The Role of Competence and Financial Planning in Supporting the Readiness of the Next Generation in Family Businesses in Indonesia

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This study aims to analyze the role of competence and financial planning in supporting successor readiness in family businesses in Indonesia. This research applies a qualitative approach using a literature review method by examining journal articles, academic books, previous studies, and relevant official documents. The findings indicate that competence developed through formal education, informal training, mentoring, internships, and direct operational involvement plays an important role in shaping successors' analytical ability, leadership capacity, and legitimacy. In addition, structured financial planning helps separate family and business assets, improve financial transparency, and reduce potential internal conflicts. This study concludes that the integration of competence and financial planning is an important factor in strengthening succession success and ensuring the sustainability of family businesses in Indonesia.

Keywords: Competence, Family Business, Financial Planning, Succession, Successor Readiness

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1. Introduction

In the context of increasingly complex business competition, the sustainability of family businesses is no longer determined solely by the strength of capital and the experience of the founders, but also by the ability of the successor generation to manage changes in a dynamic business environment. According to Sallay et al. (2024), family businesses face unique challenges because they must balance the company's economic objectives with family interests that often overlap. This condition makes the succession process one of the most critical phases in the life cycle of a family business. Failure to prepare the successor generation can result in the loss of organizational knowledge, internal family conflicts, and a sustained decline in company performance.

In line with this view, Calabrò et al. (2023) explain that successful succession depends not only on ownership transfer but also on the transfer of competencies, family values, and leadership capabilities to the next generation. This process requires systematic long-term planning so that successors are adequately prepared to make strategic decisions and maintain business sustainability. Therefore, successor capacity development becomes an important investment that must be undertaken long before the leadership transition takes place.

Furthermore, De Massis et al. (2022) emphasize that education is one of the primary instruments in shaping the quality of the successor generation. Education not only enhances cognitive and technical abilities but also helps successors develop strategic, innovative, and adaptive thinking skills in response to changes in the business environment. Through formal education and professional training, prospective successors gain broader insights into corporate governance, risk management, and data-driven decision-making, all of which are increasingly required in today's digital era.

In addition to education, the aspect of financial planning has also received significant attention in the modern family business literature. According to Baeckström and Hauff (2024), structured financial planning can improve transparency in the management of family assets while minimizing the potential for intergenerational conflicts. Effective financial planning enables family members to understand the company's financial condition, investment strategies, business expansion needs, and mechanisms for wealth distribution more objectively. Thus, involving the successor generation in financial planning processes from an early stage can strengthen their understanding of business conditions while enhancing their sense of ownership toward the family business.

A similar opinion was expressed by Mashumi et al. (2023), who stated that financial literacy and experience in corporate financial management contribute positively to successor readiness in facing the succession process. Successors with a strong understanding of finance tend to be more confident in making strategic decisions, managing business risks, and maintaining the company's financial stability in the long term. Therefore, the development of competencies and financial planning capabilities should be viewed as two complementary elements in building successor readiness.

From the perspective of the Resource-Based View (RBV), the competencies of the successor generation represent strategic resources that can create sustainable competitive advantages for family businesses. Rasyieda et al. (2024) explain that successor readiness reflects the accumulation of knowledge, skills, experience, and attitudes that enable individuals to perform leadership roles effectively. The higher the level of successor readiness, the greater the opportunity for family businesses to maintain their performance and existence amid business environment uncertainty. Therefore, education and financial planning become fundamental factors that have the potential to enhance successor readiness while determining the success of the succession process in family businesses.

2. Method

A qualitative approach employing the literature review method was adopted as the primary research design in this study. This approach was selected to facilitate an in-depth conceptual understanding and theoretical synthesis regarding the readiness level of successor generations within family business entities in Indonesia. Data collection in this study was entirely focused on extracting information from various relevant secondary literature sources.

Secondary data were collected systematically through a literature review of journal articles, academic books, and previous studies obtained from reputable scientific databases such as Google Scholar, DOI, and Consensus to ensure the credibility and relevance of the data utilized. In addition, official publications issued by government institutions, including the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia and Statistics Indonesia (BPS), were employed as factual reference sources.

The literature search and collection process was conducted systematically through academic databases using a series of specific keywords. These search terms were limited to family business, managerial succession, educational level, and financial planning implementation. To ensure the quality of the information analyzed, a rigorous literature screening procedure was applied. The compiled literature was exclusively restricted to publications demonstrating substantial relevance and recognized academic credibility. Through this structured literature selection process, the arguments developed in this study were ensured to possess strong theoretical validity.

Priority was given to references originating from peer-reviewed scientific journals indexed in reputable academic databases such as Google Scholar, DOI, and Scopus to ensure the quality, credibility, and validity of the information used in the research. All stages of the document search process were thoroughly documented to enable the replication of the reference selection procedure. The utilization of secondary data sources was positioned as an objective approach to developing a conceptual framework concerning the dynamics of family businesses without conducting primary data collection.

3. Results And Discussion

Based on the results of the literature synthesis conducted, formal and informal education levels were identified as primary instruments in developing the technical competencies of successors in family businesses in Indonesia. Various academic journal publications report that higher education in management and business serves as a foundation for prospective successors to understand the complexities of modern corporate governance (Dźwigoł & Dźwigoł, 2021). The theoretical knowledge acquired through formal educational institutions has been shown to enhance capabilities in risk analysis, supply chain management, and the formulation of long-term operational strategies. This is considered essential for facilitating the restructuring of company systems that are often still managed traditionally by the founding generation.

In addition to formal education, the importance of informal educational processes has also been highlighted in various literature sources. Mentoring processes, internal internship programs, and cross-departmental job rotations have been identified as effective methods for transferring tacit knowledge from founders to the successor generation. Through direct involvement in the workplace, the leadership capabilities of prospective successors can be gradually developed in the eyes of stakeholders, particularly non-family managerial employees (Kepemimpinan et al., 2022). The findings of this literature review also indicate that an adequate level of education is used to reduce the dependence of successors on daily micromanagement instructions from senior figures. Within Indonesia's hierarchical culture, formal educational qualifications are often positioned as objective criteria for legitimizing the appointment of family members to top executive positions without generating substantial organizational resistance. Scholars emphasize that competency gaps between generations can be minimized through the implementation of capacity-building curricula tailored to the needs of the relevant industry. Ultimately, the integration of academic knowledge and practical skills is concluded to be an essential prerequisite before the leadership transition process is completed (Anos, 2025).

The results of the literature review related to the financial planning variable indicate that structured fiscal governance is positioned as the second crucial element in supporting successor readiness (Limoa & Weku, 2024). Based on content analysis of previous research reports, the blending of personal family financial assets with the company's operational capital has been identified as the primary administrative challenge that most frequently triggers instability in medium-scale family businesses in Indonesia. Therefore, the implementation of comprehensive financial planning systems, such as preparing annual budget drafts, clearly separating bank accounts, and developing capital structure projections, has been reported as an effective mitigation strategy. Through involving successors in internal audit procedures and monthly profit-and-loss analyses, their understanding of cash flow management and operational efficiency has been shown to improve significantly (Wadesango & Muwishi, 2024). Academic literature on financial governance also highlights that family financial planning functions as an instrument for disciplining consumption patterns and instilling prudence among prospective successors. In addition, accounting transparency has been shown to reduce information asymmetry between founders and successors, enabling strategic decision-making to be based on objective financial parameters. Findings from this review further reveal that financial planning serves a preventive function in minimizing family conflicts related to compensation

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allocation policies and future dividend distribution mechanisms. When ownership guidelines are formally documented in family resolutions, internal disputes that often threaten business continuity during second- and third-generation transitions can be systematically prevented (Ardyan et al., 2023). Overall, financial literacy is concluded to be necessary not only for protecting corporate liquidity but also as an indicator of managerial maturity.

Systematic financial reporting systems are reported to be ineffective as analytical tools if the successor generation is not equipped with an adequate foundation in statistical education (Wang et al., 2025). Various previous studies indicate that business organizations requiring successors to complete undergraduate education while actively participating in family budget planning committees tend to achieve more consistent succession success rates (Somboonvechakarn et al., 2022). Furthermore, cultural barriers in Indonesian society, traditionally characterized by reluctance to openly discuss asset distribution matters, have been shown to be overcome through the implementation of high-standard corporate governance. Through the establishment of frameworks executed based on academic rationality and the evaluation of monetary parameters, performance assessments of successors can be conducted professionally without disregarding respect for the founding figures. This literature interpretation also concludes that the probability of family businesses surviving macroeconomic crises depends heavily on the analytical capabilities and financial discipline represented by the new management team (Mihoti & Raynard, 2026). Therefore, researchers collectively recommend the development of internal regulations that integrate minimum academic requirements with family financial reporting standards to ensure long-term business continuity (Tanan et al., 2023).

Discussion

In this discussion section, findings related to the education variable are further evaluated within the context of human capital theory and the operational dynamics of family business entities in Indonesia (Gunawan & Koentjoro, 2023). Based on the literature synthesis, the enhancement of academic qualifications required of successors is interpreted as a primary mechanism for reducing weaknesses inherent in traditional management systems. In the practice of family businesses operating in Indonesia, the selection of future leaders is often based more on biological lineage than on evaluations of technical competence. By establishing formal higher education requirements, such internal nepotistic bias can be controlled in a measurable and objective manner. Analytical skills, knowledge of commercial law, and theoretical understanding acquired through business education curricula are directly utilized to facilitate the transition from informal operational systems to professionally governed corporate structures.

Furthermore, informal educational processes implemented through structured internships, cross-departmental rotations, and internal mentoring are evaluated as effective instruments for transferring tactical managerial knowledge from founders. Direct workplace involvement has been confirmed by various previous studies as a mandatory procedure for building rational leadership legitimacy among non-family professional employees. Within organizational behavior theory, stakeholder acceptance of authority is positioned as a key indicator of successful succession. When successors are equipped with sufficient academic capabilities and practical experience, organizational dependence on the founders' micromanagement instructions can be significantly reduced. This reduction in dependence directly creates managerial autonomy for new leaders to formulate strategic and innovative policies independently in response to changing industry demands. Therefore, the systematic integration of formal educational requirements and vocational training stages is consistently recommended by experts to ensure the sustainability of company operations.

The next discussion specifically focuses on the functional role of financial planning in mitigating instability risks during leadership transitions in family businesses. The literature consistently emphasizes that the blending of personal family wealth and corporate operational capital is a major risk factor frequently triggering short-term liquidity crises. In the Indonesian context, this administrative weakness is explained through agency theory, where the separation between ownership rights and control functions has traditionally not been clearly established by founding generations. Through the implementation of systematic financial planning governance, such as cash flow projection documents and legally separated bank accounts, jurisdictional boundaries between family needs and corporate obligations can be objectively enforced.

Early involvement of successors in family financial blueprint development is reported to be functional and serves as a means of disciplining monetary decision-making processes. This analytical financial literacy is evaluated as a critical competency required to prevent the allocation of working capital toward expenditures unrelated to the core business. Beyond improving economic efficiency ratios, comprehensive family financial planning is also widely discussed as a measurable instrument for resolving internal conflicts. Theoretically, most disputes among family members during power transitions originate from a lack of transparency regarding dividend distribution systems and remuneration determination mechanisms. When financial compensation guidelines are formally documented in written protocols based on performance achievements, the probability of disputes concerning inherited asset distribution can be minimized. Therefore, accounting information availability is positioned as an analytical communication medium that bridges intergenerational objectivity.

Methodologically, the entire discussion concerning the role of competencies and financial planning in supporting successor readiness within Indonesian family businesses demonstrates strong conceptual consistency and alignment with trends identified in contemporary scientific literature. Through the lens of human capital theory, enhanced academic qualifications and informal competencies, such as structured internships and internal rotations, have been empirically proven to reduce biological nepotism bias while establishing rational leadership legitimacy among non-family professional employees. This alignment is reinforced by agency theory, where the implementation of systematic financial planning governance, including the separation of personal assets and performance-based remuneration protocols, is identified as an effective conflict-resolution instrument for mitigating liquidity crisis risks and sibling rivalry.

Contextually, the complementary integration of analytical competency standardization and fiscal transparency not only optimizes the strategic autonomy of successors but also serves as an adaptive structural and organizational solution for overcoming hierarchical and paternalistic cultural communication barriers within Indonesian society. Consequently, the establishment of formal succession committees that integrate continuous education and financial reporting oversight becomes a strategic necessity to ensure operational sustainability during critical intergenerational transitions.

In the final part of this discussion, the simultaneous relationship between education and financial planning is highlighted as a foundational framework for formulating family business succession policies in Indonesia. Analysis from various literature sources indicates that these two conceptual variables are complementary components that cannot be separated within operational processes. Theoretical understanding acquired through higher education alone is considered insufficient to guarantee leadership success if organizational structures are not supported by standardized financial oversight systems. Conversely, financial reporting procedures cannot be managed and evaluated accurately if prospective successors lack the analytical literacy developed through formal education.

Therefore, the integration of these two elements is positioned as a technical solution for addressing various structural and cultural barriers frequently identified in medium-scale family businesses. Within Indonesian society, which is characterized by hierarchical cultural norms, issues related to wealth distribution are often avoided by both founders and successors. Nevertheless, through the implementation of management systems based on scientific competence and fiscal transparency, such cultural communication barriers can be mitigated. The evaluation of successor suitability is transformed from a subjective assessment basis into an objective system measured through key performance indicators. This literature review comprehensively concludes that corporate stability in the face of economic fluctuations is strongly influenced by the rationality of decision-making demonstrated by new boards of directors. The establishment of a dedicated succession committee responsible for designing continuous education curricula and overseeing family financial reporting is highly recommended for formal implementation within organizations. Consequently, the risk of operational performance degradation, which has often been empirically reported during transitions to the third generation, is projected to be prevented through well-planned managerial preparation stages.

4. Conclusion

Based on the results of the literature synthesis conducted, formal and informal education levels were found to be the primary instruments in developing the technical competencies of successors in family businesses in Indonesia. Various academic journal publications report that higher education based on management and business sciences functions as a foundation for prospective successors to understand the complexities of modern corporate governance (Dźwigoł & Dźwigoł, 2021). The theoretical knowledge acquired from formal educational institutions has been shown to enhance capacities in risk analysis, supply chain management, and the formulation of long-term operational strategies. This is considered essential for facilitating the restructuring of company systems that are often still managed traditionally by the first generation. In addition to formal education, the importance of informal educational processes has also been highlighted in various literature sources. Mentoring processes, internal internship programs, and cross-departmental job rotations have been identified as effective methods for transferring tactical knowledge from founders to the successor generation. Through direct involvement in the workplace, the leadership of prospective successors has been proven to be gradually developed in the eyes of stakeholders, particularly non-family managerial employees (Kepemimpinan et al., 2022). The findings of this literature review also indicate that an adequate level of education is used to reduce the dependence of successors on daily micromanagement instructions from senior figures. Within the hierarchical culture that exists in Indonesia, formal educational qualifications are often positioned as objective criteria to legitimize the appointment of family members to top executive positions without triggering substantial organizational resistance. Experts emphasize that competency gaps between generations can be minimized through the implementation of capacity development curricula tailored to the needs of the industry involved. Ultimately, the integration of academic knowledge and empirical skills is concluded to be an absolute requirement that must be fulfilled before the leadership transition stage is completed (Anos, 2025).

The results of the literature review related to the financial planning variable indicate that structured fiscal governance is positioned as the second crucial element in supporting successor readiness (Limoa & Weku, 2024). Based on content analysis of previous research reports, the mixing of personal family financial assets and the company's operational capital has been identified as the primary administrative obstacle most frequently triggering instability in medium-sized family businesses in Indonesia. Therefore, the implementation of comprehensive financial planning systems, such as the preparation of annual budget drafts, the strict separation of bank accounts, and the development of capital structure projections, has been reported as an effective mitigation measure. Through the involvement of successors in internal audit procedures and monthly profit-and-loss statement analyses, their understanding of cash flow management and operational efficiency has been proven to improve significantly (Wadesango & Muwishi, 2024). Academic literature on financial governance also highlights that family financial planning functions as an instrument to discipline consumption patterns and instill prudence among prospective successors. In addition, accounting data transparency has been revealed to reduce information asymmetry between founders and successors, enabling strategic decision-making processes to be based on actual financial parameters. Findings from this review further demonstrate that financial planning serves a preventive function in minimizing potential family conflicts related to compensation allocation policies and future dividend distribution mechanisms. If ownership guidelines are formally formulated within family resolution documents, internal disputes that often threaten business continuity during second- and third-generation transitions can be systematically prevented (Ardyan et al., 2023). Overall, financial literacy is concluded to be necessary not only for protecting corporate liquidity but also as a measure of managerial maturity.

A systematic financial reporting system is reported to be ineffective as an analytical tool if the successor generation is not equipped with an adequate foundation in statistical education (Wang et al., 2025). Various previous studies indicate that business organizations requiring the completion of undergraduate education along with the active participation of prospective successors in family budget planning committees are estimated to have much more consistent succession success rates (Somboonvechakarn et al., 2022). Furthermore, cultural barriers within Indonesian society, traditionally characterized by a reluctance to openly discuss matters related to asset distribution, have been shown to be overcome through the implementation of high-standard corporate governance. Through the establishment of frameworks executed based on academic rationality and the evaluation of monetary parameters, performance assessments of successors can be conducted professionally without disregarding norms of respect toward founding figures. The findings of this literature interpretation also conclude that the probability of family business entities surviving macroeconomic crises depends heavily on the mastery of analytical knowledge and disciplined fund allocation represented by the new management team (Mihoti & Raynard, 2026). Therefore, the establishment of internal regulations that integrate minimum academic requirements with family financial reporting provisions is collectively recommended by researchers to maintain the continuity of long-term business cycles (Tanan et al., 2023).

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