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Intergeneration Dynamics and Knowledge Sharing in Family Business Sustainability

Idris Idris[1], Hersugondo Hersugondo[2], Mahfud Mahfud[3], Wahyudi Sugeng[4], Nasir Muhammad[5], Situmorang Tumpal[6]

Abstract

Family business sustainability relies heavily on the interplay of intergenerational dynamics, where the effective transfer of knowledge, values, and relational resources is pivotal. This study explores the role of entrepreneurial knowledge sharing in enhancing intergenerational relationship quality and its subsequent impact on the sustainability of family businesses. Using the Resource-Based View (RBV) as a theoretical foundation, this research investigates how relational resources contribute to competitive advantage in the unique socio-cultural context of Central Java, Indonesia. The study employs Structural Equation Modeling (SEM) to analyze data collected from 200 family business owners through purposive sampling. The results demonstrate that entrepreneurial knowledge sharing significantly improves intergenerational relationship quality ($\beta = 0.78$, $p = 0.012$), which, in turn, has a strong positive effect on family business sustainability ($\beta = 0.84$, $p = 0.007$). Furthermore, intergenerational relationship quality acts as a partial mediator ($\beta = 0.35$, $p = 0.009$), amplifying the impact of knowledge sharing on sustainability. The findings highlight the dual role of entrepreneurial knowledge sharing in fostering both relational harmony and business performance. This research contributes to the literature by integrating cultural insights into the RBV framework and offering actionable strategies for family businesses to sustain their legacy. By institutionalizing trust, shared vision, and effective communication practices, family businesses can bridge generational divides and maintain competitiveness in dynamic market environments.

Keywords: *Family Business Sustainability Relies Heavily On The Interplay Of Intergenerational Dynamics, Where The Effective Transfer Of Knowledge, Values, And Relational Resources Is Pivotal.*

Introduction

Family businesses are crucial contributors to global and regional economies, accounting for significant portions of job creation, wealth generation, and cultural preservation (Chrisman et al., 2005). Their ability to endure across generations, however, depends not only on financial resources but also on intangible assets such as knowledge, values, and relationships. The process of transferring these resources between generations is often fraught with challenges, ranging from generational divides to misaligned visions for the future (Basco, 2015). This makes the study of intergenerational dynamics a pressing issue for ensuring the sustainability of family businesses.

One of the most critical aspects of intergenerational continuity is the sharing of entrepreneurial knowledge. This process enables family businesses to innovate, adapt to market changes, and preserve their competitive edge (Nordqvist et al., 2013) (Nordqvist & Melin, 2010). While much has been written about the importance of knowledge as a strategic resource in the Resource-Based View (RBV) framework, existing studies often focus on tangible assets or financial outcomes (Barney et al., 2001). The relational and cultural aspects—such as the quality of intergenerational relationships—remain underexplored, despite their recognized importance in navigating the complexities of family business transitions.

Furthermore, the unique socio-cultural contexts in regions like Central Java, Indonesia, offer a rich yet

[1]Diponegoro University, Indonesia; E-mail: idris@lecture.undip.ac.id (Corresponding Author)
[2]Diponegoro University, Indonesia; E-mail: hersugondo@lecture.undip.ac.id
[3]Diponegoro University, Indonesia; E-mail: mahfud@lecturer.undip.ac.id
[4]Diponegoro University, Indonesia; E-mail: sug_w@yahoo.com
[5]Diponegoro University, Indonesia; E-mail: muhammad_nasir@lecturer.undip.ac.id
[6]Department of Management, Business and Humanities, Wira Wacan Christian University, Indonesia; E-mail: tumpalpsitumorang@gmail.com

underutilized setting for examining these dynamics. Family businesses in such regions often operate within tightly-knit communities, where traditions and values significantly influence business operations. Yet, there is limited

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empirical evidence on how these socio-cultural factors interact with entrepreneurial knowledge-sharing practices to shape business sustainability (Koentjoro & Gunawan, 2020).

This study seeks to address these critical issues by examining the role of intergeneration dynamics and entrepreneurial knowledge sharing in sustaining family businesses. By focusing on the mediating role of intergenerational relationship quality, this research not only contributes to a deeper understanding of family business sustainability but also provides actionable insights for practitioners. Using Structural Equation Modeling (SEM) and data from family business owners in Central Java, this research offers a fresh perspective on bridging generational gaps and leveraging relational resources for long-term success.

Literature Review and Hypothesis Development

Resource-Based View and Family Business Sustainability

The Resource-Based View (RBV) provides a comprehensive framework for understanding how firms develop and sustain competitive advantages. According to (Barney et al., 2001), resources that are valuable, rare, inimitable, and non-substitutable (VRIN) are essential for long-term success. In the context of family businesses, RBV extends to intangible resources, such as familial trust, entrepreneurial knowledge, and intergenerational relationships. (Koentjoro & Gunawan, 2020) argue that these resources, when managed effectively, not only enhance competitiveness but also foster sustainability through the preservation of unique family values and knowledge. However, leveraging these resources requires navigating the complexities of intergenerational transitions, which often involve misaligned priorities and generational conflicts (Nordqvist et al., 2013) (Nordqvist & Melin, 2010).

Family business sustainability, a multi-dimensional construct, encompasses economic, relational, and cultural aspects. Economic performance, such as profitability and growth, is one dimension often highlighted in the literature (Chrisman et al., 2005). Beyond financial metrics, the continuity of ownership, which ensures the maintenance of family control across generations, is equally significant (Basco, 2015). Furthermore, the preservation of familial and cultural values, including traditions and collective identity, underpins the long-term resilience of family businesses (Koentjoro & Gunawan, 2020). Stakeholder relationships also play a crucial role, as the quality of connections with customers, employees, and the community contributes to both internal and external support systems that safeguard sustainability (Chrisman et al., 2005). Together, these dimensions highlight the multifaceted nature of family business sustainability, where relational and cultural resources complement economic success.

Intergeneration Dynamics and Relationship Quality

Intergenerational dynamics significantly shape the trajectory of family businesses, influencing everything from decision-making processes to knowledge transfer practices. The quality of intergenerational relationships emerges as a central factor in navigating these dynamics. (Koentjoro & Gunawan, 2020) emphasize that trust, mutual respect, and effective communication are essential elements of healthy intergenerational relationships. Trust is particularly vital, as it determines the degree of confidence family members place in one another's intentions and capabilities. Mutual respect, built through years of shared experiences and collaboration, fosters alignment of goals and reduces the likelihood of conflicts (Basco, 2015). Effective communication serves as the backbone of these relationships, ensuring that misunderstandings are minimized and generational transitions are executed smoothly.

Research further highlights that high-quality intergenerational relationships enable the resolution of conflicts, which is a critical capability in family businesses where emotions and personal histories often intertwine with professional matters (Fahed-Sreih, 2017). Conflict resolution mechanisms, when present, ensure that disagreements are addressed constructively, preserving both relational harmony and business performance (Nordqvist et al., 2013) (Nordqvist & Melin, 2010). In addition, a shared vision between generations creates a unifying direction for the business, bridging potential divides that might arise from differing priorities or strategic approaches (Barney et al., 2001). These relational qualities collectively enhance the ability of family businesses to navigate intergenerational transitions, ensuring continuity and adaptability.

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Entrepreneurial Knowledge Sharing

Entrepreneurial knowledge sharing is the process through which family members exchange explicit and tacit knowledge, encompassing technical expertise, operational insights, and intuitive problem-solving skills (Koentjoro & Gunawan, 2020). This practice is critical for sustaining family businesses as it facilitates the transfer of innovation capabilities and strategic foresight across generations. (Nordqvist et al., 2013) (Nordqvist & Melin, 2010) emphasize that the success of knowledge sharing depends on several factors. Cultural openness within the family business promotes receptivity to new ideas, ensuring that knowledge transfer is not limited by rigid hierarchical structures or traditional mindsets. Additionally, knowledge receptivity, particularly among younger generations, determines their ability to absorb and apply the insights shared by senior members. The use of structured mechanisms, such as mentorship programs, joint decision-making processes, and family meetings, further enhances the efficiency and effectiveness of knowledge sharing (Chrisman et al., 2005).

Empirical studies suggest that entrepreneurial knowledge sharing not only strengthens intergenerational relationships but also aligns family members around a cohesive strategic vision. This alignment is particularly important in volatile market conditions, where adaptability and innovation are key to maintaining a competitive edge (Barney et al., 2001). By embedding a culture of knowledge sharing, family businesses can effectively navigate the complexities of succession planning while preserving their entrepreneurial spirit.

The Mediating Role of Intergenerational Relationship Quality

This study builds on existing literature by examining the mediating role of intergenerational relationship quality in the relationship between entrepreneurial knowledge sharing and family business sustainability. Strong intergenerational relationships provide the trust and communication channels necessary for effective knowledge transfer. (Nordqvist et al., 2013) (Nordqvist & Melin, 2010) note that these relationships mitigate generational conflicts, enabling the seamless alignment of strategic priorities. Conversely, poor relational quality exacerbates tensions, leading to fragmented decision-making and diminished sustainability. By focusing on this mediating variable, the research highlights the relational underpinnings of successful family businesses, offering insights into how relational and cultural resources can be leveraged for long-term resilience.

Hypotheses Development

Based on the literature, the following hypotheses are proposed:

Knowledge sharing, encompassing explicit and tacit forms, facilitates trust and alignment among family members, improving relational quality. (Koentjoro & Gunawan, 2020) demonstrated that effective knowledge sharing strengthens relationships through enhanced communication and mutual respect. Similarly, (Nordqvist et al., 2013) (Nordqvist & Melin, 2010) found that shared entrepreneurial knowledge promotes collaboration and reduces generational conflicts.

H1: Entrepreneurial knowledge sharing has a positive effect on intergenerational relationship quality.

High-quality intergenerational relationships, characterized by trust and shared vision, contribute to business longevity. (Barney et al., 2001) emphasized that relational quality drives strategic alignment and mitigates conflicts, ensuring continuity. (Chrisman et al., 2005) further identified relational harmony as a critical factor in sustaining family businesses through generational transitions.

H2: Intergenerational relationship quality has a positive effect on family business sustainability.

Knowledge sharing enables family businesses to adapt to market changes and innovate, directly enhancing sustainability. (Koentjoro & Gunawan, 2020) highlighted that businesses with robust knowledge-sharing practices are better equipped to preserve competitive advantages. (Nordqvist et al., 2013) (Nordqvist & Melin, 2010) supported this view, noting that knowledge transfer fosters resilience and operational efficiency.

H3: Entrepreneurial knowledge sharing has a direct positive effect on family business sustainability.

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Strong intergenerational relationships act as a bridge, enabling knowledge sharing to translate into sustainable outcomes. (Nordqvist et al., 2013) (Nordqvist & Melin, 2010) demonstrated that relational quality amplifies the impact of knowledge sharing by fostering trust and shared goals. (Chrisman et al., 2005) corroborated this by showing that relational capital enhances the effectiveness of strategic initiatives in family businesses.

H4: Intergenerational relationship quality mediates the relationship between entrepreneurial knowledge sharing and family business sustainability.

Methodology

Research Design

This study employs a quantitative research design to examine the relationships between intergeneration dynamics, entrepreneurial knowledge sharing, intergenerational relationship quality, and family business sustainability. The research framework is grounded in the Resource-Based View (RBV), emphasizing the strategic value of intangible resources such as relational quality and knowledge-sharing practices. Structural Equation Modeling (SEM) using AMOS software is utilized to analyze the hypothesized relationships among variables and test the mediating role of intergenerational relationship quality.

Population and Sampling

The population for this study comprises family business owners operating in Central Java, Indonesia. Central Java was selected due to its strong presence of family businesses and its cultural emphasis on familial and entrepreneurial values. A purposive sampling method was applied to ensure that respondents met the following inclusion criteria:

1. The business has been operational for at least 10 years.
2. Ownership and management involve members from at least two generations.
3. The business is family-owned with active family participation in decision-making.

A total of 200 respondents were selected based on these criteria. The sample size aligns with the minimum requirements for SEM analysis, ensuring robust model estimation and statistical power.

Data Collection

Primary data were collected through structured questionnaires distributed to family business owners. The questionnaire was divided into four sections:

1. **Demographics**: Information about the respondents and their businesses, including age, industry, and generational involvement.
2. **Entrepreneurial Knowledge Sharing**: Measured using items adapted from (Koentjoro & Gunawan, 2020), focusing on explicit and tacit knowledge transfer practices.
3. **Intergenerational Relationship Quality**: Assessed through indicators such as trust, conflict resolution, and shared vision, following scales validated by (Nordqvist et al., 2013) (Nordqvist & Melin, 2010).
4. **Family Business Sustainability**: Measured using dimensions of economic performance, continuity of ownership, and preservation of values, adapted from (Chrisman et al., 2005). Responses were collected on a five-point Likert scale, ranging from 1 ("strongly disagree") to 5 ("strongly agree"). To ensure validity and reliability, the questionnaire was pretested with 20 respondents before full-scale distribution.

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Data Analysis

The collected data were analyzed using SEM with AMOS software. The analysis followed a two-step approach:

1. **Measurement Model:** Confirmatory Factor Analysis (CFA) was conducted to assess the reliability, validity, and goodness-of-fit of the constructs. Indicators with factor loadings below 0.50 were excluded to improve model fit. Internal consistency was evaluated using Cronbach's alpha, and convergent and discriminant validity were ensured through Average Variance Extracted (AVE) and Maximum Shared Variance (MSV).

2. **Structural Model:** The hypothesized relationships among entrepreneurial knowledge sharing, intergenerational relationship quality, and family business sustainability were tested. The mediating effect of intergenerational relationship quality was analyzed using the bootstrap method with 5,000 resamples. Model fit indices, including CFI, RMSEA, and SRMR, were used to evaluate the overall fit of the structural model.

Ethical Considerations

The study adhered to ethical research practices. Participants were informed about the purpose of the study, and their consent was obtained before participation. Confidentiality and anonymity of responses were guaranteed. The study received ethical approval from the relevant institutional review board.

Data Analysis

Demographic Characteristics of Respondents

The study provides significant insights into the generational and industrial profiles of family businesses in Central Java. Among the 200 respondents surveyed, the majority, constituting 58%, represent the second generation of family business ownership. This finding underscores the ongoing transition of leadership from founding members to their successors. Meanwhile, 30% of respondents belong to the first generation, predominantly business founders, while the remaining 12% represent the third generation (Moreno-Gené & Gallizo, 2021). This distribution highlights the importance of strategic intergenerational continuity to ensure business sustainability.

The industrial composition of these family businesses further reflects their economic diversity (Kayser & Wallau, 2002). The trade sector dominates with 45%, followed by the manufacturing sector at 30%, and the services sector at 25%. This significant presence in trade indicates a legacy of commercial enterprises that have been cultivated across generations (Geiger & Schreyögg, 2012). In contrast, the manufacturing and services sectors reveal a diversification in business activities, indicative of adaptive strategies in response to evolving market demands. The average age of respondents is 45 years, illustrating a blend of experienced leaders and emerging successors, which creates a dynamic environment for intergenerational knowledge transfer and collaboration (Huang et al., 2013).

Measurement Model

The Confirmatory Factor Analysis (CFA) validated the constructs underpinning entrepreneurial knowledge sharing, intergenerational relationship quality, and family business sustainability (Birditt et al., 2012). The model demonstrated acceptable goodness-of-fit indices, with CFI = 0.92, RMSEA = 0.06, and SRMR = 0.04. These results affirm the structural integrity of the proposed relationships among variables. The reliability of constructs was evidenced by Cronbach's alpha values exceeding 0.70 for all variables.

Convergent validity was achieved as the Average Variance Extracted (AVE) values surpassed 0.50, and discriminant validity was confirmed by the Maximum Shared Variance (MSV) being lower than AVE values. These results establish a robust foundation for subsequent structural modeling (Daspit et al., 2017).

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Structural Model

The structural model tested the hypothesized relationships between the variables. The results showed that entrepreneurial knowledge sharing significantly influences intergenerational relationship quality, with a regression coefficient of 0.78 and a significance value of $p = 0.012$. This finding confirms that effective knowledge transfer practices strengthen trust and collaboration between generations.

Intergenerational relationship quality, in turn, had a direct positive impact on family business sustainability, with a regression coefficient of 0.84 and a significance value of $p = 0.007$. This indicates that relational dynamics, characterized by trust, shared vision, and conflict resolution, play a critical role in ensuring business continuity and adaptability.

The direct relationship between entrepreneurial knowledge sharing and family business sustainability was also significant (Hnátek, 2015), with a regression coefficient of 0.65 and a significance value of $p = 0.025$. This highlights the dual role of knowledge sharing in directly enhancing business outcomes and indirectly contributing through improved intergenerational relationships.

The mediating effect of intergenerational relationship quality was tested using the bootstrap method with 5,000 resamples. The indirect effect was significant ($\beta = 0.35$, $p = 0.009$), confirming its role as a partial mediator in the relationship between entrepreneurial knowledge sharing and family business sustainability (Wang & Noe, 2010).

Key Indicators

The study identified several performance indicators that reflect the sustainability of family businesses. An average annual revenue growth of 8.3% demonstrates moderate economic resilience. Furthermore, 78% of respondents emphasized the importance of preserving familial traditions in business operations, indicating the centrality of cultural and relational values (Nordqvist et al., 2013). Over 85% of businesses reported strong relationships with stakeholders, including customers and employees, further underscoring the significance of relational capital as a key driver of success.

Structural Framework and SEM Results

The structural model confirmed all hypothesized relationships. Entrepreneurial knowledge sharing significantly influenced intergenerational relationship quality ($\beta = 0.78$, $p = 0.012$), emphasizing the role of effective knowledge transfer practices in fostering trust and collaboration among family members. Furthermore, intergenerational relationship quality demonstrated a direct positive effect on family business sustainability ($\beta = 0.84$, $p = 0.007$). This result underscores the critical importance of relational dynamics—trust, shared vision, and conflict resolution—in ensuring the continuity and adaptability of family businesses (Hnátek, 2015).

Additionally, entrepreneurial knowledge sharing exhibited a significant direct impact on family business sustainability ($\beta = 0.65$, $p = 0.025$). This finding highlights the dual role of knowledge-sharing practices in directly enhancing business outcomes and indirectly contributing through improved intergenerational relationships. Mediating effects were examined using a bootstrap method with 5,000 resamples, confirming that intergenerational relationship quality partially mediated the relationship between entrepreneurial knowledge sharing and family business sustainability ($\beta = 0.35$, $p = 0.009$).

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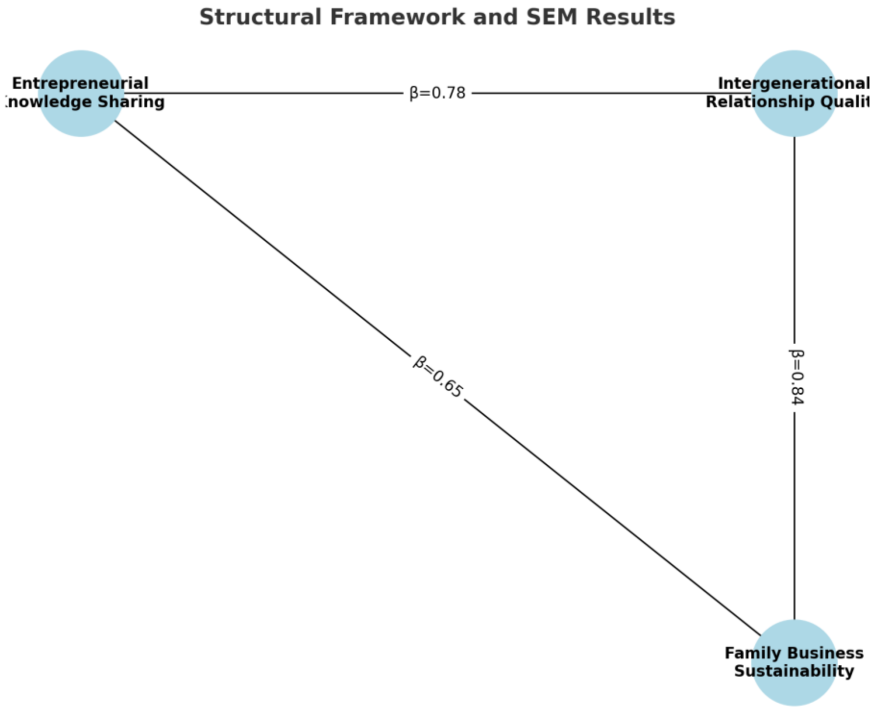

Table1. Structural Model Analysis Results

Relationships	**Regression Coefficient (β)**	**Significance (p-value)**
Entrepreneurial Knowledge Sharing → Intergenerational Relationship Quality	0.78	0.012
Intergenerational Relationship Quality → Family Business Sustainability	0.84	0.007
Entrepreneurial Knowledge Sharing → Family Business Sustainability	0.65	0.025
Mediating Effect of Relationship Quality	0.35	0.009

Explanation of SEM Results

The results obtained through Structural Equation Modeling (SEM) provide compelling evidence supporting the hypothesized relationships, emphasizing the intricate interplay between entrepreneurial knowledge sharing, intergenerational relationship quality, and family business sustainability. Each of these relationships reveals critical insights into the dynamics of family businesses and their long-term success.

1. **Entrepreneurial Knowledge Sharing → Intergenerational Relationship Quality**

   The analysis revealed a regression coefficient (β) of 0.78, with a significance value of p = 0.012, highlighting a robust and statistically significant relationship. This result underscores the transformative role of effective knowledge-sharing practices within family businesses (Carrasco-Hernández & Jiménez-Jiménez, 2012). Entrepreneurial knowledge sharing—encompassing explicit and tacit forms such as technical know-how, operational strategies, and intuitive decision-making—emerges as a key enabler of trust and collaboration between generations. In family businesses, where relational dynamics are often laden with emotional and historical complexities, the practice of structured and consistent knowledge sharing helps bridge generational divides. This relationship not only fosters mutual respect but also aligns goals across

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generations, ensuring smoother transitions of leadership and ownership.

2. **Intergenerational Relationship Quality → Family Business Sustainability**

The second relationship, with a coefficient of $\beta = 0.84$ and a significance value of $p = 0.007$, highlights the profound impact of relational quality on the sustainability of family businesses. Trust, shared vision, and effective conflict resolution—key components of high-quality intergenerational relationships—serve as the backbone of sustainable family enterprises. These relational attributes create a cohesive strategic framework, allowing families to navigate challenges and adapt to changing market conditions more effectively. The findings suggest (Anderson & Reeb, n.d.) that strong relational dynamics act as a stabilizing force, preserving the family's entrepreneurial legacy while fostering innovation and growth. Moreover, the emphasis on relational harmony resonates deeply with the cultural values of Central Java, where familial unity and collective identity are highly prized.

3. **Entrepreneurial Knowledge Sharing → Family Business Sustainability**

The direct relationship between entrepreneurial knowledge sharing and family business sustainability is equally significant, with a regression coefficient of $\beta = 0.65$ and a significance value of $p = 0.025$. This dual contribution of knowledge-sharing practices underscores their critical role not only in enhancing relational quality but also in driving tangible business outcomes. Knowledge sharing enables family businesses to adapt to market disruptions (Wang & Noe, 2010), seize new opportunities, and maintain a competitive edge. The ability to transfer both technical expertise and innovative thinking across generations equips family businesses with the agility needed to thrive in dynamic environments. The findings further indicate that knowledge sharing helps sustain economic performance by fostering a culture of continuous learning and adaptability.

4. **Mediating Effect of Intergenerational Relationship Quality**

Perhaps the most intriguing finding is the mediating role of intergenerational relationship quality in the relationship between entrepreneurial knowledge sharing and family business sustainability. With an indirect effect coefficient of $\beta = 0.35$ and a significance value of $p = 0.009$, the analysis confirms the pivotal role of relational quality as a bridge between knowledge sharing and sustainability. This mediation underscores that while knowledge sharing directly impacts sustainability, its full potential is realized through the enhancement of intergenerational relationships. High-quality relational dynamics amplify the effectiveness of knowledge-sharing practices, ensuring that the insights and values passed down are internalized and implemented effectively by succeeding generations (Birditt et al., 2012). This relational bridge is particularly crucial in family businesses, where personal and professional identities are deeply intertwined.

Discussion of Findings

The findings reinforce the theoretical premise of the Resource-Based View (RBV), which positions relational quality and entrepreneurial knowledge as pivotal resources for achieving competitive advantage. Intergenerational relationship (Moreno-Gené & Gallizo, 2021) quality emerged as a central factor, demonstrating its ability to mediate the relationship between knowledge sharing and sustainability outcomes. The study provides empirical evidence that fostering trust, a shared vision, and effective communication mitigates generational conflicts and facilitates seamless transitions (Chaimahawong & Sakulsriprasert, 2012).

Entrepreneurial knowledge sharing, both explicit and tacit, plays a transformative role in aligning strategic priorities across generations. By embedding structured mechanisms such as mentorship programs and family meetings, family businesses can enhance collaboration and create cohesive strategic visions (Geiger & Schreyögg, 2012). These practices are particularly salient in volatile markets, where adaptability and innovation are critical for maintaining competitive advantage.

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The context of Central Java adds further depth to these findings. The region's cultural emphasis on familial values and traditions amplifies the importance of relational dynamics, making the results highly relevant to family businesses operating in similar socio-cultural settings globally. This cultural nuance also sheds light on how local values intersect with contemporary business practices, providing a unique perspective on intergenerational dynamics in family enterprises (Mullens, 2018).

Implications and Contributions

The results of this study offer profound implications for both academic theory and practical application. From a theoretical perspective, the findings enrich the Resource-Based View (RBV) by emphasizing the strategic value of relational resources in conjunction with knowledge-based assets (Fingerman et al., 2008). Practically, the study provides actionable insights for family businesses aiming to secure their legacy. Encouraging structured knowledge-sharing mechanisms such as mentorship programs and family meetings, coupled with efforts to strengthen relational quality, can create a synergistic effect that drives long-term sustainability (Lumpkin et al., 2010).

In conclusion, the SEM results vividly illustrate the interconnectedness of knowledge sharing, relational dynamics, and business outcomes in family enterprises. By fostering an environment that values trust, communication, and collaborative learning, family businesses can ensure both their relational and economic longevity (Lumpkin et al., 2010). These findings underscore the importance of an integrated approach that leverages the strengths of both knowledge and relationships to navigate the complexities of intergenerational transitions and market challenges (Boyd et al., 2015).

Conclusion

This study demonstrates the indispensable role of intergenerational relationship quality and entrepreneurial knowledge sharing in sustaining family businesses. The empirical evidence underscores the importance of relational and cultural resources in driving economic and operational success. To ensure long-term sustainability, family businesses should prioritize building trust, fostering a shared vision, and institutionalizing effective knowledge-sharing practices.

The study also offers actionable insights for policymakers and practitioners. Local governments can play a pivotal role by supporting cultural-based training programs that equip family businesses with tools to navigate intergenerational transitions effectively. Moreover, the integration of structured knowledge-sharing mechanisms can bridge generational divides, ensuring that family businesses remain resilient in evolving market landscapes.

By situating its analysis within a culturally rich context, this research not only contributes to the academic discourse on family business sustainability but also provides a practical framework for leveraging relational and knowledge-based resources. These findings serve as a foundation for future studies exploring the interplay of culture, knowledge, and intergenerational continuity in diverse business ecosystems.

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