted of 125 family business actors selected using a non-probability sampling technique with a snowball sampling approach. This technique was employed due to limited access to an official list of

family businesses; therefore, initial respondents were obtained through family business networks and business associations and were subsequently asked to recommend other respondents who met the research criteria. Data was collected using a structured questionnaire to ensure consistency of answers and ease of quantification.

A sample size of 125 respondents was considered adequate for Partial Least Squares–Structural Equation Modeling (PLS-SEM) analysis. Referring to Hair et al. (2019), the PLS-SEM sample size is determined based on the minimum sample size rule, namely ten times the largest number of indicators pointing to a single construct or ten times the largest number of structural paths leading to a latent variable. Given the complexity of the model employed in this study, a sample of 125 respondents meets the minimum requirements to produce stable and reliable parameter estimates.

The inclusion criteria for respondents were as follows: (1) the business has been operating for at least five years, (2) the business is owned and managed by family members, (3) at least two family members are involved in strategic decision-making, and (4) the business has experienced or is currently undergoing an intergenerational leadership transition. Respondents who did not meet these criteria were excluded from the study.

The research instrument consisted of a structured questionnaire developed by adapting indicators from previous studies relevant to the context of family governance, succession planning, succession effectiveness, and family business sustainability. The adaptation process involved adjusting item wording to suit the characteristics of family businesses in Indonesia without altering the original constructs’ conceptual meanings. Each item was measured using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

Prior to the main data collection, the questionnaire was tested through a pilot study involving 30 respondents with characteristics similar to those of the research sample. The initial test results indicated that all constructs demonstrated adequate internal reliability, thus confirming that the instrument was suitable for use in the main data collection phase.

Data collection was conducted between March and May 2025. The questionnaire was distributed online to reach respondents from various regions and to facilitate participation. Each respondent was provided with an explanation of the research objectives and was required to give informed consent before completing the questionnaire. This study ensured respondent confidentiality and anonymity, and all data collected were used solely for academic purposes.

Table 1.
Operational Definitions of Variables

Variable	Operational Definition	Indicators	Questionnaire Statements
Succession Planning (X1)	The level of readiness and formal structure in preparing for the succession process through planning, training, and knowledge transfer.	Formal succession planning	SP1: The company has a clear succession plan document. SP2: Criteria for selecting successors

			have been established transparently.
		Successor training program	SP3: The company provides a training program for successors.
		Knowledge transfer	SP4: Knowledge transfer across generations is carried out systematically.
		Succession evaluation	SP5: The company evaluates succession readiness on a regular basis.
Successor Competence (X2)	The successor's abilities and readiness in terms of managerial , leadership, experience, and technical competence.	Managerial ability	SC1: Successors possess adequate managerial capabilities in terms of .
		Leadership capabilities	SC2: The successor demonstrates effective leadership capabilities.
		Business experience	SC3: The successor has relevant experience in the family business.
		Technical Competence	SC4: The successor masters the necessary technical skills.
		Strategic understanding	SC5: The successor understands the company's long-term strategy.
Family Governance (X3)	Family governance mechanisms that regulate relationships, communication, roles, and conflict resolution within the family business.	Family council	FG1: The family has a formal forum to discuss business issues.
		Family constitution	FG2: There is a family constitution

			that governs values and work rules.
		Role distribution rules	FG3: The division of family tasks and roles is clear.
		Conflict resolution mechanism	FG4: There is a formal mechanism for resolving internal conflicts.
		Transparency in communication	FG5: Family communication is open and transparent.
Effectiveness of Succession (M)	The level of smoothness of the leadership transition accepted by the family without disrupting the stability of the organization.	Smoothness of transition	ES1: The leadership transition process runs smoothly.
		Clarity of roles & authority	ES2: The roles and authority of the successor are clearly defined.
		Family support	ES3: The successor receives full support from the family.
		Operational stability	ES4: The company's operations remain stable during the transition.
		Minimal conflict	ES5: The succession process proceeds with minimal conflict.
Family Business Sustainability (Y)	The ability of family businesses to maintain performance and sustainability across generations through innovation and long-term stability.	Generational Sustainability	FB1: The company is ready to be passed on to the next generation.
		Performance stability	FB2: The company's performance is stable in the long term.
		Sustainable innovation	FB3: The company continues to innovate

		in response to market changes.
Alignment of values	of	FB4: Family values are upheld in business practices.
Long-term resilience		FB5: The company has strategies that support sustainability.

The analysis process was carried out using SmartPLS software through the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach. This method was chosen because it is capable of testing latent relationships between variables simultaneously, accommodates relatively limited sample sizes, and is suitable for use in predictive theoretical models such as research on succession in family businesses. The analysis was conducted in two main stages: evaluation of the measurement model (construct validity and reliability) and evaluation of the structural model to test the relationships among variables.

The mediation effect was tested by analyzing the indirect effect of the independent variables on the dependent variable through the mediating variable using a bootstrapping approach. The significance of the structural paths was assessed using bootstrapping with 5,000 subsamples, as recommended in the PLS-SEM literature, to obtain robust estimates of t-statistics and confidence intervals (Hair et al., 2021).

Because this study employed a survey method with a single data source and perception-based measurements, it is potentially subject to common method bias. To minimize this risk, control procedures were implemented at the instrument design stage, including the use of clear and specific items and assurances of respondent anonymity. Statistically, the potential for common method bias was tested using Harman’s single-factor test, which indicated that no single factor accounted for the majority of the variance in the constructs.

RESULTS AND DISCUSSION

Respondent Characteristics

Table 2.
Respondent Characteristics

Characteristics	Category	Number (People)	Percentage
Gender	Male	78	62.4
	Female	47	37.6
	Total	125	100.0
Business Duration	< 5 years	28	22.4
	5–10 years	46	36.8
	> 10 years	51	40.8
	Total	125	100.0
Monthly Income	< Rp50 million	34	27.2
	Rp50–100 million	49	39.2

> IDR 100 million	42	33.6
Total	125	100.0

Based on the characteristics of respondents by gender, the results show that the majority of respondents were male, namely 78 people or 62.4%, while female respondents numbered 47 people or 37.6%. This condition indicates that involvement in management and strategic decision-making in family businesses is still dominated by men, although the role of women also shows a significant proportion. This condition may limit the generalizability of the research findings, particularly to family businesses led by women or to enterprises with smaller or larger income scales. Differences in gender roles in decision-making, as well as variations in the resources available to family businesses at different income levels, may influence how family governance and succession are managed.

In terms of business duration, most respondents have been running their family businesses for more than 10 years, namely 51 respondents or 40.8%. This indicates that the majority of family businesses that were the subject of this study are at a mature stage and have cross-generational experience. Respondents with 5-10 years of business experience numbered 46 people or 36.8%, while those with less than 5 years of experience numbered 28 people or 22.4%. This distribution illustrates that the study covers family businesses at various stages of the business life cycle.

Based on monthly income, respondents with an income of IDR 50–100 million dominated the research sample, numbering 49 people or 39.2%. Meanwhile, respondents with an income above IDR 100 million per month numbered 42 people or 33.6%, and respondents with an income below IDR 50 million numbered 34 people or 27.2%. These findings indicate that the majority of family businesses in the study are in the medium-sized business category, making it relevant to examine issues of succession planning, successor competence, and family governance in the context of long-term business sustainability.

Descriptive Analysis

Respondents' Perceptions of Succession Planning

Table 3.

Descriptive Analysis of Succession Planning

No	Statement	Mean
1	SP1: The company has a clear succession plan document.	4.652
2	SP2: Criteria for selecting successors have been established transparently.	4.522
3	SP3: The company provides training programs for successors.	4.318
4	SP4: Knowledge transfer across generations is carried out systematically.	4.249
5	SP5: The company evaluates succession planning on a regular basis.	4.279

Based on the results of descriptive analysis of the *Succession Planning* variable, it can be seen that in general, respondents have a very positive perception of succession planning practices in family businesses. This is reflected in the average (*mean*) value of all indicators being above 4.00, which indicates a high level of agreement among respondents to the statements presented.

The indicator with the highest average value is SP1, which is the statement that the company has a clear succession plan document, with a mean value of 4.652. This finding

indicates that most family businesses have realized the importance of formal succession planning as a guideline in the process of cross-generational leadership transition. Meanwhile, indicator SP4 regarding systematic intergenerational knowledge transfer obtained a mean value of 4.249, which was the lowest value among the other indicators. This finding indicates that the knowledge transfer process remains a challenge in some family businesses, particularly in transferring tacit experience and leadership values. Overall, the results of this descriptive analysis show that the *succession planning* practices in the family businesses studied are in the excellent category. However, the aspects of knowledge transfer and strengthening the successor training program still need more attention to ensure the optimal sustainability of family businesses.

Respondents' Perceptions of Successor Competence

Table 4.

Descriptive Analysis of Successor Competence

No	Statement	Mean
1	SC1: Successors have adequate managerial skills.	4.388
2	SC2: The successor demonstrates effective leadership skills.	4.373
3	SC3: The successor has relevant experience in the family business.	4,657
4	SC4: The successor has mastered the necessary technical skills.	4.602
5	SC5: Successors understand the company's long-term strategy.	4.498

Based on the results of descriptive analysis of the *Successor Competence* variable, it can be concluded that respondents have a very positive perception of the level of successor competence in family businesses. This is reflected in the mean value of all indicators being above 4.00, which indicates a high level of respondent agreement with the competence possessed by the successor.

The indicator with the highest mean value is SC3, which is the statement that the successor has relevant experience in the family business, with a mean value of 4.657. This finding indicates that most successors have been directly involved in the operations of the family business before assuming leadership positions, thus having a deep understanding of the characteristics and dynamics of the business. Meanwhile, indicator SC1 on managerial skills and SC2 on leadership capabilities had mean values of 4.388 and 4.373, respectively. Although both are in the excellent category, these values are relatively lower than the other indicators, indicating opportunities to continue improving the managerial and leadership capacities of successors through ongoing training and development. Overall, the results of this descriptive analysis show that *Successor Competence* in the family businesses studied is in the excellent category. The high level of experience and technical skill mastery of successors () is an important asset in supporting the effectiveness of succession and the sustainability of family businesses in the future.

Respondents' Perceptions of Family Governance

Table 5.
Descriptive Analysis of Family Governance

No	Statement	Mean
1	FG1: The family has a formal forum to discuss business issues.	4.473
2	FG2: There are family guidelines/constitutions that regulate values and work rules.	4,274
3	FG3: The division of tasks and roles within the family is clear.	4,149
4	FG4: There is a formal mechanism for resolving internal conflicts.	4.204
5	FG5: Family communication is open and transparent.	4.045

Based on the descriptive analysis of the *Family Governance* variable, it can be seen that respondents generally have a positive perception of the implementation of family governance in family businesses. This is reflected in the average (*mean*) value of all indicators being above 4.00, which indicates a high level of respondent agreement with the *family governance* practices implemented.

The indicator with the highest mean value is FG1, which is the statement that the family has a formal forum to discuss business issues, with a mean value of 4.473. This finding shows that most family businesses already have a formal forum, such as a *family council*, which serves as a means of communication and decision-making related to strategic company issues. Meanwhile, indicator FG5 regarding open and transparent family communication has the lowest mean value, which is 4.045. Although it is still in the good category, this finding indicates that open communication between family members is a challenge that needs to be continuously strengthened. Overall, the results of this descriptive analysis show that the implementation of *Family Governance* in the family businesses studied is in the good to very good category, but strengthening communication and role clarity remains an important area to support the effectiveness of succession and the sustainability of family businesses.

Respondents' Perceptions of Family Business Sustainability

Table 6.
Descriptive Analysis of Family Business Sustainability

No	Statement	Mean
1	FB1: The company is ready to be passed on to the next generation.	4.522
2	FB2: The company's performance is stable in the long term.	4,537
3	FB3: The company continues to innovate in response to market changes.	4,333
4	FB4: Family values are upheld in business practices.	4.343
5	FB5: The company has strategies that support sustainability.	4.318

Based on the descriptive analysis of the *Family Business Sustainability* variable, it can be concluded that respondents have a very positive perception of the sustainability of family businesses. This is reflected in the average (*mean*) value of all indicators being above 4.00, which indicates a high level of agreement among respondents regarding the sustainability of the family businesses they manage.

The indicator with the highest mean value is FB2, which is the statement that the company's performance is stable in the long term, with a mean value of 4.537. This finding shows that the majority of respondents consider their family businesses to have relatively

stable performance and are able to survive in the face of business environment dynamics. The FB5 indicator, related to the existence of strategies that support company sustainability, has a mean value of 4.318, which is the lowest value among the other indicators. However, this value still shows that most respondents already have a fairly clear sustainability strategy. Overall, the results of this descriptive analysis show that *Family Business Sustainability* in the family businesses studied is in the excellent category, with performance stability and regeneration readiness as the main strengths, and innovation and strengthening of long-term strategies as areas that can still be improved.

Respondents' Perceptions of Succession Effectiveness

Table 8.
Descriptive Analysis of the Effectiveness of Succession

No	Statement	Mean
1	ES1: The leadership transition process runs smoothly.	4.194
2	ES2: The role and authority of the successor are clearly defined.	4.159
3	ES3: The successor receives full support from the family.	4.214
4	ES4: Company operations remain stable during the transition.	4,144
5	ES5: The succession process proceeded with minimal conflict.	4.552

Based on the descriptive analysis of the Effectiveness of Succession variable, it can be concluded that respondents have a positive perception of the effectiveness of the succession process in family businesses. This is reflected in the mean value of all indicators being above 4.00, which indicates a high level of respondent agreement regarding the smoothness of the intergenerational leadership transition.

The indicator with the highest mean value is ES5, which is the statement that the succession process takes place with minimal conflict, with a mean value of 4.552. This finding indicates that the majority of respondents consider that conflicts during the succession process can be managed well, so that they do not disrupt organizational stability. Meanwhile, indicator ES4, related to the company's operational stability during the transition period, had the lowest mean value of 4.144. However, this value is still in the good category and indicates that business activities continued to run relatively normally during the succession process.

Overall, the results of this descriptive analysis show that the effectiveness of succession in the family businesses studied is in the good category. The minimal conflict during the succession process is a major strength, while the aspects of role clarity, smooth transition, and operational stability still need to be strengthened to improve overall succession effectiveness and support the sustainability of family businesses.

Results of SEM-PLS Model Analysis

Measurement Model Evaluation (*Outer Model*)

The measurement model evaluation was conducted to test the validity and reliability of the indicators against the latent constructs.

1. Convergent Validity Test

Based on the results of data processing with SmartPLS, the *outer loading* values of all indicators were above 0.70 and the *Average Variance Extracted (AVE)* values of each construct were above 0.50. This shows that all indicators have met the convergent validity requirements (Hair et al., 2021).

Table 9.
Validity Test

	Average Variance Extracted (AVE)
Effectiveness of Succession (M)	0.740
Family Business Sustainability (Y)	0.709
Family Governance (X3)	0.692
Succession Planning (X1)	0.693
Successor Competence (X2)	0.760

The Average Variance Extracted (AVE) value for all variables in this study shows that the measurement model has excellent convergent validity. Each construct has an AVE value above the threshold of 0.50 as recommended by (Hair et al., 2021), which means that the indicators are able to explain most of the variance in the constructs they measure. The Effectiveness of Succession (M) variable has the highest AVE value of 0.740, indicating that 74% of the variance in its indicators can be explained by the construct of succession effectiveness, thus demonstrating very strong internal consistency. Family Business Sustainability (Y) also has a high AVE of 0.709, indicating that family business sustainability indicators such as successor readiness, performance stability, innovation, and long-term resilience are very well represented by this construct.

Furthermore, the Family Governance (X3) variable recorded an AVE of 0.692, confirming that family governance mechanisms—including family councils, family constitutions, role sharing, conflict resolution mechanisms, and communication transparency—are validly measured through the constructed indicators. The other two variables, Succession Planning (X1) and Successor Competence (X2), have AVEs of 0.693 and 0.760, respectively. These values indicate that both succession planning and successor competence are measured with highly representative indicators, with Successor Competence being the strongest construct in terms of convergent validity. Overall, these results indicate that all indicators in this study have a high representational ability of the latent constructs, so that the measurement model can be considered robust and feasible to proceed to the next stage of structural analysis.

Table 10.
Discriminant Validity

Variable	Effectiveness of Succession	Family Business Sustainability	Family Governance	Succession Planning	Successor Competence
Effectiveness of Succession					
Family Business Sustainability	0,720 CI (0,642-0,796)				
Family Governance	0,751 CI (0,677-0,823)	0,674 CI (0,581-0,758)			

Succession Planning	0,754 CI (0,661-0,846)	0,725 CI (0,697-0,847)	0,638 CI (0,732-0,862)		
Successor Competence	0,818 CI (0,761-0,872)	0,776 CI (697-0,0,847)	0,797 CI (0,732-0,862)	0,849 CI (0,764-0,933)	

The HTMT test results in Table 10 show that all inter-construct ratio values are below the 0.90 threshold, indicating that each construct meets the criteria for discriminant validity.

2. Research Instrument Reliability Test

Construct reliability was measured using two main indicators, namely Cronbach's Alpha and Composite Reliability (CR). Cronbach's Alpha measures the internal consistency between indicators in a construct, while Composite Reliability assesses the overall reliability of the construct by considering the indicator weights.

According to Hair et al. (2019), the criteria used are:

1. A Cronbach's Alpha value ≥ 0.70 indicates good reliability.
2. A Composite Reliability value ≥ 0.70 indicates that the construct has high internal consistency and is reliable.

Table 11.
Reliability Test Results

	Cronbach's Alpha	Composite Reliability	Description
Effectiveness of Succession (M)	0.910	0.934	Reliable
Family Business Sustainability (Y)	0.897	0.924	Reliable
Family Governance (X3)	0.888	0.918	Reliable
Succession Planning (X1)	0.889	0.918	Reliable
Successor Competence (X2)	0.921	0.941	Reliable

Source: Processed Data, 2025

All constructs have Cronbach's Alpha and Composite Reliability values above 0.70, so it can be concluded that all variables in this model are reliable. This means that each indicator in the construct is able to consistently measure the intended concept, and the measurement results can be trusted for further analysis.

3. Coefficient of Determination (R²)

The extent to which other variables influence the dependent variable can be calculated using the coefficient of determination (R-square). The R-Square values generated from data processing with smartPLS 3.0 are as follows:

Table 12.
Coefficient of Determination

	R Square
Effectiveness of Succession (M)	0.769
Family Business Sustainability (Y)	0.744

Source: Data processed in 2025

The R-Square value obtained in this study shows the strong predictive ability of the structural model. The Effectiveness of Succession (M) variable has an R-Square value of 0.769, which means that 76.9% of the variability in succession effectiveness can be explained by the exogenous constructs of Succession Planning, Successor Competence, and Family Governance. This value falls into the substantial category according to the criteria of Hair et al. (2021), indicating that these three variables have a significant contribution in explaining the smoothness and success of the succession process in family businesses.

Furthermore, the Family Business Sustainability (Y) variable has an R-Square value of 0.744. This means that 74.4% of the variation in family business sustainability can be explained by the effectiveness of succession, along with other exogenous variables. This value is also in the substantial category, indicating that family business sustainability is largely determined by the effectiveness of the succession process, the quality of succession planning, the competence of the successor, and the implementation of family governance. Thus, the high R-Square values for both endogenous variables indicate that the structural model in this study is highly effective in explaining the dynamics of family business sustainability and the effectiveness of intergenerational leadership transitions.

SEM PLS Analysis

The latent variables in this study consist of five variables. As mentioned in the operational variables, each latent variable has unique manifests (indicators). SEM PLS analysis was conducted to determine the relationship between these variables and tested by evaluating the *outer* model (measurement model evaluation) and *inner* model (structural model evaluation).

Measurement Model Evaluation (*Outer Model*)

The *outer* model is a measurement model to evaluate the validity and reliability of the model, according to Ghozali (2015). *The inner model* attempts to predict the relationship between latent variables. By evaluating convergence reliability, the measurement model parameters (*outer model*). *The factor loading* and *Average Variance Extracted (AVE)* values provide evidence of *convergent* validity. Then, *cross-loading* values are examined to test discriminant validity. *Composite reliability* is used to evaluate the reliability of the measurement model. Using Smart PLS software, the validity and reliability of the data for each latent variable will be assessed during the measurement model evaluation (*outer model*). The results are based on data processing using Smart PLS software and are summarized in the *outer model* figure below. The results of the *outer model* analysis are presented in Figure 1.

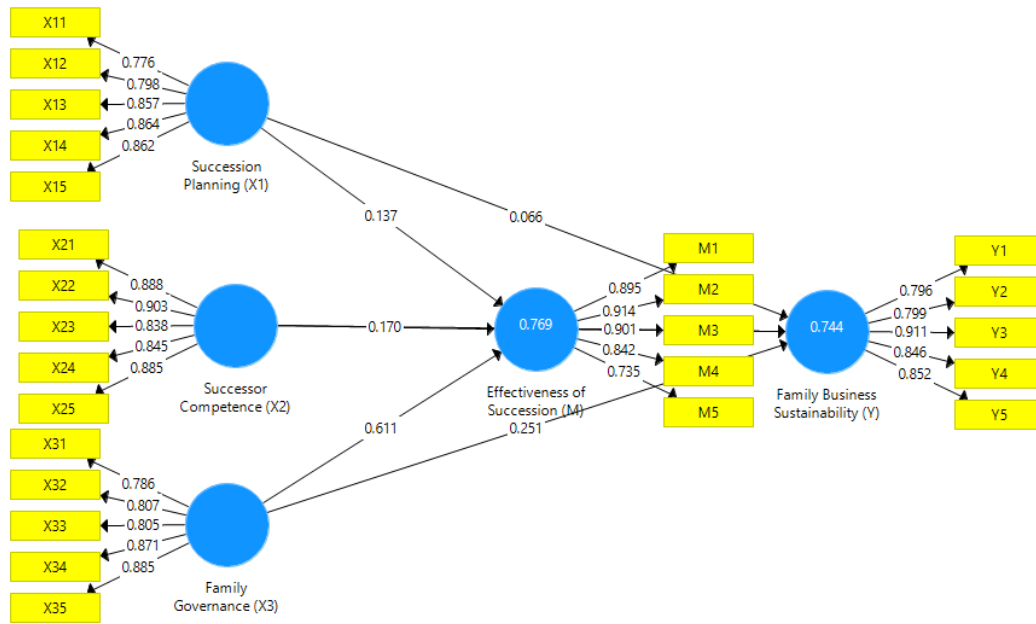


Figure 2.
Outer model

b. Evaluation of the Structural Model Test (Inner Model) Hypothesis Testing

There are five latent variables in the inner model, and the inner model assessment is used to determine how these variables relate to each other. The path coefficients and T-statistic values are obtained using the *bootstrapping* approach in Smart PLS. The requirements that T count > T table = 1.66 and P-value < 0.05 indicate that the model variables have a strong positive influence. The bootstrap results using Smart PLS are shown in the table.

Table 13.
Hypothesis Testing

	T Statistics (O/STDEV)	P Values	
Succession Planning (X1) -> Family Business Sustainability (Y)	3.764	0.002	H1 Accepted
Successor Competence (X2) -> Family Business Sustainability (Y)	2.601	0.01	H2 Accepted
Family Governance (X3) -> Family Business Sustainability (Y)	3,859	0.002	H3 Accepted
Effectiveness of Succession (M) -> Family Business Sustainability (Y)	3.103	0.002	H4 Accepted
Succession Planning (X1) -> Effectiveness of Succession (M) -> Family Business Sustainability (Y)	3.236	0.000	H5 Accepted
Successor Competence (X2) -> Effectiveness of Succession (M) -> Family Business Sustainability (Y)	3,560	0.004	H6 Accepted

Family Governance (X3) -> Effectiveness of Succession (M) -> Family Business Sustainability (Y)	2.769	0.006	H7 Accepted
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The results of *path analysis* testing in the structural model show that all relationships tested in the study have a statistically significant effect. First, the Succession Planning variable (X1) has a positive and significant effect on Family Business Sustainability (Y) with a *t-statistic* value of 3.764 and a *p-value* of 0.002, thus accepting H1. This finding indicates that mature, structured, and documented succession planning can improve the long-term sustainability of family businesses. Furthermore, Successor Competence (X2) was also proven to have a significant effect on Family Business Sustainability (Y) with a *t-statistic* value of 2.601 and a *p-value* of 0.010, thus accepting H2. This confirms that the managerial and leadership competencies of successors play a direct role in maintaining stability and performance across generations.

Additionally, Family Governance (X3) has a significant effect on Family Business Sustainability (Y) with a *t-statistic* value of 3.859 and a *p-value* of 0.002, thus accepting H3. This means that family governance mechanisms such as family councils, family guidelines, role distribution, and conflict resolution mechanisms effectively support the sustainability of family businesses. The Effectiveness of Succession (M) variable also shows a significant influence on Family Business Sustainability (Y) with a *t-statistic* value of 3.103 and a *p-value* of 0.002, thus accepting H4. These results emphasize that an effective leadership transition process is an important factor in maintaining the continuity of family businesses.

For the mediation test, the results show that Effectiveness of Succession (M) significantly mediates the relationship between Succession Planning (X1) and Family Business Sustainability (Y) with a *t-statistic* value of 3.236 and a *p-value* of 0.000, thus accepting H5. A similar pattern was observed in the relationship between Successor Competence (X2) and Family Business Sustainability (Y) through Effectiveness of Succession (M), with a *t-statistic* of 3.560 and a *p-value* of 0.004, thus accepting H6. This finding confirms that successor competence has not only a direct impact but also an indirect impact through the effectiveness of the succession process. Finally, Family Governance (X3) was also proven to have a significant indirect effect on Family Business Sustainability (Y) mediated by Effectiveness of Succession (M) with a *t-statistic* of 2.769 and a *p-value* of 0.006, thus accepting H7. Overall, these results indicate that planning, competence, and family governance factors contribute to family business sustainability, both directly and through the effectiveness of the succession transition.

Discussion

The results of the path analysis testing in the structural model show that all the relationships tested in this study have a statistically significant effect. These findings indicate that family business sustainability is influenced by a combination of planning, competency, governance, and the effectiveness of the succession process carried out in an integrated manner.

The testing of the first hypothesis shows that Succession Planning has a positive and significant effect on Family Business Sustainability. This finding confirms that mature, structured, and documented succession planning can improve the long-term sustainability of

family businesses. This result is in line with the Resource-Based View, which views succession planning as a strategic mechanism to maintain the sustainability of unique resources of family businesses, particularly tacit knowledge, family values, and cross-generational managerial capabilities. Good succession planning enables a more systematic leadership transfer process, thereby minimizing the risk of uncertainty and operational disruptions after generational change. These findings support the results of research by Coffie et al. (2024) and Kallmuenzer et al. (2021), which state that succession planning plays an important role in strengthening the sustainability of family businesses.

Furthermore, the results of the second hypothesis testing show that Successor Competence has a positive and significant effect on Family Business Sustainability. This confirms that the managerial competence, leadership, and business understanding possessed by the successor play a direct role in maintaining the stability and performance of family businesses across generations. This finding is in line with Human Capital Theory, which emphasizes that the quality of human resources, especially top leaders, is a strategic asset of the organization (Tajpour et al., 2021). Thus, the higher the competence of the successor, the greater the opportunity for the family business to survive and grow in the long term. These results are consistent with the research of Hidayat et al. (2023) and Frimayasa & Purnama (2025).

The results of testing the third hypothesis show that Family Governance has a positive and significant effect on Family Business Sustainability. These findings indicate that family governance mechanisms, such as the existence of a family council, family guidelines, clear division of roles, and conflict resolution mechanisms, effectively support the sustainability of family businesses. From the perspective of Agency Theory, family governance serves to minimize conflicts of interest between family members and the business (Bringas & Caro, 2024). Meanwhile, Stewardship Theory views that a good governance structure encourages long-term orientation and commitment of family members to business continuity (Jasir et al., 2022). With strong governance, family businesses are able to maintain internal stability and create an environment conducive to cross-generational sustainability. These findings are in line with Liu (2025) and Ison (2021).

Testing of the fourth hypothesis shows that Effectiveness of Succession has a positive and significant effect on Family Business Sustainability. These findings confirm that the effectiveness of the leadership transition process is a key factor in maintaining the continuity of family businesses. A smooth leadership transition that is accepted by family members and stakeholders and is able to maintain strategic and operational continuity will strengthen the stability of the company after succession. Within the framework of Dynamic Capabilities Theory, succession effectiveness enables organizations to maintain stability while strategically adapting to environmental changes. These results support the findings of Coffie et al. (2024), which emphasize the importance of succession effectiveness in family business sustainability.

Furthermore, the mediation test results show that Effectiveness of Succession significantly mediates the relationship between Succession Planning and Family Business Sustainability. This finding indicates that succession planning not only has a direct impact on the sustainability of family businesses but also works through improving the effectiveness of the succession process. Careful planning will increase organizational readiness, clarify roles and transition stages, and strengthen acceptance of new leaders, ultimately impacting

business sustainability. The findings of this study reinforce the Resource-Based View (RBV) by demonstrating that family business sustainability is determined not merely by the possession of resources, but by the family's ability to manage and transform internal resources through effective governance and succession mechanisms. Family governance functions as an organizational capability that enables the utilization of unique family resources such as shared values, family reputation, and intergenerational knowledge to generate sustainable competitive advantage. In this context, succession effectiveness serves as a key mechanism linking family resources to the long-term sustainability of firm performance (Chukwuma et al., 2022).

The results of the mediation test further show that Effectiveness of Succession also mediates the relationship between Successor Competence and Family Business Sustainability. These findings confirm that successor competence not only has a direct impact on the sustainability of family businesses, but also indirectly through the effectiveness of the succession process. High competence facilitates the leadership transition process, increases legitimacy and acceptance from family members and stakeholders, and ensures business strategy continuity. Thus, succession effectiveness becomes an important mechanism that bridges the influence of successor competence on family business sustainability. These findings are consistent with Human Capital Theory, which emphasizes the importance of human resource quality in determining organizational performance (Tajpour et al., 2021). The managerial competencies, experience, and leadership readiness of successors are shown to be crucial factors enabling the succession process to produce leaders capable of maintaining business stability and sustainability. These results indicate that the accumulation of human capital in family businesses needs to be managed systematically in order to generate tangible impacts on post-succession outcomes .

Finally, the results show that Effectiveness of Succession mediates the relationship between Family Governance and Family Business Sustainability. This finding indicates that strong family governance encourages a more structured, transparent, and conflict-free succession process, thereby increasing the effectiveness of succession. The effectiveness of the leadership transition process further contributes to the long-term sustainability of the family business. These results reinforce the view that family governance not only has a direct influence but also plays an indirect strategic role by improving the quality of the succession process. From the perspective of Stewardship Theory, the findings of this study indicate that family relationships grounded in trust, long-term commitment, and a collective orientation can support successful succession when facilitated by appropriate family governance. Succession effectiveness reflects the extent to which successors are not only technically competent, but also socially and normatively accepted as legitimate stewards, thereby enabling the continuity of family business values and objectives across generations (Jasir et al., 2022).

Overall, the results of this study indicate that family business sustainability is influenced by the interaction between succession planning, successor competence, family governance, and the effectiveness of the succession process. These findings confirm that the success of a family business across generations is not determined by a single factor, but rather by the synergy between structural and individual factors and the leadership transition process.

With regard to the model's explanatory power, the R^2 value obtained in this study indicates that the model explains 0.744 of the variance in family business sustainability.

Compared to the study by Renuka & Marath (2021), which reported an R^2 value of 0.10, the R^2 value in this study suggests that the combination of family governance, successor competence, succession planning, and succession effectiveness provides a relatively strong explanation of family business sustainability. This implies that positioning succession effectiveness as a mediating variable makes an additional contribution to enhancing the model's explanatory power.

The practical implications of this study emphasize the importance of strengthening family governance mechanisms that have the greatest impact on succession effectiveness. Formal mechanisms such as the establishment of a family council, the development of a family constitution, and written succession planning are shown to be critical in clarifying roles, reducing potential conflict, and enhancing successor legitimacy. At the same time, informal mechanisms such as the internalization of family values, open intergenerational communication, and trust-building also play a significant role in supporting successor acceptance and organizational stability.

In addition, the study indicates that the most crucial successor competencies include managerial capabilities, operational experience, strategic decision-making skills, and the ability to lead collaboratively. Accordingly, family business owners are advised to implement actionable steps, such as establishing a family council once the second generation becomes actively involved in the business, implementing mentoring programs between founders and potential successors, and providing cross-functional job rotations to strengthen successors' experience and business understanding.

This study has several methodological limitations that should be acknowledged. First, the cross-sectional research design limits the ability to capture dynamic changes in succession and family governance processes over time. Future research is therefore encouraged to adopt longitudinal designs to obtain a more comprehensive understanding of the development of succession effectiveness and its impact on family business sustainability.

Second, this study employs a quantitative, survey-based approach, which may not fully capture the social and emotional dynamics underlying succession effectiveness. Future studies using qualitative approaches, such as in-depth interviews or case studies, are recommended to explore how succession effectiveness is achieved in practice, particularly within the context of family relationships and strategic decision-making.

Finally, future research is also encouraged to examine the role of moderating variables such as successor gender, family size, and business sector in order to better understand variations in the influence of family governance and succession effectiveness on family business sustainability across more diverse contexts.

CONCLUSION

This study aims to analyze the influence of Succession Planning, Successor Competence, and Family Governance on Family Business Sustainability, both directly and through the Effectiveness of Succession as a mediating variable. The results show that all variables have a significant influence, both directly and indirectly, on family business sustainability. First, Succession Planning has been proven to have a significant influence on family business sustainability. This confirms that structured, documented succession planning, complemented by training programs and periodic evaluations, is an important factor in ensuring the continuity of family businesses. Second, *Successor Competence* also

has a significant effect, indicating that the managerial skills, leadership, experience, and strategic understanding of successors are crucial factors in maintaining the stability and growth of businesses across generations. Third, Family Governance has been proven to play an important role in strengthening the sustainability of family businesses through clear governance mechanisms, communication forums, family work rules, and conflict resolution mechanisms. In addition to its direct influence, this study also proves that the Effectiveness of Succession mediates the relationship between the three main variables and business sustainability. The effectiveness of leadership transition, which includes family support, smooth processes, and operational stability, strengthens the influence of succession planning, successor competence, and family governance on business sustainability. Thus, the sustainability of family businesses is not only determined by the quality of planning and successor competence, but also depends heavily on the effectiveness of the succession process itself. Overall, this study confirms that family business sustainability is the result of a combination of good succession planning, adequate successor competence, effective family governance, and a leadership transition process that runs smoothly and is accepted by all family members.

This study contributes to the development of theory in family business studies, particularly regarding succession dynamics. The findings support the *resource-based view* (RBV) theory, which emphasizes that successor competence is a strategic asset for family businesses. In addition, this study reinforces the concept of *family governance* in family management literature, which shows that governance plays a pivotal role in maintaining business stability and continuity. The Mediation *Effectiveness of Succession* also provides an understanding that the success of succession depends not only on planning factors, but also on the process and dynamics of leadership transition.

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