International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

"Leadership transition and identity struggles: A Study on Next-Generation Challenges in joining Family Business"

[1] Ms. Tanisha shah, [2] Ms. Bhavna Patel

[1] Student B. V. Patel Institute of Management, Uka Tarsadia University, Bardoli.

[2] Assistant Professor B. V. Patel Institute of Management, Uka Tarsadia University, Bardoli.

ABSTRACT :

This research explores the challenges faced by the next generation when joining family businesses, examining the complexities of intergenerational transitions. The study aims to identify key obstacles related to leadership succession, generational conflicts, and the struggle to balance tradition with innovation. Using primary data collected through structured questionnaire from 100 respondents, the research employs statistical techniques, including frequency distribution and factor analysis, to interpret the findings. The results reveal six major challenges faced by the next-generation in joining family business: generational and family dynamics, leadership and succession issues, professional growth limitations, personal identity struggles, financial management concerns, and market adaptation difficulties. The study highlights how generational resistance, lack of mentorship, financial instability and lack of succession planning hinder smooth succession and business growth. Additionally, it underscores the importance of fostering innovation and providing structured leadership development programs to ensure sustainable transitions. The insights from this research offer valuable strategies for family businesses to enhance succession planning and foster intergenerational collaboration.

Keywords : - Family business, next-generation challenges, leadership succession, generational conflict, financial management, innovation, succession planning

Introduction

Family businesses, the oldest and most common form of economic organization, range from small shops to multinational corporations. These businesses can be classified as family-owned, where ownership remains within the family, or family-managed, where family members also control daily operations. Over time, family businesses transition through different ownership structures, including entrepreneurship, owner-managed, sibling partnerships, and family syndicates. A crucial aspect of these businesses is the "next generation"—the successors responsible for carrying forward the family legacy. However, joining a family business presents unique challenges, such as balancing personal and professional roles, handling family conflicts, managing generational gaps, and aligning traditional business practices with modern strategies.

Researching these challenges is essential, given the increasing significance of family enterprises in global economies. Young successors often face struggles with leadership transitions, differing family expectations, and evolving market dynamics. They must navigate financial management issues, conflicts with siblings, and resistance to change, all while ensuring the business remains competitive. Additionally, rapid technological advancements and shifting market demands make it difficult for the next generation to introduce innovation. By studying these challenges, we can identify ways to support leadership development, promote sustainable growth, and help family businesses balance tradition with modern business practices, ensuring their long-term success.

Literature Review

Viola Sallay's (2024) study highlights how relationship-regulation processes between family members influence first-generation succession in family businesses. The research emphasizes that succession is shaped by relational negotiations on identity, shared succession perspectives, and family rules, rather than rigid planning.

Poojari Jayashree Muddu (2023) Family businesses in India face challenges like poor succession planning, family politics, and power struggles, which intensify across generations. The paper explores strategies to overcome these issues.

Juan Corona (2021) Successful family business succession requires early preparation, new leadership development, and maintaining family harmony. The study emphasizes succession as an evolving process across generations.

Universities Ciputra's Family Business Community (2020) Successor readiness and strong family-business relationships significantly enhance family business performance. Proper succession planning and communication are crucial for long-term success.

Christina Whidya Utami 2019 Second-generation family business successions are influenced mainly by personality, while third-generation successions are shaped by personality, ownership, family, and management systems. These factors collectively impact business continuity.

Patrick Raymund James M. Garcia (2017) The study explores how perceived parental support and control influence next-generation engagement in family firms. Self-efficacy and commitment mediate this relationship, shaping long-term business continuity.

Sarah W Mugnai (2015) The study finds that parental business exposure increases the likelihood of next-generation members joining the family business while reducing independent entrepreneurship. It highlights the role of extended households and post-entry training in shaping future family business leaders.

Dawson's (2014) study identifies the factors influencing commitment among later-generation family members in family businesses, highlighting the roles of identity alignment, family expectations, financial concerns, and career alternatives. The research finds that affective, normative, and continuance commitments all play a part in their intention to stay with the family firm.

Miller's (2014) study emphasizes the importance of a positive family climate and shared vision in developing next-generation leadership within family businesses. It highlights that fostering a healthy family environment is crucial for ensuring multigenerational business success.

Schröder's (2013) study explores how adolescents' motivations to join family businesses are influenced by parental support and control, drawing on self-determination theory. It finds that autonomous motivation, driven by career interest and competence, is linked to higher succession likelihood in family firms.

Rastogi and Agrawal's (2010) study examines the factors influencing offspring's intention to join family businesses, highlighting the roles of career interest, parental pressure, and personal qualities. It also reveals that demographic variables like education level and gender significantly impact this decision.

Higginson's (2010) study explores mother-to-daughter succession in family businesses, focusing on the relational factors and knowledge transfer process. It finds that strong relational capital, including trust and emotional bonds, is key to successful knowledge transfer in these transitions.

Constantinidis' (2009) study examines the role and aspirations of daughters in family businesses, analyzing gender issues and their leadership paths in the context of succession. The research highlights the growing acceptance of women in leadership and offers recommendations for supporting successful succession of daughters in family enterprises.

Dean's (2005) study examines the challenges daughters face in family business succession, highlighting issues like employee rivalry, work-life balance, and comparisons with their mothers' managerial style. The research emphasizes the unique difficulties daughters encounter, especially when succeeding their mothers, and suggests areas for future study.

Dumas and Dupuis' (1995) study examines the factors influencing the next generation's decision to take over family farms, highlighting the challenges of competition and changing dynamics. It identifies key influences on succession decisions, with differences observed between men and women, and suggests implications for practice and further research.

Research Methodology

The primary objective of the study is to identify the major challenges faced by the next-generation in joining family business. The study also aims to explore the skill, knowledge and preparedness gap faced by younger generation. The study aims to explore generational conflicts, resistance from the older generation, and how these factors impact the seamless integration of the younger generation into leadership roles. The research also seeks to address the influence of innovation versus tradition, identifying strategies to support the next generation in sustaining family business legacies. Finaly, the study highlights the measures to overcome the challenges faced by next generation in joining family business.

The research methodology for this study adopts an exploratory and descriptive research design to investigate the challenges faced by the next generation when joining family businesses. Challenges faced by the next-generation in joining family business were explored through extensive literature review. Primary data was collected through structured questionnaires with closed-ended questions, focusing on young entrepreneurs actively involved in family businesses. The study used convenience sampling, selecting participants based on their availability, accessibility, and willingness to participate. A sample size of 100 individuals was targeted. The study analyses data using quantitative methods with tools such as frequency analysis and factor analysis, facilitated by SPSS software.

The data collection instrument captures data in two section – demographic details & responses on five-point Likert scale statements covering following themes:

- Personal identity and independence
- Preparedness and experience
- Generation gap and resistance to change
- Communication and inclusion
- Role clarity and structure
- Succession and future uncertainty
- External and market challenges

Data Analysis

The frequency analysis of the demographic profile of the respondents reveals that more than 80% of the respondents fall into the age group of 15 years – 25 years. Only 36% of the respondents are female. 51% are graduates and 25% have completed their HSC, 11% are post graduates. 53% are active in family business of which 45.7 % are active for less than a year, 39.5% are active for 1 – 3 years.

To identify the key challenges affecting the next-generation's decision of joining family business, Exploratory Factor Analysis (EFA) was performed using SPSS. Before conducting the factor analysis, a reliability test was done to check the internal consistency of the data collection instrument using Cronbach Alpha Model.

Reliability Statistics	
Cronbach's Alpha	N of Items
.977	40

The reliability test using Cronbach's alpha yielded a value of 0.977, indicating excellent internal consistency of the 40 items.

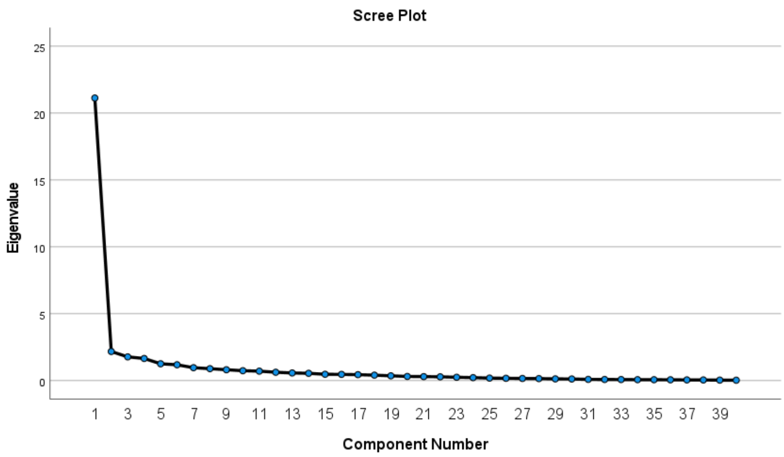
KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.890
Bartlett's Test of Sp vhericity	Approx. Chi-Square	4115.711
	df	780
	Sig.	.000

Kaiser-Meyer-Olkin Measure of Sampling Adequacy should be greater than 0.70 indicating sufficient items for each factor. Here, the results of the KMO is 0.890 which is greater than 0.70.

The KMO value of 0.890 indicates high sampling adequacy, suggesting the data is highly acceptable for factor analysis. Bartlett's Test of Sphericity ($\chi^2 = 4115.711$, $p < 0.05$) confirms that the correlation matrix is not an identity matrix, meaning there are significant relationships among the variables. This supports the suitability of factor analysis for the dataset, as the variables are sufficiently correlated to extract meaningful factors.

Total Variance Explained									
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	21.127	52.817	52.817	21.127	52.817	52.817	8.144	20.361	20.361
2	2.175	5.437	58.254	2.175	5.437	58.254	7.532	18.830	39.191
3	1.772	4.430	62.685	1.772	4.430	62.685	6.304	15.761	54.952
4	1.652	4.130	66.815	1.652	4.130	66.815	4.745	11.863	66.815
5	1.256	3.140	69.955						
6	1.181	2.953	72.908						
Extraction Method: Principal Component Analysis.									

The total variance explained table shows how the variance is divided among the 40 possible factors. The 6 factors have eigen-value greater than 1.0. This table highlights the percentage of variance explained by each component derived from Principal Component Analysis (PCA). The first component explains 52.81% of the total variance, followed by the second component with 5.43%, the third factor explains 4.43% and the fourth factor explains 4.13% of the total variance. The first four components collectively explain 66.815% of the total variance in the data.



As visible in the plot above, there is a rapid decline from the first to fourth component, after which the curve flattens out significantly. The eigenvalue levels off after the 4th component. The flattening indicates that the subsequent components explain very little variance and can be considered noise or insignificant. It can be interpreted that it will be reasonable to retain the first four components as they explain most of the variance in the data.

The Rotated Component Matrix provides insights into how different items group together after rotation, offering a clearer interpretation of the underlying factors. The rotation method used is Varimax, which maximizes the variance of squared loadings of a factor across variables, leading to a simpler and more interpretable structure.

The rotated component matrix for 40 items surveyed represented 37 items with the factor loadings of each item identified through PCA and Varimax rotation. Items with factor loadings below 0.5 were suppressed.

The rotated component matrix reduced 37 factors into four components. They are listed with titles in the following table:

Factor 1	**Personal and identity struggles in family business**	
	I feel lack of freedom and independence in family business	**.797**
	I struggle to balance my personal aspirations with expectations of family business responsibilities	**.710**
	I find it difficult to establish my identity separate from family legacy	**.770**
	I feel the pressure of preserving the family legacy	**.780**
	I experience the pressure to prove myself more than the non-family employees	**.617**
	I experience self-doubt and personal unpreparedness	**.593**
	I feel lack of practical experience in handling key business operations	**.610**
	I face resistance from older generations in implementing new ideas or changes	**.571**
	My opinions are not valued equally in family business discussions	**.598**
	There is lack of a clear succession plan creating uncertainty about my future role	**.514**
	I find it difficult to communicate my perspectives with senior family members	**.542**
	I feel uncertainty about my financial stability and future in family business	**.678**
Factor 2	**Generational and structural barriers**	
	Resistance to change from the older generation affects business innovation and growth	**.663**
	It is challenging to navigate generational differences in business practices	**.528**
	There is insufficient clarity about my roles and responsibilities in family business	**.653**
	Existing structure of family business limits opportunities for innovation and growth	**.669**
	There is lack of professional training/ mentoring making it difficult to adapt to family business environment	**.525**
	Generational difference in values and work style leads to misunderstandings	**.701**
	Conflicts between personal and family business values hinder the next generation participation	**.584**
	Sibling often delay or complicate important business decisions	**.705**
	Professional 4ments often affect my personal relationships with family members	**.655**
	Family expectations and favouritism creates an unequal working environment	**.783**
	The older generation's reluctance to delegate responsibilities creates functional barriers for the next generation	**.551**
	Inadequate financial compensation discourages my long-term involvement in family business	**.505**
Factor 3	**Innovation and capability constraints**	

	I find it difficult to gain respect and credibility from non-family employees	**.594**
	There is lack of transparency in financial decisions of family business	**.539**
	There is insufficient support to pursue innovation within the family business	**.707**
	There is limited access to resources for professional development or innovation	**.637**
	I feel underprepared to handle financial responsibilities within family business	**.668**
	I lack of understanding about market trends and innovative strategies	**.605**
	My family business fails to cope up with the technological advancements	**.689**
Factor 4	**Strategic and environmental challenges**	
	Generational differences create significant challenges in decision-making	**.668**
	Decision making is influenced by family dynamics rather than business needs	**.593**
	The older generation's dominance in decision-making delays transition process	**.615**
	The industry/market in which my family business operates is highly competitive	**.684**
	Expanding the family business into new markets is a major challenge	**.601**
	The government regulations and policies have impacted our family business significantly	**.796**

The EFA extracted 4 major factors that represent 66.815% of the total variance. The four factors extracted has been titled as below:

1. Personal and identity struggles in family business
2. Generational and structural barriers
3. Innovation and capability constraints
4. Strategic and environment challenges

The major challenges faced by the next-generation in joining family business may be overcomed by:

1. Clear role definitions allowing next generation to establish their own professional identity with business.
2. Sufficient autonomy in decision making to promote leadership
3. Developing a career development pathway
4. Structured training programs and mentorship to train the next generation on technical aspects, soft skills, leadership and management.
5. Intergenerational interactions to foster mutual understanding, trust and reduce resistance to change.
6. Regular family meetings to build a culture of open communication and trust.
7. Formal grievance redressal mechanism may be set-up to address and resolve conflicts in healthy manner.
8. Inclusive practices involving next generation in business planning and key strategies.
9. Family business governance - Formalize organizational roles, responsibilities, and decision-making hierarchies to reduce ambiguity and conflict.
10. Recognize the leadership needs of the business and the next generation may be trained accordingly
11. The next generation may be offered with counselling or coaching sessions to help them cope up with emotional burdens and pressure to conform.
12. Establish clear succession planning policies to avoid leadership disputes and ensure smooth transitions.

Conclusion

In conclusion, this study highlights the multifaceted challenges faced by the next generation in joining family businesses, emphasizing the complexities of intergenerational dynamics, leadership transitions, and the balance between tradition and innovation. Key challenges include intergenerational resistance, where older generations hesitate to delegate control, hindering the credibility and authority of younger members and stifling innovation. Additionally, the lack of structured mentorship and succession planning leaves successors feeling underprepared, with unclear roles and responsibilities, further jeopardizing business continuity. Financial instability and transparency issues also complicate the transition process, discouraging long-term commitment. Furthermore, resistance to adapting to technological advancements and market trends poses significant growth barriers, as younger generations struggle to implement necessary changes. Addressing these challenges requires a concerted effort to foster smoother generational transitions, enhanced mentorship programs, succession planning, open communication and a more open approach to innovation, ensuring the sustained success of family businesses in an evolving landscape.

REFERENCES :

1. Zhao, A., Sun, Z., Guan, H., & Jia, J. (2020). Research on the evolution of innovation behavior of new generation entrepreneurs in different scenarios. Technological and Economic Development of Economy, 26(5), 1098-1124.
2. Utami, C. W. (2019). The difference pattern of succession between second generation and third generation family business in Indonesia (a review of the Medium-Size family business). Review of Management and Entrepreneurship, 3(02).
3. Rastogi, S., & Agrawal, R. (2010). Intention of offspring to join the family enterprise: a study of Indian businesses. Annals of Innovation & Entrepreneurship, 1(1), 5603.
4. Giacon, P. (2008). The rising of the new generation of high-tech entrepreneurs: an exploratory study. In 16th Annual High Technology Small Firms Conference, HTSF 2008. University of Twente.
5. Dawson, A., Sharma, P., Irving, P. G., Marcus, J., & Chirico, F. (2015). Predictors of later–generation family members' commitment to family enterprises. Entrepreneurship Theory and Practice, 39(3), 545-569.
6. Miller, S. P. (2014). Next-generation leadership development in family businesses: the critical roles of shared vision and family climate. Frontiers in psychology, 5, 1335.
7. Ungerer, M., & Mienie, C. (2018). A family business success map to enhance the sustainability of a multi-generational family business. International Journal of Family Business and Management Studies, 2(1), 1-13.
8. Ongkowijoyo, G., Christian, T. F., & Teofilus, T. (2020). Performance achievements of family business through successor readiness and the relationship between family and business members.4
9. Smith, R. (2014). Authoring second-generation entrepreneur and family business stories. Journal of family business management, 4(2), 149-170.
10. Aldamiz-Echevarría, C., Idígoras, I., & Vicente-Molina, M. A. (2017). Gender issues related to choosing the successor in the family business. European Journal of Family Business, 7(1-2), 54-64.
11. Constantinidis, C., & Nelson, T. (2009). Integrating succession and gender issues from the perspective of the daughter of family enterprise: A cross-national investigation. Management international, 14(1), 43-54.
12. Higginson, N. (2010). Preparing the next generation for the family business: relational factors and knowledge transfer in mother-to-daughter succession. Journal of Management and Marketing research, 4, 1.
13. Sallay, V., Wieszt, A., Varga, S., & Martos, T. (2024). Balancing identity, construction, and rules: Family relationship negotiations during first-generation succession in family businesses. Journal of Business Research, 174, 114483.
14. Zapata-Cantu, L., Sanguino, R., Barroso, A., & Nicola-Gavrilă, L. (2023). Family business adapting a new digital-based economy: Opportunities and challenges for future research. Journal of the Knowledge Economy, 14(1), 408-425.
15. Kavediya, S. (2017). Challenges and problems faced by family businesses in India. International Journal of Science Technology and Management, 6(4), 30-34.
16. Paul, P. K., Aithal, P. S., Shailashri, V. T., Raj, K., & Sharma, S. K. Applied Social Science, Management in Digital & ICT Society.
17. Corona Ramón, J. F. Succession in the Family Business: The Great Challenge for the Family.
18. Arenas, D., & Rodrigo, P. (2013). The challenge of future generations for business ethics. Journal of Management for Global Sustainability, 1(1), 5.
19. Sandu, P., & Nye, N. (2020). Succession challenges in family businesses from the first to the second generation. Journal of Small Business and Entrepreneurship, 8(1), 57-65.
20. Jaffe, D. T., & Lane, S. H. (2004). Sustaining a family dynasty: Key issues facing complex multigenerational business-and investment-owning families. Family Business Review, 17(1), 81-98.
21. Michelle A. Dean - An Examination of the Challenges Daughters Face in Family Business Succession
22. Schröder, E., & Schmitt-Rodermund, E. (2013). Antecedents and consequences of adolescents' motivations to join the family business. Journal of Vocational Behavior, 83(3), 476-485.
23. Garcia, P. R. J. M., Sharma, P., De Massis, A., Wright, M., & Scholes, L. (2017). Parental behaviors and next-generation engagement in family firms: a social cognitive perspective.