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How Succession Planning Quality and Successor Leadership Style Shape Performance in Family Healthcare Businesses

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Abstract

The succession of leadership is a most important strategic issue facing family healthcare businesses especially when founder-doctors are retiring to professional managers. The present research is aimed at investigating the impact of the quality of succession planning and successor leadership style on the organizational performance, the employee performance is a possible mediating variable, in Indonesian family clinics experiencing the first to the second generation of leadership transitions. A quantitative approach was adopted based on the Social Exchange Theory, the Resource-Based View and Transformational Leadership Theory and utilized survey data collected by the respondents in various family clinics organizations. Partial Least Squares Structural Equation Modeling (PLS-SEM) was used to analyze the data. The results indicate that the quality of succession planning plays a significant role in determining the employee performance and the performance of the organization. On the same note, successor leadership style has a lot of positive impacts on employee performance and organizational performance. Employee performance however does not have significant influence on organizational performance and as such does not mediate the relationships between independent variables and organizational performance. The research model has indicated a significant explanatory ability regarding employee performance as well as organizational performance. The results imply that in the context of family clinic succession, the quality of succession planning and the successor leadership style are direct causes of the organizational performance and do not mediate their effects via the employees. The research makes a contribution to succession and leadership literature by providing empirical findings in a developing market healthcare setting and making practical implications to family clinic proprietors on the effective management of leadership transitions.

Keywords: Succession Planning, Leadership Style, Organizational Performance, Employee Performance, Family Business, Healthcare

1. Introduction

Succession in leadership is one of the most important strategic concerns in the sustainability of an organization, especially in the case of family business. The issue of leadership succession becomes even more complicated in the context of the healthcare services industry because organizations are not only to ensure the stable operation of the organization, but also to sustain the quality of healthcare services that have a direct influence on the welfare of the population. The nature of family business in the healthcare sector presents family clinics with special

challenges in the leadership transition process particularly where it involves the transition of the founding generation (founder-doctor) to successors with professional managerial orientation. Such a transition is not only a transfer of formal power, it is also a transfer of organizational values, long-term vision, and work culture, gained over many years.

The process of leadership succession makes a core of leadership development and a critical business approach since it boosts the success of the organization in ensuring seamless transitions and sustaining the productivity levels (Kim, 2012). Companies that have well-established succession planning are usually consistent in both financial and operational performance even at times of transition which are usually prone to instability. Regarding a long-term outlook, family businesses that effectively achieve a change in leadership are more probable to be survived to the third and even to the fourth generation and this, according to literature, is only attained by a very small percentage of family businesses in the world.

The role of succession planning is also more important to effective succession planning when considered in the case of healthcare organizations, as the healthcare industry still falls behind other corporate organizations in terms of succession planning and succession retention (Blouin et al., 2006). This has led to high shortage of effective succession planning strategies and tactics, not only at the executive level, but also in the middle level. The systematic review conducted by Hermes et al. (2025) revealed that the turnover of CEO in a hospital is a particularly common and serious organizational event, the predictors of CEO turnover and its outcomes are not well comprehended. According to their research results, the turnover of CEO may lead to a short-term loss of finance and a high probability of organisational failure especially when the turnover is unexpected or unplanned.

The lack of leadership style compatibility between the first and the second generations is one of the main problems of succession within family clinics where the first generation, which is usually comprised of doctors or founders, is unsuitable to the professional managers who have a professional orientation towards their leadership. The founding generation that has a clinical background is more likely to use leadership styles that are grounded in medical experience, practical experience as well as close personal relationship with the patient and employees. Conversely, the next generation of successors who have undergone formal education in management is more likely to use more formalized, systemic and data-driven practices. According to Ganesan et al. (2025), the development of leadership is a key element of increasing the sustainability of healthcare organizations in the long term and their efficiency. Despite the Leadership Pipeline Model being an effective tool in increasing workforce engagement, succession planning, and the overall quality of healthcare services, it has certain barriers to implementation, including the lack of training support, lack of compatibility with clinical expertise, and resistance to change.

This is an area that cannot be neglected in the study of leadership transition due to the role of the succession process in the stability of the organization and performance of the employees. As the most prized asset in the healthcare service organizations, employees can be extremely sensitive to leadership changes and react to these changes in different ways influencing their performance. Within the family clinic setting, uncertainty among employees due to the poor planning of the succession process may lead to a decline in the motivation to work, commitment to the organization, and, consequently, the performance of the employees (Thomas et al., 2025). Hermes et al. (2025) postulate that early and orderly succession planning is essential in hospitals where CEOs have a high probability of leaving office to raise the level of leadership stability, lower recruitment expenses, and organizational resilience.

Past studies reveal that the succession of leadership has complicated and diversified effects on healthcare institutions, but a gap exists in the specific effects of succession process on employee performance and organizational performance of family clinics in Indonesia. Much of the available literature is on the large hospitals or healthcare organizations in developed nations, and little has been done on the specifics of family clinics as family businesses in the Indonesian cultural environment. On this gap, the current study will examine how succession planning quality and successor leadership style affect the performance of organizations by using employee performance as an intermediary variable in family clinics in Indonesia where the first generation to the second generation leadership transition occurs.

2. Literature Review

2.1 Theoretical Foundation

The three theoretical perspectives in this study can explain the relationship between succession planning quality, successor leadership style, performance of employees, and performance of an organization. According to Social Exchange Theory (Blau, 1964), social interactions are founded on the principles of reciprocity where people build relationships under the hope of receiving back with time. With systematic succession planning and effective leadership by the organizations, the employees will have a sense that the organization is committed to stability and growth and develop an obligation to respond with increased performance. The high-quality succession planning and leadership capabilities are placed in the Resource-Based View Theory (Barney, 1991) as the sources of the sustainable competitive advantage. Companies that own such beneficial, scarce and hard to imitate resources are able to continue achieving high performance even when the leadership is changed. The Transformational Leadership Theory (Bass, 1985) describes how leaders with idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration are able to boost the motivation and performance of the followers beyond normal expectations, which is of crucial importance in the case of succession transitions when employees experience uncertainty and organizational change.

2.2 Succession Planning Quality

Succession planning is an organised exercise towards providing continuity in leadership in strategic roles, retaining and nurturing intellectual capital and promoting individual growth (Rothwell, 2010). Successful succession planning is high-quality, which is defined by organized planning systems, successor preparation and training, knowledge transfer systems, and communication with the stakeholders (Kim, 2012). Succession planning acquires new significance in the healthcare context, where healthcare services are of vital importance, and the leadership requirements are challenging. Studies have established that in the past healthcare organizations have been and continue to be left behind in terms of systemic succession planning and this leads to leadership turnover and organizational changes that are unstable (Blouin et al., 2006). Hermes et al. (2025) discovered that systematic succession planning plays an important role in enhancing stability in leadership, cutting back on the expenses upheld in theory of recruiting new personnel, and securing the financial stability of the medical organization.

2.3 Successor Leadership Style

Leadership style is the peculiar patterns of behaviors and influence strategies that leaders use in the process of managing organizational actions in order to achieve goals. Transformational leadership whose idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration have been identified to be of relevance especially in healthcare settings has become especially relevant in the view of the knowledge based nature of healthcare organizations and the professional nature of the workforce in healthcare organizations (Bass and Riggio, 2006). The issue of successor leadership style is critical in the context of succession as the new leader should develop credibility, build trust, and inspire employees in the transition of uncertainty. The medical literature has always demonstrated that transformational leadership positively influences employee satisfaction, burnout, patient outcomes, and the performance of the organization (Ganesan et al., 2025; Thomas et al., 2025).

2.4 Employee Performance

Organizational performance describes how well an organization can accomplish strategic goals, effectively manage its resources and generate sustainable value in the financial, operation, service quality and strategic dimensions (Kaplan and Norton, 1992). Organizational performance is especially relevant in a succession setting because leadership transitions may increase or decrease organizational performance. Studies have always shown that the succession activities cause the volatility in performance, and the magnitude and the period of disruption are highly dependent on the quality of succession planning and the effectiveness of successors to lead the organization (Kim, 2012; Haveman et al., 2001).

2.5 Employee Performance

There are the task performance, adaptive performance, employee engagement as well as retention of employees (Borman and Motowidlo, 1993; Pulakos et al., 2000). In the context of succession, performance is not only based upon individual performance, but also based on the reaction that employees show towards a new leadership and how well they adapt to the dynamism of the organisation. It has been shown that properly run succession practices sustain or improve the performance of the employees by removing uncertainty and giving them a sense of direction within the organization and poorly operated successions will lead to employee performance deterioration through anxiety, confusion and lack of motivation (Thomas et al., 2025).

2.6 Hypothesis Development

Based on the theoretical framework and literature analysed, this paper suggests a combined conceptual framework of analysing the relationship between the succession planning quality and successor leadership style, employee performance and organizational performance. The framework assumes that a quality of succession planning and a style of successor leadership can affect organizational performance in two ways, both as a direct strategic resource, and indirectly as a result of its influence on employee performance. The proposed conceptual framework is shown in Figure 1.

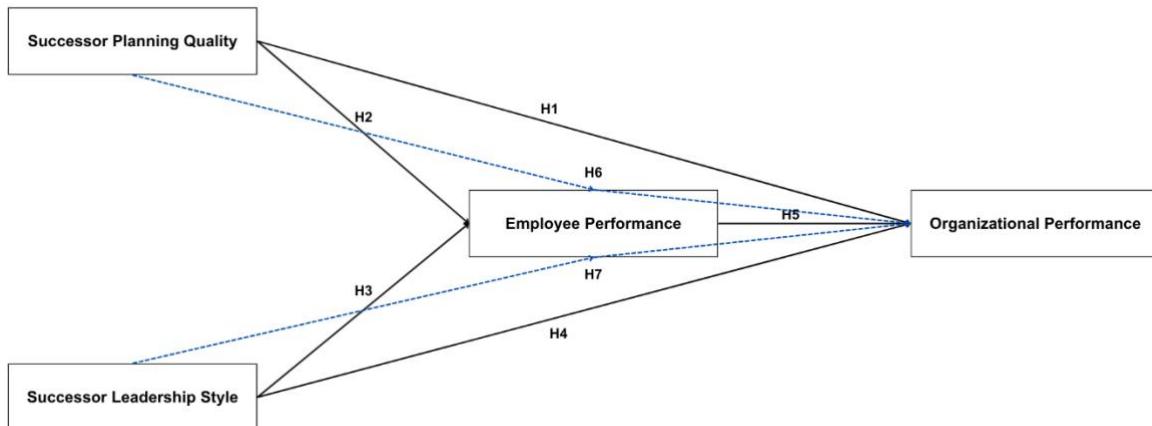


Figure 1: Conceptual Framework

According to the Resource-Based View Theory, the high-quality succession planning serves as a strategic capability that directly leads to organizational performance by guaranteeing leadership continuity and organizational knowledge retention. This correlation is supported by the existing literature because mature organizations in terms of succession planning record positive financial and operational results (Kim, 2012; Hermes et al., 2025). Thus:

H1: Succession planning quality has a positive effect on organizational performance.

According to Social Exchange Theory, when an organization invests in succession planning, employees develop a sense of stability and support that initiates the development of reciprocity in the form of increased performance. Studies have indicated that successful succession planning helps to minimize uncertainty in employees and increase engagement in the process (Desarno et al., 2020). Thus:

H2: Succession planning quality has a positive effect on employee performance.

Transformational Leadership Theory assumes that transformational leaders with transformational practices attain high organizational performance through motivation and organizational culture. Healthcare studies prove that transformational leadership has positive correlations with organizational performance (Alshammari et al., 2024; Ganesan et al., 2025). Thus:

H3: Successor leadership style has a positive effect on organizational performance.

Transformational leadership promotes the performance of employees by motivating, supporting them individually and by offering intellectual stimulation. The obtained extensive research shows that transformational leadership has strong positive correlations with employee performance in healthcare environments (Alshaabani et al., 2021; Durowade et al., 2020). Thus:

H4: Successor leadership style has a positive effect on employee performance.

Employee performance is a very important mechanism which connects organizational practices and organizational outcomes. Organizations record high financial, operation, and service quality outcomes when employees are doing well (Thomas et al., 2025). Thus:

H5: Employee performance has a positive effect on organizational performance.

According to the Social Exchange Theory, the relationship between succession planning quality and successor leadership style and organizational performance may come through the performance of employees as a mediating variable. The organizational investments on planning and leadership have an effect on the employees in attitudes and behaviour which in turn results to organizational outcomes. Thus:

H6: Employee performance mediates the relationship between succession planning quality and organizational performance.

H7: Employee performance mediates the relationship between successor leadership style and organizational performance.

3. Methods

The given research has a quantitative approach and explanatory research design to discuss the causal relationships between the quality of succession planning, successor leadership style, employee performance, and organizational performance. A cross-sectional survey was done to gather information about family clinics that experienced a first-to-second generation leadership change in Indonesia. The design allows testing numerically a set of hypotheses derived theoretically using statistical methods.

The sample population consists of family-owned healthcare clinics in Indonesia in the transition of first-to-second generation leadership. To meet the criteria the eligible clinics have to address the following items: (1) the leadership has to shift to the second-generation leadership, (2) the clinic must have a minimum of 10 staff members, (3) the successor leaders and employees must be willing to be included in the research. A combination of purposive and snowball sampling was used as non-probability sampling, which created the final sample of 200 respondents from various family clinic organizations.

Structured questionnaires were used to collect primary data to minimize the occurrence of common method bias by adopting a multi-source strategy that required the use of successor leaders who rated the quality of succession planning and organizational performance as well as the employees who rated the successor leadership style and rated their performance. All measures were performed with the help of the established scales that applied a 5-point Likert scale starting with 1 (strongly disagree), up to 5 (strongly agree). Table 1 shows the definition and source of measurement of each variable.

Table 1: Operationalization of Variables

Variable	Operational Definition	Dimensions	Items	Source
Succession Planning Quality	The extent to which the organization has implemented systematic, comprehensive, and effective processes for identifying, developing, and transitioning leadership from founder to successor	Systematic planning, successor readiness, knowledge transfer, stakeholder communication	8	Kim (2012); Rothwell (2010)

Variable	Operational Definition	Dimensions	Items	Source
Successor Leadership Style	The characteristic patterns of transformational leadership behaviors demonstrated by the successor leader in guiding and influencing employees during the succession transition	Idealized influence, inspirational motivation, intellectual stimulation, individualized consideration	12	Bass & Avolio (1995)
Employee Performance	The degree to which employees effectively fulfill job responsibilities, adapt to organizational changes, demonstrate work engagement, and maintain commitment to the organization during succession transition	Task performance, adaptive performance, employee engagement, retention	8	Williams & Anderson (1991); Pulakos et al. (2000); Schaufeli et al. (2006)
Organizational Performance	The extent to which the family clinic achieves desired outcomes across financial, operational, service quality, and strategic dimensions during and after succession transition	Financial performance, operational performance, service quality performance, strategic performance	8	Kim (2012); Kaplan & Norton (1992)

The analysis of the data was done with the help of Partial Least Squares Structural Equation Modeling (PLS-SEM) and SmartPLS 4.0. The measurement model was considered using factor loading and Average Variance Extracted (AVE) to evaluate convergent validity, Heterotrait-Monotrait (HTMT) ratio and Fornell-Larcker criterion to evaluate discriminant validity, and Cronbachs Alpha and Composite Reliability to evaluate reliability. The structural model was evaluated by examining the coefficient of determination (R^2), path coefficients significance through bootstrapping with 5,000 subsamples, and mediation effects, where hypotheses were supported when path coefficients demonstrated statistical significance at $p < 0.05$.

4. Results

4.1 Respondent Demographics

Two hundred valid responses were gathered among the workers in various family clinic organizations that were experiencing the first to second generation leadership succession in Indonesia. Table 2 will show the demographics of the respondents and the organizational profiles.

Table 2: Respondent Demographics

Characteristic	Category	Frequency	Percentage
Age	18-30 years	55	27.5%
	31-40 years	68	34.0%
	41-50 years	67	33.5%
	≥ 50 years	10	5.0%
Gender	Male	101	50.5%
	Female	99	49.5%
Education	High School/Diploma	57	28.5%
	Bachelor	84	42.0%
	Professional/Master/Doctoral	59	29.5%
Position	Doctor	42	21.0%
	Administration	60	30.0%
	Pharmacy	35	17.5%

Characteristic	Category	Frequency	Percentage
	Laboratory	30	15.0%
	Others	33	16.5%
Work Tenure	<5 years	76	38.0%
	6-9 years	85	42.5%
	≥10 years	39	19.5%
Clinic Revenue (Monthly)	<250 million IDR	30	15.0%
	250-499 million IDR	120	60.0%
	≥500 million IDR	50	25.0%

The demographic picture shows that there were equal genders with the males constituting 50.5% and the females 49.5 percent. Most of the respondents are at their productive age of 31-50 years (67.5%), which indicates mid-career professionals with considerable organization experience that is pertinent in evaluating the dynamics of succession. Regarding the level of education the biggest percentage of 42.0% has Bachelor, then Professional/Master/Doctoral (29.5%) and High School/Diploma (28.5%) meaning that there is a well-educated workforce that can make informed reviews on the quality of leadership and the organization practices.

The position breakdown is varied with the largest proportion of administration staff (30.0%), doctors (21.0%), pharmacy (17.5%), lab (15.0%) and other support functions (16.5%). About the work tenure, most of the respondents have worked over five years (62.0%), with the highest percentage of 6-9 years (42.5%). Such long organizational experience is especially important since these employees have enough experience to observe and evaluate the succession processes and differentiate between leadership styles of founders and successors. When it comes to organizational profile, most of the clinics make monthly revenue of 250-499 million IDR (60.0%), which shows the average-sized family healthcare businesses that are characteristic of the healthcare environment in Indonesia.

4.2 Measurement Model Evaluation

Evaluation of measurement model was done to measure convergent validity, discriminant validity, and reliability to make certain that measurement instruments sufficiently measure intended constructs before testing structural relationships. This is an important assessment given that the results of structural model can only be significant when they are founded on sound and valid measurement (Hair et al., 2017). Convergent validity focuses on whether indicators of the same construct have common substantial proportion of variance, discriminant on the other hand evaluates whether or not constructs are empirically dissimilar, and reliability evaluates whether indicators of the same construct yield consistent results.

Factor loading and Average Variance Extracted (AVE) were used to determine convergent validity, which the factor loadings must be greater than 0.70 and the AVE value must be not less than 0.50 (Hair et al., 2017). The indicators, as shown in Table 3, show a factor loading of above the minimum, as shown in the values of 0.794 to 0.877. The quality of Succession Planning has the highest factor loadings on average with the highest loading of SPQ5 being 0.877. All four constructs have an AVE that is above 0.50 with Succession Planning Quality showing the best AVE (0.697) as compared to other constructs such as Employee Performance (0.680), Organizational Performance (0.668), and Successor Leadership Style (0.652). These findings establish a reasonable level of convergent validity of all constructs.

Table 3: Convergent Validity Results

Variable	Indicator	Factor Loading	AVE
Succession Planning Quality (SPQ)	SPQ1	0.854	0.697
	SPQ2	0.832	
	SPQ3	0.815	
	SPQ4	0.844	
	SPQ5	0.877	

Variable	Indicator	Factor Loading	AVE
	SPQ6	0.807	
	SPQ7	0.832	
	SPQ8	0.816	
Successor Leadership Style (SLS)	SLS1	0.806	0.652
	SLS2	0.800	
	SLS3	0.801	
	SLS4	0.802	
	SLS5	0.847	
	SLS6	0.809	
	SLS7	0.796	
	SLS8	0.810	
	SLS9	0.803	
	SLS10	0.800	
	SLS11	0.820	
	SLS12	0.794	
Employee Performance (EP)	EP1	0.843	0.680
	EP2	0.824	
	EP3	0.804	
	EP4	0.827	
	EP5	0.841	
	EP6	0.828	
	EP7	0.833	
	EP8	0.798	
Organizational Performance (OP)	OP1	0.799	0.668
	OP2	0.809	
	OP3	0.851	
	OP4	0.792	
	OP5	0.821	
	OP6	0.824	
	OP7	0.796	
	OP8	0.844	

Heterotrait-Monotrait (HTMT) ratio and Fornell-Larcker were used to assess discriminant validity. The ratio of HTMT compares between-trait correlations to within-trait correlations and values lower than 0.85 represent sufficient discriminant validity (Henseler et al., 2015). Table 4 illustrates that all the HTMT ratios are below the conservative value of 0.85 with a range of 0.730 to 0.837, which confirms that all construct pairings show adequate differentiation among themselves.

Table 4: Heterotrait-Monotrait (HTMT) Ratio

	EP	OP	SLS	SPQ
Employee Performance (EP)				
Organizational Performance (OP)	0.730			
Successor Leadership Style (SLS)	0.757	0.817		
Succession Planning Quality (SPQ)	0.786	0.837	0.763	

Fornell-Larcker criterion is that the square root of AVE of each construct should be greater than the correlation it has with all the other constructs (Fornell and Larcker, 1981). As seen in Table 5, all the constructs show square roots of AVE, which are higher than their correlations to the other constructs. The square root of AVE of the Employee Performance is 0.825, which is higher than with the Organizational Performance (0.683), Successor

Leadership Style (0.718), and Succession Planning Quality (0.742). These findings provide sufficient discriminant validity of the measurement model.

Table 5: Fornell-Larcker Criterion

	EP	OP	SLS	SPQ
Employee Performance (EP)	0.825			
Organizational Performance (OP)	0.683	0.817		
Successor Leadership Style (SLS)	0.718	0.771	0.807	
Succession Planning Quality (SPQ)	0.742	0.784	0.724	0.835

Note: Diagonal values in bold represent the square root of AVE for each construct

The reliability was tested using Cronbach Alpha and Composite Reliability with a score of 0.70 and above accepted as acceptable reliability (Hair et al., 2017). Table 6 demonstrates a high internal consistency of all constructs with the values of all constructs being larger than the 0.90 mark. The highest reliability is shown by Successor Leadership Style with the Cronbachs Alpha 0.951 and Composites Reliability rho c 0.957 which is remarkable by the fact that the number of indicators included in this construct is the largest (12 items). Consistency of all the measures of reliability shows that the measurement is stable and robust which corroborates the quality of the measurement model to further strict structural model analysis.

Table 6: Reliability Results

Variable		Cronbach's Alpha	Composite (rho_a)	Reliability	Composite (rho_c)	Reliability
Succession Planning Quality	Planning	0.938	0.940		0.948	
Successor Leadership Style	Leadership	0.951	0.952		0.957	
Employee Performance		0.933	0.934		0.945	
Organizational Performance		0.929	0.930		0.941	

4.3 Structural Model Evaluation

Structural model was tested after ensuring that there was sufficient quality of measurement model in the study to test the hypothesis looking at the relationship between constructs. In this analysis, the coefficient of determination (R^2) to determine the explanatory power of a model and path coefficients significance to test hypotheses have been evaluated. The structural model evaluation gives an understanding of the ability of the theoretical model to define the variance of the endogenous variables and the accomplishment of the hypothesized relationships.

The coefficient of determination (R^2) shows the percentage of variance in endogenous constructs explained by their predictors. Hair et al. (2017) explain that a 0.75, 0.50 and 0.25 R^2 value is strong, moderate, and weak explanatory power respectively in PLS-SEM research. The research model as it is discussed in Table 7 shows that both endogenous constructs have a high explanatory power. The R^2 of Employee Performance is 0.619, which implies that Succession Planning Quality and Successor Leadership Style jointly predict a value of about 61.9% of the variation in Employee Performance. This implies that the quality of succession planning processes and leadership behaviors exhibited by successors play an important role in the performance of employees in case of succession transitions, whereas the rest 38.1% is credited to other unspecified factors outside of the scope of this model. Organizational Performance reveals a greater R^2 value of 0.703, which shows that Succession Planning Quality, Successor Leadership Style, and Employee Performance all of the Succession Planning Quality, Successor Leadership Style, and Employee Performance are used to explain the variance of 70.3% in Organizational Performance. Such a large explanatory power is indicative of the fact that the research model successfully explains the major component factors that affect organizational performance in unfolding leadership succession in family clinics.

Table 7: Coefficient of Determination (R^2)

Endogenous Variable	R ²	R ² Adjusted
Employee Performance	0.619	0.615
Organizational Performance	0.703	0.699

Bootstrapping procedures were used to calculate the significance of path coefficients by applying 5,000 subsamples to test the hypothesis. The critical t -value of a two-tailed t-test at = 0.05 is 1.96, i.e., path coefficients with t -values greater than 1.96 or p -values less than 0.05 are statistically significant. The test results of the hypothesis (direct effects and indirect effects) of the mediation analysis are given in Table 8.

Table 8: Hypothesis Testing Results

Hypothesis	Path	Path Coefficient	T-value	P-value	Result
H1	SPQ → OP	0.445	5.008	0.000	Supported
H2	SPQ → EP	0.467	5.470	0.000	Supported
H3	SLS → EP	0.380	4.162	0.000	Supported
H4	SLS → OP	0.403	5.014	0.000	Supported
H5	EP → OP	0.064	0.871	0.384	Not Supported
H6	SPQ → EP → OP	0.030	0.854	0.393	Not Supported
H7	SLS → EP → OP	0.024	0.772	0.440	Not Supported

Note: SPQ = Succession Planning Quality; SLS = Successor Leadership Style; EP = Employee Performance; OP = Organizational Performance

The results reveal that four out of seven hypotheses are supported. Hypothesis 1, which proposes that Succession Planning Quality has a positive effect on Organizational Performance, is supported ($\beta = 0.445$, $p < 0.001$). This indicates that higher quality succession planning processes directly contribute to better organizational performance in family clinics undergoing leadership transition. Hypothesis 2, proposing that Succession Planning Quality has a positive effect on Employee Performance, is also supported ($\beta = 0.467$, $p < 0.001$). This represents the strongest path coefficient in the model, suggesting that well-designed succession planning processes significantly enhance employee performance by providing clarity, reducing uncertainty, and demonstrating organizational commitment to smooth leadership transitions.

Hypothesis 3, which posits that Successor Leadership Style has a positive effect on Employee Performance, is supported ($\beta = 0.380$, $p < 0.001$). This indicates that successors who demonstrate transformational leadership behaviors positively influence employee performance during the transition period. Hypothesis 4, proposing that Successor Leadership Style has a positive effect on Organizational Performance, is also supported ($\beta = 0.403$, $p < 0.001$). This finding confirms that transformational leadership behaviors demonstrated by successors directly contribute to organizational performance outcomes during succession transitions.

However, Hypothesis 5, which proposes that Employee Performance has a positive effect on Organizational Performance, is not supported ($\beta = 0.064$, $p = 0.384$). Despite the positive direction of the coefficient, the relationship is not statistically significant, suggesting that in the context of family clinic succession, the direct influence of employee performance on organizational performance is minimal when accounting for the direct effects of succession planning quality and successor leadership style. Consequently, the mediation hypotheses are also not supported. Hypothesis 6, proposing that Employee Performance mediates the relationship between Succession Planning Quality and Organizational Performance, is not supported ($\beta = 0.030$, $p = 0.393$). Similarly, Hypothesis 7, proposing that Employee Performance mediates the relationship between Successor Leadership Style and Organizational Performance, is not supported ($\beta = 0.024$, $p = 0.440$). These results indicate that the effects of Succession Planning Quality and Successor Leadership Style on Organizational Performance operate primarily through direct pathways rather than through the indirect mechanism of Employee Performance.

5. Discussion

This study has explored how the quality of succession planning and the leadership style of the successor affects the organizational performance using the employee performance as a mediating variable in the case of family clinics in Indonesia that undergo first-to-second generation leadership transitions. The results offer valuable theoretical and practical implications on the effect of succession planning and leadership factors on performance outcomes of leadership change in family healthcare businesses.

The fact that the quality of succession planning has a considerable and positive contribution to organizational performance supports the hypotheses of the Resource-Based View Theory, which makes high-quality succession planning a strategic organizational resource that creates sustainable competitive advantage. The result is in line with Kim (2012), who revealed that organizations that have a better foundation of succession planning are better placed to sustain operating conditions and bottom-line performances to give competitive advantages in the healthcare markets. It is also consistent with the outcome of Hermes et al. (2025) who concluded that systematic succession planning is essential in enhancing leadership stability, minimizing recruitment expenditures, and resilience of the organization in healthcare institutions. When dealing with family clinics, the quality of succession planning becomes primary due to the necessity to retain the quality of the service, patient trust, and economic performance after changing the leadership styles of the founder-doctor and professional managers.

The positive correlation between the quality of succession planning and employee performance is significant enough to give the Social Exchange Theory much support since, under the assumption that the organizations invest in the quality of systematic succession planning, the employees are convinced that the organization is interested in the stability of the leadership and in the opportunity to grow their careers and develop, which makes them feel obliged to return the favor by exerting more effort and performance in the work. This result aligns with that of Desarno et al. (2020), who detected that succession planning leads to employee engagement and employee retention due to competent career management, which maximizes the needs and aspirations of employees. The outcome is also contrary to Thomas et al. (2025), who proved that incomprehensive succession and inefficient transition management led to employee demotivation, turnover, and lack of engagement. The existing research is the flip-side of this interaction, indicating that a well-designed succession planning improves and, instead of degrading, employee performance through a reduction in uncertainty and the lack of organizational orientation in the periods of transition.

The propositions of the Transformational Leadership Theory are supported by the positive and significant impact of the successor leadership style on the organizational performance, which, in turn, proves the relevance of the effective leadership in the context of healthcare succession. This outcome is consistent with Alshammari et al. (2024) who discovered that transformational nursing leadership can help healthcare organizations in terms of resources management, quality of care, and sustainability. The outcome also backs up Ganesan et al. (2025), who demonstrated that the effectiveness of leadership using systematic development of leadership programs leads to the improvement of the performance of organizations in a healthcare context. Successors with transformational leadership can also effectively convey powerful visions relating the past with the future, engage employees in change procedures to minimize resistance, and continue to provide quality services through the transition periods, which is relevant in the context of family clinic succession.

The observation that successor leadership style has a positive and significant impact on employee performance is not new given the vast previous research on transformational leadership in healthcare establishments. This finding will confirm Alshaabani et al. (2021), who concluded that transformational leadership has a positive impact on the performance of healthcare professionals and administrative personnel irrespective of their exact roles. The result is also consistent with that of Durowade et al. (2020), who revealed that the transformational leadership type exhibited the greatest impact on job satisfaction compared to other leadership styles, and the transformational strategies motivated health workers to offer improved healthcare services. Equally, this finding is similar to that of Wong et al. (2013), who demonstrated that transformational leadership is associated with job satisfaction and patient safety outcomes among nurses due to structural empowerment. Successors in the family clinic setting are better in preserving and improving performance of employees in the tough transition period; they do so by offering

a personalized coaching and support, promoting creative thinking, and instilling excitement over organizational objectives.

The impact of employee performance on organizational performance was unstatistically significant, which was not expected based on the theoretical assumptions, and it is also an unexpected finding that should be interpreted with a great deal of attention. This finding is contrary to those of Thomas et al. (2025), who established that staff demotivation and disengagement were detrimental to health system performance, and Alshaabani et al. (2021), who revealed that employee performance mediates the correlation between transformational leadership and organizational performance. This finding can be explained by a number of reasons. First, when considering family clinic succession, the quality and successor leadership style of succession planning may have such a powerful impact on the organization performance that the indirect route through employee performance is not noticeable. Second, the particular environment of family clinics that experience first to second generation succession could have its own dynamics whereby organizational performance is more directly influenced by the factors of leadership and planning in comparison with the aggregated performance of employees. In a shift of succession, the strategic choices of new personnel and the success of the process of transition can have a greater impact on the organizational performance measures in comparison to the changes in the performance levels of individual employees in an incremental manner.

The results that the performance of employees does not play a significant role in mediating the relationship between succession planning quality and organization performance and successor leadership style and organization performance are problematic to the traditional theory that succession and leadership variables can determine the success of organizations. The implication of these findings is that in family clinic succession settings, the impact of the quality of succession planning and the style of leadership successor on organizational performance follow mainly direct routes instead of acting through employees. This observation is contrary to the theoretical expectation of the Social Exchange Theory that indicates that such organizational investments as succession planning and effective leadership must have an effect on the performance of organizations due to their impact on the attitudes and behavior of the employees. Nevertheless, the findings are not completely contrary to the previous studies, with Haveman et al. (2001) discovering that leadership change and changes in organizational domains directly influence the following performance, and it is not always essential to consider the mechanisms of change at an employee level. The lack of large mediation effects could indicate the peculiarities of the family clinic succession when the organization performance in the period of transition can be more directly influenced by such aspects as the preservation of relationships between the founder and the key patients, preservation of clinical reputation, the continuity of the operational systems, and trust of the external stakeholders.

6. Conclusion

This study has investigated the relationship between the quality of succession planning and the style of successor leadership and the performance of an organization using employee performance as a mediating factor in familial clinic organizations that have undergone first to second generations leadership transition in Indonesia. The results demonstrate that the quality of succession planning has a significant and positive impact on the organizational performance and employee performance, which proves the strategic role of the systematic succession procedures in the family healthcare companies. Similarly, the style of successor leadership proves to have a strong positive influence on the organizational performance, and employee performance, which confirms the applicability of the transformational leadership behaviors within the succession transition. Nonetheless, the employee performance does not have a significant influence on the organizational performance and, therefore, does not mediate the relationships between the independent variables and the organizational performance. These results imply that the quality of succession planning and the leadership style of the successor have direct relationships with the organizational performance in the presence of a succession context in the family clinic instead of acting on the paths mediated by employees.

The research gives value to succession planning and leadership literature because it indicates that these two variables are strategic organizational capabilities that have a direct impact on organizational performance in family healthcare business environments. These results would suggest that the theoretical direction in which employee-

level factors mediate the effects of succession to family clinic facilities might not be applicable in conventional Social Exchange Theory applications. In practice, the focus of investment in high quality succession planning procedures and building transformational leadership skills in successors should be among the strategic initiatives by the family clinic owners, which has direct performance consequences. Idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration should be focused in successor development programs to achieve effective leadership in the course of transitions.

There are a number of limitations that should be considered. The study is limited to the Indonesian family clinics that experience the first-second generation succession, which restricts the extrapolation of the findings to the other situations. The cross-sectional design will only take the impressions at one point in transitions and it may fail to capture the long-term effects. Longitudinal designs should be used in the future to determine how these relationships change across various succession stages, explore other potential mediating variables like stakeholder trust and reputation of the organization, and carry out comparative studies on various industries and cultures to better understand the boundary conditions of the results.

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Data Availability Statement: The data supporting this study are derived from survey responses collected from family clinic employees and successor leaders in Indonesia. Due to confidentiality agreements and the sensitive nature of succession-related information, raw survey data cannot be publicly available. Anonymized analytical data and aggregated results are available from the corresponding author upon reasonable request.

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