

Challenges and Issues in Transforming Traditional Enterprises

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Abstract: This study explores the challenges faced by traditional family businesses in attracting next-generation leaders, including resistance to change and limited innovation. It examines how digital transformation, improved governance, and innovation can revitalize these enterprises. The research proposes Family Business 2.0 as a modern framework that integrates technology, professional management, and strategic agility while preserving legacy values. The study further highlights its applicability across small, medium, and large family firms. By combining theory and practice, it contributes to academic and managerial discussions on sustaining family businesses across generations in an increasingly competitive and dynamic business environment.

Keywords: Family Business, Next-Generation Leadership, Digital Transformation, Corporate Governance, Innovation, Family Business 2.0, Business Sustainability, Succession Planning

Introduction

Most family businesses are rooted in tradition, often prioritizing stability over transformation. The next generation perceives them as rigid, outdated, or lacking innovation. Issues: lack of digital adoption, weak professional governance, and limited opportunities for creativity.

The Objectives are as follows

1. To examine the challenges faced by traditional family businesses in attracting next-generation leaders
2. To explore how digital transformation, governance, and innovation can revitalize family businesses
3. To develop the concept of Family Business 2.0 as a framework for modernizing traditional enterprises
4. To identify applications of this framework across small, medium, and large family firms
5. To contribute to academic and practical discussions on sustaining family businesses across generations

Related work

A qualitative case study analysis by Merchant et al (2017) verifies three psychological aspects that occur prior to succession in a family-owned business recognised as the induction phase of succession planning wherein the quality of the relations, the willingness of the inductee, and the ability of both the inductor and inductee to handle and manage the tensions (generational and perspectives) in the context of Indian small and medium enterprises are considered as influencing factors that allow positive succession and

furthering of the performance of the firm. Ahmed et al. (2024) validate the role of the current leadership, and the protocols set in organisations that allow for a peaceful and professional succession takeover, the study also considers the importance of aspects that facilitate the descendant entrepreneur towards a takeover. The absence of these leads to divisions and conflicts among family members, even, in cases, where the family-owned business gets shut down. Dixit (2009) identifies through an empirical study in the context of Indian family businesses the prominent role of the next-younger generation's acceptance and involvement in the family business or the attitude of the next generation incumbent towards running the founder's business. The study showed that the advent of the next generation contributed to differences in opinion between generations related to the expansion of the business, advising the incumbent to implement better conflict resolution management.

A lack of critical protocols for the succession transition which include the transfer of experience and knowledge (Bell and Pham, 2021), enrichment of social capital (Cisneros et al., 2022), adoption of values by new leadership and ownership (Motylska-Kuzma et al., 2023) and support of consultant advisors (Mahto et al., 2023). Moreover, a lack in grooming by the predecessors for their potential successors through frequent training and the allotment of a mentor (Suhartanto, 2023), a lack in setting strategies for their descendant entrepreneurs to accomplish future goals and plan their exit strategy well (Alves et al., 2022), a lack in emphasis on building trust and loyalty with their descendant entrepreneur for a successful succession transition (Perricone et al., 2001) are cited reasons for a deviation of the next generation to other areas of work.

Studies by Chua et al. (2011); Steier (2007) acknowledge that among next-generational family members, the practice of external venturing is common and contributes to entrepreneurial outcomes and activities. Literature evidences the following reasons for this trend is to show that many businesses engage in new venturing activities to support family entrepreneurial teams (Discua Cruz et al., 2013), maintain an entrepreneurial orientation among the business family's members from different generations (Kammerlander et al., 2015; Minola et al., 2016; Zellweger et al., 2012), develop portfolio entrepreneurship (Sieger et al., 2011), and nurture transgenerational entrepreneurship (Habbershon et al., 2010; Jaskiewicz et al., 2015). Ramírez-Pasillas et al. (2021) validate this form of next-generational new external ventures as a common scenario in Mexico and among Latin American settings.

Research Question

- What are the key challenges that traditional family businesses face in attracting and engaging next-generation leaders?
- What role does organizational culture play in making traditional enterprises attractive to the next generation workforce?
- What core dimensions and principles define the Family Business 2.0 framework for transforming traditional family enterprises?

Inclusion Criteria

Family owned and family-managed businesses -where ownership and management are primarily controlled by one or more family members.

Small and medium sized family businesses

Enterprises considering modernization or transformation efforts, whether in governance, technology adoption, or leadership development

Family business owners, next-generation family members, or professional managers involved in family business transformation decisions

Family business owners from diverse sectors such as manufacturing, retail or services

Exclusion Criteria

Non- family-owned enterprises such as corporate, public sector, or partnerships without family ownership
Start-ups or first-generation entrepreneurial ventures that have not yet transitioned into multigenerational family businesses

Inactive or dissolved businesses without ongoing operations or leadership structures

Family businesses with complete professionalization where no family member is in an ownership or managerial role

Firms outside the defined enterprise size categories or those without verifiable data on size, ownership, or structure

Method, Experiments and Results
Traditional family businesses are under increasing pressure to adapt in order to attract, retain, and empower next-generation members.

The solving of the question of succession in family businesses has been identified as the greatest problem (Hnátek, 2012), shared values in the family, had no relationship with the degree to which there was a shared vision for the family business (Miller et al., 2020).

Many successors opt out, leading to stagnation or business decline (Rodriguez Serna, Nakandala, & Bowyer, 2022).

Without transformation in these areas, next-generation family members often feel constrained, undervalued, or uncertain of their role, leading to disengagement, conflict, or even exit from the business—ultimately threatening continuity and competitiveness (Nasr et al., 2025).

Discussions

Correlation analysis: To identify relationships between modernization drivers and next-gen attraction

Regression analysis: To test predictors of transformation readiness

ANOVA- To compare differences across small and medium firms

SEM- to validate the conceptual framework.

Conclusions

The study introduces the “Family Business 2.0” framework, offering a modernized lens for analyzing how traditional family firms evolve and adapt to next-generation expectations. It contributes to both academic literature and practical strategy, bridging the gap between theory and applied transformation

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