“Impact of Financial Management on Perceived Succession Success of Family Businesses”

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DECLARATION

I hereby confirm that this thesis represents my research work to the best of my knowledge and that I have not used any other sources than those acknowledged. Any portion quoted from other sources is sufficiently referred to. This thesis has not been submitted to any other program at any other university.

Ibrahim Albkhetan

11 May 2025

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DEDICATION

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ABSTRACT

This thesis examines the factors that influence perceived succession success in family-owned small businesses (F-OSBs), with a focus on the roles of financial management capabilities, financial heuristics, financial literacy, and fintech usage. Recognizing that family control over financial matters can lead to conflicts of interest and jeopardize financial stability, the study examines how financial management capabilities (audit, fraud, risk, and working capital management) impact succession outcomes, with fintech serving as a moderating mechanism to reduce familial influence and enhance longevity. Primary data were collected from successors in Malaysian F-OSBs, typically in chair or director roles, and analysed using Partial Least Squares Structural Equation Modelling (PLS-SEM). Findings indicate that audit and risk management positively impact perceived succession success, particularly with fintech support, while fraud and working capital management show mixed results. The study also explores financial heuristics—anchoring, herd bias, mental accounting, and risk aversion—revealing that while some biases positively correlate with perceived succession success, risk aversion negatively influences it. Financial literacy moderates specific heuristics, notably enhancing the influence of herd bias and risk aversion on succession. Additionally, financial socialization, mediated by financial literacy and fintech usage, plays a significant role in perceived succession success, especially for risk-averse successors who enhance financial literacy but are less inclined to adopt fintech. These findings highlight the importance of financial management skills, financial literacy, and selective fintech integration in achieving successful succession in Malaysian F-OSBs. These provide insights for families to tailor strategies that ensure business continuity across generations. This study is situated in the rich and diverse context of Malaysia, offering a distinctive and valuable lens through which to examine the phenomena under investigation.

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F-OSBS	Family-Owned Small Business
DCVT	Dynamic Capability View Theory
SME	Small Medium Enterprises
ANOVA	Analysis of Variance
VIF	Variance Inflation Factor

CHAPTER1: INTRODUCTION

1.1.OVERVIEW

Family-owned small businesses (F-OSBs) are essential contributors to global economies, significantly enhancing gross domestic product and employment while fostering intergenerational wealth (Birdthistle and Hales, 2023). However, despite their economic importance lies a paradox: these businesses face staggering mortality rates during succession transitions. Nguyen et al. (2025) revealed that only 30 percent survive into the second generation, 10 percent into the third generation, and fewer than 3 percent into the fourth generation. These recurring patterns raise a fundamental question with profound implications for economic stability: Why do some F-OSBs successfully transition while others fail to do so? The answer lies within a complex web of interrelated factors where family dynamics, financial decision-making capabilities, and adaptability to evolving business environments intersect.

At the core of this succession challenge is financial management, which is widely recognized as the backbone of business sustainability yet is frequently compromised in F-OSB contexts (Baltazar et al., 2023). F-OSBs frequently operate with inadequate financial management capabilities stemming from limited financial literacy and heavy reliance on informal, traditional bound practices (Al-Shami et al., 2024). This financial vulnerability becomes particularly acute during the succession period when decision-making processes are further complicated by financial heuristics—cognitive shortcuts that frequently lead to systematic biases and suboptimal outcomes (Jain et al., 2023). For instance, descendant entrepreneurs commonly anchor decisions on outdated financial strategies or exhibit excessive risk aversion, which results in missed market opportunities and eventual financial instability (Fossen et al., 2024). These financial cognition challenges undermine the rational decision-making capabilities essential for successfully navigating succession transitions across generations.

The transformation mechanism for these financial practices, like financial socialisation, plays a pivotal role in either perpetuating weaknesses or building strengths across generations. Within F-OSBs, this process shapes the financial competence of future leaders through formal and informal knowledge transfer (Bika et al., 2019). However, when inherited financial knowledge fails to align with contemporary economic realities and modern financial strategies, successor entrepreneurs enter leadership positions fundamentally underprepared (Ahmed et al., 2021). serves as the critical bridge between traditional knowledge and modern requirements, equipping emerging leaders with analytical skills to adapt inherited wisdom to current market conditions. High levels of financial literacy foster more sophisticated resource management and strategic decision-making, which may enhance the chances of a successful succession transition (Graña-Alvarez et al., 2024).

Fintech integration provides powerful and innovative tools to overcome entrenched financial management limitations. These innovations provide F-OSBs with tools to improve process transparency and systematically mitigate succession-related risks. By enabling businesses to transcend traditional practices and adopt efficient, tech-driven methodologies essential for navigating the complexities of succession planning (Bhattacharjee et al., 2024). Nevertheless, adopting these technologies frequently encounters resistance within F-OSBs, where risk-averse mindsets and organisational inertia create implementation barriers. This highlights the necessity of fostering a culture of adaptability and openness to an innovation-oriented culture within F-OSBs, preparing for generational transitions (Najib et al., 2021).

The theoretical foundation of this study leverages dynamic capability theory to explain how financial management capabilities function as adaptive mechanisms, which enable F-OSBs to reconfigure resources effectively during generational shifts (Duarte Alonso et al., 2018). Prospect theory enlightened us on how financial heuristics influence decision-making under uncertainty inherent in the succession process while emphasising how financial literacy and

fintech adoption can mitigate cognitive biases that threaten rationality (Mahmood et al., 2024). Together, these frameworks reflect the interconnected nature of financial knowledge, decision-making, and technology adoption to determine succession outcomes. By addressing these gaps in these domains, this research will provide policymakers and family business leaders with actionable strategies to enhance the longevity and competitiveness of F-OSBs, ensuring that the discussed vital contributors can increase the survival probability and growth across generations.

1.2.BACKGROUND OF THE STUDY

The Chief Executive of SME Corporation Malaysia, Encik Rizal bin Dato' Nainy stated that "Our vision is to have globally competitive small, medium enterprise (SME) across all sectors, which accelerate the wealth creation and contribute to social wellbeing" (Tewari et al., 2013) SME Corporation's goal is to enhance the establishment of small businesses up to 6% per year (Lee, 2017). The SMEs Performance Report 2018 revealed that Malaysia's GDP growth was registered at 4.7%, while Malaysia's SMEs contributed 6.2% towards the GDP. Percentage share of Malaysia's GDP and SME's contribution to Malaysian GDP for the year 2023 towards five main economic sectors, namely Agriculture, Construction, Services, Manufacturing, Mining & Quarrying, are as follows:

Table 1:1 Sector-wise Growth

	Total (Billion RM)	Service	Manufacturing	Agriculture	Construction	Mining& Quarrying
Malaysia GDP (overall)	1,361.5 (100%)	56.7%	22.4%	7.3%	4.9%	7.6%
SME's GDP contribution	521.7 (100%)	62.4%	20.1%	10.1%	5.9%	0.5%

Source: Department of Statistics Malaysia. (Released: 31 July 2023)

Malaysia's annual overall economic growth has achieved 5.9%, while the SME Masterplan (2022-2030) aims to attain 8% SME growth in Malaysia, which is challenging to maintain (Zhiyi et al., 2024). According to the SME Corporation master plan set by Dasar Keusahawanan

Nasional, SMEs are expected to account for 50% of total GDP and 30% of overall exports by 2030 (Rani et al., 2022 SMEBIZ, 2019).

Amongst SMEs, F-OSB are vital contributors to the economic stability of the world's countries. Mullens and Shen (2023) revealed that family enterprises account for 90 percent of the world's businesses (7). Credit Suisse Research Institute (CSRI) reported in the third edition of the CS Family 1000 that Malaysian F-OSB is ranked seventh globally in terms of the number of family businesses (Mosbah et al., 2017). Regardless of family businesses' contribution to the country's economic wealth, a puzzling fact is that many F-OSB cannot be sustained throughout many generations and usually fail during fragile stages of succession (Baltazar et al., 2023). To compound the issue, worldwide statistics reveal that nearly 70% of family-controlled small businesses do not endure during the second-generation phase, and approximately 90% of family businesses are no longer controlled by families belonging to the third generation (Nguyen et al., 2024). As Porfírio et al. (2020) stated, "Only 30% are expected to survive to the second generation, around 10-15% are expected to survive to the third generation, and less than 3% are expected to survive to the fourth generation".

Organisations like Price Waterhouse Coopers (PWC) recognise the importance of F-OSB survival. A survey revealed that 53% of F-OSBs have succession plans for specific roles, but not all senior positions. Furthermore, only 30% of these plans are formally documented, while just 16% meet the criteria for a strong succession process (Ahmad et al., 2023b). This suggests that most F-OSBs do not prioritise succession planning. Saan et al. (2020) also conducted a global study, finding that succession is a critical phase for F-OSB in many countries. For example, in Spain, only 40% of entrepreneurs in the 55- to 65-year-old age group consider succession planning, and only 25% of them document the process. Furthermore, 72% of those documented still face problems during the succession process.

Meanwhile, in Germany, a Federal Ministry of Food and Agriculture (BMEL) survey reported that approximately 70% of F-OSB in Germany do not consider succession planning. However, two-thirds of the family business owners are older than 45 (BMEL, 2014). According to the Family Business Survey Report 2018 by the Malaysian Chinese Chamber of Commerce and Industry (MCCCI), only 13% of Malaysian family businesses have a strong, documented succession plan. Meanwhile, 63% have or are considering informal succession plans, and 24% do not prioritise succession planning (Khoo, 2019). This situation is concerning, as existing studies indicate that F-OSB significantly impacts the national economy. However, the survival rate of these businesses is alarmingly low. If measures are not implemented to support F-OSB in Malaysia, it could lead to economic decline, jeopardising the Malaysian SME Strategic Plan 2022-2030 and the National Entrepreneurship Policy 2030 (DKN 2030). Thus, it can be derived that the survival of F-OSBs across generations is vital for economic growth worldwide, making succession a more important phenomenon requiring scholars' and policymakers' attention.

Contrary to McAdam et al.'s (2021) view, succession is a short process that can be settled within a couple of months. In fact, succession is a complex, gradual transition where authority passes from one family member to another and sometimes across generations. Handler (1990) defined succession as an informal process which involves the successor’s adaptation to new positions with increased decision-making power while the predecessor’s authority simultaneously declines. This complexity encompasses economic and psychological aspects that challenge rational thinking (Vlachakis et al., 2014) and extended over 20 years rather than a single occurrence event (Buckman et al., 2020).

Typically, this generational transition follows a structured pattern: the successor initially joins. At an operational level, he gradually advances while learning about daily operations and discusses critical issues, particularly financial handling, with his colleagues, mentors, teachers and family members. The predecessor assigns lower-level management roles first, withholding

top-level management positions until transfer leadership and confident the successor possesses adequate analytical skills for financial matters (Hiebl and Mayrleitner, 2019). When the successor eventually assumes control, the cycle begins again, as they must plan for the next generational transition (María et al., 2020). So, it can be conferred that succession planning is a long-standing strategy established by the founders who create unique approaches that may influence or overshadow future generations (Muñoz-Bullon et al., 2018). However, selecting a successor and poor execution of the succession process create obstacles to success. Failure to manage the succession rationally may threaten the survival and longevity of the family business (Lenz et al., 2020). Despite these challenges, limited literature addresses the factors contributing to the low survival rate of F-OSB across generations, even though this issue involves critical survival rates and complex succession dynamics (Oury Bailo et al., 2023).

Ahmad et al. (2023e) identified several reasons for the failure of family businesses, such as changes in markets and technology, competitors replicating successful strategies, external takeovers by an outside buyer who is willing to pay a premium for the company, lack of financial capabilities, and insufficient skills of staff. However, despite all these challenges, Ahmad et al. (2024c) believed that poor financial management capabilities remained the primary reason for failure within F-OSBs.

Mismetti et al. (2024) revealed that, various F-OSBs struggle with working capital management, dealing with fraud, and handling financial risks. Conz and Magnani (2020) further established that financial management capabilities are important for the firm's resilience and it became particularly critical upon ownership transfer (i.e. succession transition). Poor financial management can trigger liquidity issues and financial decision-making failure which jeopardize the family business's growth prospective Fadil and St-Pierre (2021). These, financial management shortcomings lead to instability, which can hinder the smooth transition across generations.

Ingale and Paluri (2022) revealed that, family members who have poor financial knowledge may face substantial financial obstacles which underlining the need for improved financial management skills. Current, literature fails to adequately answer, how financial management capabilities of descendant entrepreneur impact the long-term survival and succession success of F-OSBs (Rohim et al., 2022). Beyond capability issues, financial heuristics including anchoring, herd behaviour, and mental accounting, further complicate the financial decision-making process in F-OSBs. Nitani et al. (2020) indicates that, descendant entrepreneurs often lack the necessary financial knowledge and literacy for informed decisions, which results in significant financial mistakes and accumulated debts. by addressing these heuristics and enhancing financial literacy are therefore crucial for improving the financial decision-making processes and ensuring the longevity of F-OSBs.

Financial socialisation within family businesses represents another critical factor influencing their longevity across generations (LeBaron and Kelley, 2021b). The transmission of financial knowledge and practices varies significantly among families, which impacts effective financial management effectively (Goyal and Kumar, 2021). Some family members believe in passing down tacit financial knowledge, which might not align with modern financial strategies or evolving economic environments (Ano and Bent, 2022). Formal financial education and the incorporation of financial technologies can bridge the gap between traditional practices and contemporary financial management approaches, thereby enhancing the long-term viability of F-OSBs.

In conclusion, this study addresses significant research gaps in the family business literature by investigating how financial socialisation, financial literacy, and fintech usage directly or indirectly affect perceived succession success in F-OSBs. By highlighting the importance of managing financial heuristics and risk aversion, the study offers valuable insight for developing

effective succession strategies based on descendant entrepreneurs' financial capabilities and risk profiles, ultimately supporting sustainable growth and successful generational transitions.

1.3. FAMILY BUSINESS SUCCESSION IN MALAYSIA

Malaysia offers a particularly rich and nuanced setting for this study because of its distinctive socio-cultural make-up. The country's population is shaped by three major ethnic communities—Malays, Chinese and Indians—together with a growing expatriate segment, each bringing their own traditions, norms and ways of engaging in business (Department of Statistics Malaysia, 2020). These communities differ in how they view authority, risk, family roles and long-term planning, and these differences inevitably influence how businesses are run, how financial decisions are made and how succession is approached (Hofstede, Hofstede & Minkov, 2010). Importantly, Malaysia's cultural landscape is far more pluralistic than that of many neighbouring countries, meaning that findings from more culturally uniform contexts cannot simply be transferred without caution (Smith, Peterson & Thomas, 2018). This diversity therefore creates a research environment that is both complex and under-examined, highlighting a clear gap in the literature and underscoring the value of studies that take Malaysia's unique social fabric into account. Malaysian F-OSBs occupy a distinctive position in the global family business landscape, ranking seventh worldwide by volume. As critical components of Malaysia's SME sector, these enterprises are targeted to contribute 50% to the nation's GDP by 2030, with the SME Masterplan (2022-2030) setting an ambitious 8% growth target. Therefore, these businesses' intergenerational sustainability is intrinsically linked to Malaysia's economic development trajectory. Unlike established economies where institutionalised succession practices often exist, Malaysian F-OSBs face succession challenges comparable to other emerging economies like Indonesia, Thailand, and Vietnam. However, Malaysia's unique multicultural business environment—blending Malay, Chinese, and Indian entrepreneurial traditions—creates a more complex succession landscape than its

regional counterparts. Malaysia's rapid economic liberalisation further intensifies this complexity compared to economies like India or Brazil, where family business transitions remain more insulated from external pressures.

Statistical evidence reveals that Malaysian family businesses demonstrate a lack of formalised succession planning—more acute than in emerging economies like China, where cultural emphasis on filial piety has historically facilitated clearer succession pathways. This planning deficit represents a significant vulnerability for achieving the nation's economic objectives outlined in the SME Strategic Plan and National Entrepreneurship Policy 2030. Unlike South Korea or Taiwan, where family conglomerates have successfully navigated multiple generational transitions through institutionalised processes, Malaysian F-OSBs typically approach succession through informal, culturally embedded practices.

Malaysia's position as a middle-income emerging economy with advanced financial infrastructure but varying levels of technological adoption across business sectors creates a particularly instructive research context. Unlike less developed economies, where succession challenges primarily concern fundamental business continuity, Malaysian F-OSBs face more sophisticated challenges related to strategic adaptation and financial governance in a rapidly digitalizing environment. This positions Malaysia as an ideal laboratory for investigating how financial management capabilities, heuristic decision-making, financial literacy, and technology adoption interact with succession outcomes.

The strategic focus on Selangor, Penang, and Johor Bahru capitalises on regions with high concentrations of multi-generational family businesses spanning diverse industries and cultural practices. These regions' economic significance and international exposure create ideal conditions for examining how financial factors influence succession outcomes in a context balancing traditional values with modernisation pressures. This research addresses critical

questions about how financial management capabilities circumvent succession barriers, how financial heuristics influence successor decision-making, and how financial literacy and technology adoption mediate succession success—all within Malaysia's distinctive socioeconomic environment, ultimately contributing insights that may inform family business sustainability across emerging economies with similar developmental profiles.

1.4.IMPACT OF FINANCIAL MANAGEMENT CAPABILITIES ON PERCEIVED SUCCESSION SUCCESS

The Family Firm Institute's 2016 survey report found that 70-95% of businesses globally are family businesses, contributing 70-90% towards global GDP and creating 50-80% of jobs (Palalić et al., 2024). F-OSBs generate most of the world’s wealth and demonstrate strong returns on assets. F-OSBs are vital contributors to the economy, often transitioning to the next generation within 25 years. The success rate of family businesses transitioning into subsequent generations is alarmingly low. Worldwide statistics reveal that only 30% transition to the second generation, 15% to the third generation, and less than 3% to the fourth generation (Ahmad et al., 2024b). These statistics raise fundamental questions about structural and capability-based limitations within F-OSBs.

This intergenerational vulnerability is puzzling, given F-OSBs' demonstrated capacity for generating wealth and strong returns on assets. A critical analysis suggests that the disconnect between economic performance and succession failure may stem from a systematic undervaluation of succession planning within the ownership lifecycle (LeCounte, 2022). However, this explanation remains insufficient without examining the financial dimension of succession dynamics in the context of F-OSBs.

Successful generational transition in family businesses relies on sound financial positioning and effective allocation of finances for the succession process (Jasir et al., 2023). However, a critical examination reveals a persistent capability gap: F-OSBs consistently show inadequate

financial resources, while family members perceive financial asset management as rigorous. Erasmus Beyers and Ndou (2016) also endorsed that F-OSBs have limited access to financial management skills and services. Gómez-Mejia et al. (2023) further expose how familial involvement creates negative challenges that negatively influence performance compared to non-family firms. These consequences result in mismanagement of working capital, reduced audit transparency, increased fraudulent activities, and heightened risk exposure, all compromising succession viability.

Prior research has explored how financial management abilities influence micro-enterprise growth and performance (Lestari and Ridwan, 2024). while (Braimah et al., 2021) have investigated how profitability, working capital, asset and liability management, and strategic management contribute to the success of SMEs. Additionally, (Laghari et al., 2023) the research highlights the importance of income, expenses, annual turnover, and profits alongside the roles of cash flow methods and liquidity management. However, it fails to connect these elements to succession outcomes directly.

Some studies have focused on analysing the factors influencing the sustainability of SMEs, such as strategic planning, financial management, active investment in social causes, and governance issues (Permatasari and Gunawan, 2023). However, the transferability of the theoretical frameworks addressing family member's finances to the specific succession challenges of F-OSBs remains questionable. For instance, Kibona (2022) pond criticises theoretical limitations in comprehending 'financial management' capabilities within the context of F-OSBs. Ahmad et al. (2021) called to examine the relationship between financial management capabilities and the longevity of a family business, and this call remained largely unanswered. Meanwhile, Issah et al. (2023) pointed out that transferring F-OSBs to subsequent generations requires distinct handling capabilities, resulting in divergent financial management approaches.

This critical analysis of existing literature reveals a significant research gap: while financial management capabilities appear theoretically crucial for succession success, empirical investigation of this relationship remains underdeveloped. Moreover, in an increasingly digital business environment, the potential moderating role of financial technology (fintech) in this relationship represents an unexplored frontier with significant implications for practice by the F-OSBs.

1.5.IMPACT OF FINANCIAL HEURISTICS ON PERCEIVED SUCCESSION SUCCESS

Financial heuristics refer to simplified decision-making rules or mental shortcuts employed to manage financial tasks, which can be considered a double-edged sword in F-OSB (Quddus and Banerjee, 2023). These heuristics can reduce cognitive efforts in complex financial situations; they critically overlooked how much-simplified approaches might systematically undermine optimal decision-making in F-OSBs. This oversight becomes problematic when considering (Khan et al., 2022) alarming finding that the varied educational backgrounds of the descendant entrepreneurs in F-OSBs further exacerbate this situation, leading to frequent dismissal or remaining oblivious to the profound impact of anchoring, herd behaviour, mental accounting, and risk aversion on their decision-making processes.

The consequences of such cognitive limitation extend far to isolated financial missteps. As (Gumbo et al., 2023) argue, an entrepreneur's insufficient financial concepts not only distort decision-making but can accumulate debt burdens that threaten business survival. This observation aligns with (Cristofaro and Giannetti, 2021) assertion that psychological heuristics affect a firm’s performance through its financial decision-making. However, the family business context introduces additional complexities. Brundin and Languilaire (2023) maintained that family members need special financial cognition to navigate their enterprises' unique, emotionally laden dynamics. This raises a critical question: How can descendants of

entrepreneurs achieve perceived succession success when unchecked financial heuristics potentially compromise their decision-making processes?

The theoretical tension between traditional and behavioural finance perspectives further complicates our understanding of this phenomenon. While traditional finance theories assume rational entrepreneurial behaviour, behavioural finance scholars like Babajide and Adetiloye (2012) challenge this assumption, showing how entrepreneurs frequently exhibit irrational behaviours across various situations. Weixiang et al. (2022b) extend this critique, emphasising how financial heuristics fundamentally influence entrepreneurial rationality and decision accuracy, which is a key element for achieving future goals mandatory for the sustainability of their business. However, Tessema et al. (2024) rightfully highlighted that we have limited knowledge of how descendant entrepreneurs might successfully navigate the complexities of F-OSBs across generations (i.e., succession success) if they are not equipped with proper financial cognition and awareness. This knowledge gap leads to our third question about whether financial heuristics increase the perceived succession success of F-OSBs.

Previous studies have examined anchoring, herd, mental accounting, and risk-aversion heuristics, which have yielded inconsistent findings about their relationship with firms' performance (Maheshwari et al., 2023). This inconsistency suggests the presence of important boundary conditions or moderating factors that influence how financial heuristics impact succession outcomes. So, financial literacy emerged as a potential critical moderator in this afore-discussed relationship (Goyal and Kumar, 2021), demonstrating that entrepreneurs' financial knowledge can help them avoid financial blunders through prudent financial planning. Similarly, (Muñoz-Murillo et al., 2020) show that financial literacy enables effective resource management and utilisation, a crucial element for business performance and successful generational transition.

The significance of financial literacy is further emphasised by Grohmann et al. (2018), who revealed that financial literacy facilitates greater financial inclusion and benefits business performance. However, as Richards (2023) revealed, stereotypical assumptions have contributed to the underdevelopment of financial literacy among entrepreneurs. This points out why financial literacy has become necessary for descendants of entrepreneurs who have acquired or intend to take control of their F-OSB and transact it to the subsequent generation. These interrelated findings lead us to our fourth research question: whether financial literacy weakens or strengthens the effect of financial heuristics on the perceived succession success of F-OSB.

This critical literature reveals the significant research gaps about the complex relationship between financial heuristics, financial literacy and succession success of F-OSBs. This study aims to contribute to the literature by examining the direct relationship between financial heuristics and perceived succession success. In addition, it also introduces financial literacy as a moderating mechanism. This study contributed to a more nuanced understanding of how these factors collectively impact perceived succession success—ultimately providing a roadmap for F-OSBs seeking sustainable transgenerational transitions.

1.6.IMPACT OF FINANCIAL SOCIALIZATION ON PERCEIVED SUCCESSION SUCCESS

The longevity of F-OSBs depends on the financial decisions made across generations. Researchers point out significant contradictions and gaps in how financial knowledge transfer impacts succession outcomes. Conz et al. (2023) argue that family members' financial choices, either constructive or destructive, can directly impact the lifespan of F-OSBs. However, the mechanism driving these outcomes remained largely unexplored. Literature indicates a fundamental tension about the transmission of financial knowledge across generations. Agnew and Sotardi (2024) pointed out family members' inconsistent approach to sharing financial

knowledge and practices (financial socialization), while others maintain knowledge barriers due to generational gaps. This inconsistency creates a problematic dynamic. Massis et al. (2016) revealed that descendant entrepreneurs often lack the preparedness to manage finances effectively, relying on implicit knowledge from founders to later generations.

The disconnect between traditional financial knowledge and contemporary requirements creates fertile ground for financial heuristics and cognitive biases that undermine rational decision-making. Baulkaran and Jain (2024) emphasise how these biases lead to accumulated debts and other financial mistakes that threaten business continuity. Thus, financial socialisation alone is insufficient; it must be supported by financial literacy that enables critical assessment of inherited practices.

Indeed, theoretical models position financial literacy as an important intermediary influencing the socialisation processes within effective financial management. Rahmawati et al. (2023) argue that financial literacy provides a framework through which socialised knowledge becomes actionable. Kumar et al. (2023) extend this provided argument by suggesting that financial socialisation forms the foundation of financial literacy, which enables leaders to make informed decisions that enhance the long-term viability and growth of the firm. On the contrary, entrepreneurs with poor financial literacy are less likely to critically analyse, adapt, and innovate established financial practices, potentially reducing the firm's productivity (Hossain, 2020). Despite these theoretical connections, literature is still unable to answer the question: how does financial literacy formalise the financial socialisation of F-OSB and achieve sustainable performance or increase longevity?

Financial technology integration represents another critical dimension that potentially bridges traditional knowledge and modern practice. Van Zanden (2023) notes how the convergence of technology and finance, for instance, online banking, mobile payments, and

financial management software, enables easier access to and use of financial services and fundamentally transforms business operations. Incorporating financial tools during financial socialisation would enhance leaders' ability to modernise established financial practices. Aloulou et al. (2024) also emphasised fintech's potential to drive financial inclusion efficiency, reduce costs, and generate competitive advantage. However, a significant research gap persists: Can fintech usage integrated into financial socialisation frameworks significantly contribute to the sustainable continuity of F-OSBs across generations?

The effectiveness of financial literacy and fintech adoption is further complicated by psychological factors—particularly risk aversion. Kasoga (2021) highlights this paradox: entrepreneurs with high financial literacy may identify and exploit financial opportunities yet fail to capitalise on them due to risk aversion, limiting growth and innovation in business operations. Abdallah et al. (2024) extend this concern, noting that risk-averse entrepreneurs, despite strong financial understanding and access to technology, implement overly cautious strategies which may restrict them from capitalising on new market opportunities or adopting cutting-edge technologies. So, it raises another question: how does risk aversion influence the longevity of F-OSBs regardless of the financial knowledge of descendant entrepreneurs?

Fintech usage can streamline operations and open up new avenues for growth. Still, if entrepreneurs are risk-averse, entrepreneurs often underutilize these tools, failing to achieve their full potential benefits (Boratyńska, 2019). Tang et al. (2020) revealed that an individual's risk aversion makes entrepreneurs protective of current assets despite expanding or embracing change, which is requisite for leadership transition. Nevertheless, the literature fails to address how descendant entrepreneurs' risk aversion influences fintech usage and perceived succession success (Ahmad et al., 2024a).

1.7.RESEARCH QUESTION

Proposed research questions based on the three models of this thesis. This study systematically addresses the research questions through its chapter structure. Chapter 2 examines RQ1 and RQ2 by investigating financial management capabilities' direct impact on succession success and fintech's moderating role. Chapter 3 addresses RQ3 and RQ4, exploring how financial heuristics influence perceived succession success and the moderating effect of financial literacy on this relationship. Chapter 4 investigates RQ5 and RQ6, examining financial socialization's impact on succession success through the mediating mechanisms of financial literacy and fintech usage, while also testing risk aversion's moderating effect on the financial literacy-succession relationship. Finally, RQ7 is addressed by analyzing fintech usage's self-moderating effect on succession outcomes, ensuring a comprehensive examination of financial management's multifaceted role in Malaysian F-OSB succession success. The research questions of the study are provided as under:

R.Q.1: Do financial management capabilities increase the likelihood of success in succession?

R.Q.2: Does fintech moderate the relationship between financial management capabilities and perceived succession success in F-OSBs?

R.Q.3: Do financial heuristics increase the perceived succession success of the F-OSB?

R.Q.4: whether financial literacy weakens or strengthens the effect of financial heuristics on the perceived succession success of the F-OSB.

R.Q.5: Does financial socialisation increase the likelihood of succession success directly and through the mediating mechanisms of financial literacy and fintech usage?

R.Q.6: Does risk aversion moderate the relationship between financial literacy and the perceived succession success of FOSB?

R.Q.7: Does fintech usage moderate the relationship between fintech usage and the perceived succession success of F-OSBs?

1.8.RESEARCH OBJECTIVE

Proposed research objectives based on the three models of this thesis are given under:

R.O.1: To examine whether financial management capabilities increase the likelihood of success in succession?

R.O.2: To investigate whether fintech moderates the relationship between financial management capabilities and perceived succession success in F-OSBs.

R.O.3: To analyse whether financial heuristics increase the perceived succession success of the F-OSB?

R.O.4: To investigate whether financial literacy weakens or strengthens the effect of financial heuristics on the perceived succession success of the F-OSB.

R.O.5: To examine financial socialisation increase the likelihood of succession success directly and through the mediating mechanism of financial literacy and fintech usage?

R.O.6: To investigate, does risk aversion moderate the relationship between financial literacy and the perceived succession success of FOSB?

R.Q.7: To analyse whether fintech usage moderates the relationship between fintech usage and the perceived succession success of F-OSBs?

1.9.THEORIES USED IN THE THESIS

This section provides insight into the theories used to explain the proposed model of the study. This thesis used three theories to explain the proposed models in each study. These are the dynamic capability view, prospect, and financial socialisation theories. Dynamic capability view theory addresses how F-OSBs adapt their financial practices across generations, while

prospect theory explains how risk aversion influences successor decision-making. Financial socialisation theory examines intergenerational knowledge transfer, collectively providing a robust framework for understanding the financial dimensions of family business succession.

1.9.1. Dynamic Capability Theory

Dynamic Capability Theory (DCT) focuses on a firm's ability to adapt, integrate, and reconfigure internal and external resources to address changing environments and sustain competitive advantage (Teece et al., 1997). In the context of F-OSBs, DCT emphasizes the importance of developing financial management capabilities that are flexible and resilient to evolving market conditions (Yi, 2020). Dynamic capability theory further helps to explain that firms attain generational transition success through complex interactions by utilizing provided resources across each generation. Teece (2007) revealed that firms evolve their ordinary capabilities and attain success through excellent capabilities attainment. Such firms recognize the change in environment/ market and develop strategies best suited for the anticipated environment/ market (Teece, 2012). Camisón-Zornoza et al. (2020) postulated that F-OSBs could successfully transact to the subsequent generation by sensing, seizing, and transforming financial management capabilities. We explained the concept of financial management capability and perceived succession success through dynamic capability theory. Similarly, F-OSBs sense their financial management capabilities, weigh them, and attain more capabilities during and after the succession transition phase. The degree of financial management capabilities of the F-OSBs determines their potential to earn profits, cash flow maintenance, auditing transparency, Risk-taking tendency, and fraud detection (Lou and Wang, 2011). Thus, the higher the financial management capabilities, the greater the probability of F-OSB succession success across generations. DCVT further enlightens that fintech can help address generational gaps in F-OSBs. Older generations may rely on traditional financial methods, whereas younger successors are often more comfortable with digital tools. By adopting fintech,

businesses can align both generations' approaches, fostering collaboration and enhancing trust in the succession process. This moderation effect of fintech amplifies the impact of financial management capabilities, as it not only strengthens operational processes but also provides the flexibility needed to manage uncertainty and complexity in succession planning. Thus, as a dynamic capability, fintech positively moderates the relationship by ensuring that financial management practices are more efficient, innovative, and aligned with the long-term goals of succession success.

1.9.2. Prospect Theory

Prospect theory explains how people make decisions under risk and uncertainty, often valuing potential losses more heavily than equivalent gains (loss aversion). Prospect Theory, developed by Kahneman and Tversky (2013), shows that individuals evaluate outcomes relative to a reference point rather than their absolute value. Entrepreneurs are more susceptible to having low information processing ability. They rationalise sequentially rather than exhaustively (Wang et al., 2024). Such entrepreneurs stop searching once they have discovered a satisfactory answer rather than the perfect option (Zellweger and Zenger, 2023). Financial heuristics arise when the F-OSB experiences a gap between current and desired performance levels, thus influencing the survival of F-OSB. Based on this fundamental insight, behavioural decision theorists (Kahneman and Tversky, 2013) introduced prospect theory to explain the failure of anticipated utility theory.

Prospect theory suggests that individuals are likelier to take risks in unfavourable situations (Kellen et al., 2020). They take advantage of every chance, no matter how extreme, to enhance their standard of living and performance. Similarly, descendants of entrepreneurs of F-OSB with a low perception of succession success are more willing to accept greater risk. They are prone to exercise their resources based on the currently available information (i.e., anchoring bias). Based on available information, a descendant entrepreneur may disregard new

information and innovative ideas and perceive their F-OSB's succession transition as successful. Consequently, when descendant entrepreneurs perceive a high risk of succession failure, they are more susceptible to anchoring bias (Baltazar et al., 2020).

Descendant entrepreneur can increase their chances of success by following the activities and suggestions of their peers while also considering their information and expectations (Dang and Harima, 2020). However, the peers who are being followed might not have an in-depth understanding of complex matters like succession. The situation might be critical when the descendant entrepreneur may follow his peers (i.e., herd bias) to turn the F-OSB's succession successful. Moreover, descendants of entrepreneurs may perceive the value of uncertain decisions as high and may attain perceived success in succession. Entrepreneurs with high mental accounting may overestimate their perception of succession success, regardless of the actual outcome of the process (Seet and Tan, 2024). According to Prospect Theory, some entrepreneurs may take small risks to ensure their business's succession, while descendants who perceive their succession as successful may not want to make risky decisions. Panicker et al. (2019) emphasised identifying the potential boundary conditions of financial literacy to get insight into the effects of financial heuristics on the longevity of businesses. Thus, researchers considered financial literacy to strengthen the boundary conditions of prospect theory, which further elaborates that an increment in the financial literacy of F-OSB entrepreneurs may save them from being the prey of financial heuristics. Thus, the succession of F-OSB might be successful.

1.9.3. Financial Socialisation Theory

Financial socialisation theory refers to how individuals acquire theoretical knowledge of finance matters and learn attitudes and behaviours affecting their financial behaviour (Danes, 1994; Gudmunson and Danes, 2011). This theory enlightens how individuals take advantage of financial skills, attitudes, and behaviours through social interactions and experiences. It

highlights the role of key socialising agents—such as family, peers, education, and media—in shaping financial decision-making and habits over time. This theory is often used to understand how financial literacy and practices are developed, particularly in family or cultural contexts. Financial socialisation theory provides us with a framework to understand how family members, i.e., descendant entrepreneurs, acquire financial knowledge from their peers, siblings and predecessors and internalise it in their business's context, and thus, their attitudes and behaviours develop through this socialisation process. Financial socialisation theory explains how financial literacy transmits from generation to generation and shapes how future leaders can manage and grow their F-OSBs (Radu-Lefebvre et al., 2024).

Descendant entrepreneurs grasp financial knowledge and skills through observation, discussion, imitation, and direct instruction from their parents. Financial socialisation activities shape the financial behaviours of descendant entrepreneurs to deal with the financial matters and investments of F-OSBs vigilantly, promoting financial well-being and resulting in the business's longevity (Andriani et al., 2023). Descendent entrepreneurs who understand financial concepts (financial literacy) can apply that financial knowledge to make calculated moves for the prosperity of F-OSBs. In addition, technological advancement and the rise of fintech usage have diversified the financial management patterns in their F-OSB (Gomber et al., 2018). Such diversification leads to the development of more efficient and effective financial management strategies within F-OSBs, which improves the portability, performance, and, subsequently, the likelihood of succession success. Risk-averse entrepreneurs tend to avoid and minimise risk. Descendant entrepreneurs with high levels of risk aversion are more cautious and conservative in adopting fintech tools and applying their financial knowledge to get positive outcomes (Chang and Wang, 2023).

Entrepreneurs with financial knowledge can attain high precision in decision-making (Iram et al., 2022) and flawless financial planning (Setiawan et al., 2022). Moreover, Madinga et al.

(2022) revealed that women with high socialisation can ensure financial stability and attain high business growth. However, whether the financial socialisation of descendants of entrepreneurs increases the longevity of F-OSBs across generations (succession success) needs investigation (Capolupo et al., 2023). Danladi et al. (2023) found that risk-averse individuals are less likely to adopt fintech, invest in growth strategies, or explore innovative solutions to achieve sustainable growth. However, individuals with financial literacy are inclined to use financial tools to enhance their financial management (Stolper and Walter, 2017). The literature indicates a research gap in whether risk-aversion characteristics of descendant entrepreneur influence their ability to improve financial literacy and use fintech tools and how such mechanisms influence sustainable growth across generations.

1.10. RESEARCH METHODOLOGY

1.10.1. Research Design

Every research study includes specific objectives. Selecting a suitable research methodology is essential to achieve those objectives. A research study is classified into three types: exploratory, explanatory, and descriptive. Exploratory research focuses on investigating a novel phenomenon, aiding in the development of a deeper understanding of the concept. The descriptive study illustrates individuals' views on a phenomenon. Explanatory research aims to clarify why a particular phenomenon occurs (Tang, 2016). An explanatory research design is suitable for this study, as it aims to establish the relationship between endogenous and exogenous variables. This is achieved by summarising the study's participants' characteristics, attitudes, and behaviours.

This study adopts an explanatory research design as the most appropriate approach for examining the relationships between financial factors and succession success in F-OSBs. While exploratory designs would be limited to investigating novel phenomena without establishing causal relationships, and descriptive designs would merely illustrate stakeholders' perspectives,

our explanatory approach enables us to determine the specific links between endogenous and exogenous variables. This methodology allows us to effectively summarise participant characteristics, attitudes, and behaviours while testing the hypothesised relationships between financial socialisation, literacy, risk aversion, fintech usage, and succession outcomes—providing more actionable insights for both theory development and practical application in family business contexts.

1.10.2. Research Philosophy

When a researcher applies his knowledge to a situation and asserts his expertise, he determines how to lead the exploration work by adhering to specific philosophies concerning that research (Mertens, 2019). Philosophical perspectives are typically disguised in research endeavours, and researchers utilise them as guidance whenever they perform research (Creswell and Clark, 2017). Creswell and Clark (2017) defined philosophical perspectives as "a fundamental set of assumptions that influence activity", although some researchers refer to them as research paradigms (Gray, 2021). Constructivism, Positivism/Post-Positivism, and Pragmatism are three widely acknowledged research paradigms surrounding knowledge claims. The constructivism approach is used to understand a phenomenon or situation. The pragmatism approach is used when there is a need to incorporate operational decisions based on 'what will work best' to find answers to the questions under investigation. The present study uses the positivism/ post-positivism philosophical approach, which involves using existing theory to develop hypotheses to be tested during the research process.

Each of the three discussed research paradigms is made up of the following components: (1) ontology, (2) epistemology, (3) methodology, and (4) techniques. Al-Ababneh (2020) defines ontology as "the study of existence, core beliefs are concerned with what makes reality, in other ways, what is reality." Keeping the researcher's paradigm in mind, a firm grasp of how things genuinely are and how they truly work is necessary. According to Cohen et al. (2007),

"Epistemology is concerned with the nature and forms of knowledge and epistemological assumptions are concerned with how knowledge can be created, acquired and communicated, in other words, what it means to know". Punch (2013) explains that "epistemology asks the question, what is the nature of the relationship between the would-be knower and what can be known"? Each perspective or paradigm is based on its own set of ontological and epistemological assumptions. Because all views are speculative, the philosophical foundations of any worldview can never be precisely shown, experimentally verified, or disproven. Distinctive paradigms, by definition, have competing ontological and epistemological viewpoints; along such lines, they have opposing assumptions of reality and knowledge that justify their particular research strategy. Based on the discussion above, this study employed the positivism/post-positivism research paradigm, as outlined in the philosophical assumptions presented in the table below.

Table 1:2 Study's Philosophical Underpinning

Sr. No	Philosophical Assumption	Positivism (Quantitative)
1	Ontology What is the concept of reality, and what is the concept of the idea? Alternatively, what exactly is knowledge? The study of ontology is linked to the central question of whether social aspects should be regarded as subjectively or objectively.	Positivism is…… • A singular reality that exists apart from the researcher's perceptions and social preferences are two important factors to consider (Objectivism). • Social phenomena and their ramifications have an existence that is truthful of the objectivity, impartiality, and fairness with which social performing researchers approach their research work. • Acceptable learning is boosted by common sense and is done in an unbiased and honest manner. • It is necessary to use Intuitive Knowledge in order to identify a specific topic to be explored inside a certain research area. • Authoritarian knowledge is acquired through the process of drafting a literature review. • Logical knowledge is developed by the examination of critical information, data processing, and primary results.
2	Epistemology What is the relationship between the researcher and the subject of the investigation? What is considered appropriate knowledge, and how do we determine that we have it?	

	What is the source of all knowledge and understanding? The analyst's perspective on what constitutes appropriate knowledge?	• Empirical Knowledge: The outcomes drawn from the inquiry will be regarded as scientifically valid. • Research is conducted in a value-free way, with the scholar being unbiased of the facts and remaining autonomous from the information in order to maintain an impartial stance on the subject. • The samples are very well-ordered and well organized. Sample are accurate in their estimates and quantitative. Impartial and unbiased in their assessment. • Formal style • Incorporating the positivist method leads to the development of a specific collection of variables, as well as the specification of the measurement process. • Persuade to follow the set processes. • There is a significant rhetorical link between the technique, the sort of research, and the paradigms of study. • Developing hypotheses in light of current theory and then laying out a research strategy to put the hypotheses to the test. • By means of a survey. By asking people questions about a subject and then showing them their actual replies, the survey method's spirit was made clear to everyone participating. • Questions were posed, planned methods were taken, numerical data was collected, and statistical analysis was performed. • Conducted with a definite end goal in mind, such as accumulating a large amount of data in a short period of time.
3	Axiology What is the significance of values? Connections are made between an evaluation of the role of the researcher's personal values at all stages of the research process.	
4	Rhetoric What is the syntax of scientific investigation? The art of communicating or writing persuasively. What kind of language is being used?	
5	Methodology What is the procedure for doing research?	
6	Strategies of Inquiry	
7	Methods	

1.10.3. Research Approach

There are three approaches to conducting research: quantitative, qualitative, and mixed methods. A quantitative research approach uses quantifiable tests to analyse pre-determined concepts and theories. Qualitative research involves collecting and analysing non-numerical data to understand concepts, opinions, or experiences. Meanwhile, the mixed-methods approach combines both quantitative and qualitative research methods. Using the theory, this study employs a quantitative, deductive approach to investigate the relationship between the variables (Weyant, 2022).

Considering the present study's observing structure, the 'Quantitative Approach' (Positivism) is seen as the most appropriate research system to achieve the results. The rationale for selecting a quantitative research approach is twofold. To begin, it is most appropriate for the study's objective to ascertain the influence of financial behaviours on succession success and investigate the proposed moderating and mediating mechanisms.

Furthermore, since the present study aims to establish the influence of financial behaviours on succession success, a subjective research approach is employed. This approach focuses on the experiences of research participants and the idea that the researcher's perspective is integrated into the research process rather than being seen as completely detached from it (Von et al., 2021). By utilising this quantitative research design, data were gathered through a closed-ended questionnaire. Regression analysis (bootstrapping with Smart-PLS software) is primarily focused on investigating the associations among variables (Uzir et al., 2022; Mohamad et al., 2015).

1.10.4. Research Strategy

Considering the specific needs for the method to be used as part of the study strategy, it is crucial to select an appropriate investigation approach (Casula et al., 2021). Quantitatively, the two most closely connected systems are the survey and experimental research design. The researcher selected the survey research design and collected the data using a closed-ended questionnaire. The cross-sectional nature of this study necessitated the use of the survey approach. This is because the research method best serves the current research's objectives and allows the researcher to collect data from a broad sample. Many responses can be obtained by employing the survey technique, a reasonably cost-effective method for quickly gathering a large amount of data (Mohamad et al., 2015). Thus, the survey approach is used in this study to collect data because it fits the purpose of the research. Close-ended questionnaires are used to collect the data. Initially, four means were finalised for data collection from F-OSBs linked

with the retail sector. These three means are: I. Face to face, II. Email, III. Google form. These means were finalised by anticipating the convenience of the respondents, namely, descendants of entrepreneurs of F-OSBs.

1.10.5. Time Horizon

This quantitative research used a cross-sectional design; primary data were obtained simultaneously (Cheah et al., 2020). Since the study was done in a natural setting, the researcher may encounter a few constraints, such as common method biases and low response rates. Thus, this study followed the best-suited methods and procedures to attain reliable and valid results.

1.10.6. Participants and Data Collection

The present study employed a cross-sectional research design to collect the primary data at one point in time by using a close-ended questionnaire. This research instrument consisted of two parts. The first part collected demographic information of the descendants of entrepreneurs, including their gender, designation, education level, and generation level. The second part of the research instrument consisted of endogenous, exogenous, moderating, and mediating constructs.

This study used a cross-sectional technique to collect the primary data from the entrepreneurs who are descendants of Malaysian F-OSB. Declined sales trends or F-OSB's shutdown and the unavailability of the business support package from public and private institutions raised psychological pressure among descendent entrepreneurs (Razzak et al., 2024). Therefore, data was collected from the three oldest Malaysian states: Selangor, Penang, and Johor Bahru. These states were selected based on the following reasons: I) a high concentration of family businesses, II) diversified geographical locations and different cultures, III) high revenue generation, and IV) a high volume of ex-pat entrepreneurs with international

experience and high investments in their businesses. After selecting states, this study set the following criteria to target the F-OSBs. First, I) F-OSBs should be at least 5 years old, II) should have a turnover of RM 300,000- RM 3 Million per year, and III) two or more than two family members actively involved, IV) single-family holds 50% or above shares (Chua et al., 1999). The selection of respondent 'descendant entrepreneur' also consisted of the following criteria: I) the descendant entrepreneur holds a chairman or managing director position, II) engaged in their F-OSB for at least three years, III) belongs to 2nd generation or beyond, and IV) respondent's volunteer participation. This study used purposive sampling to collect data from target respondents because they have sufficient experience and knowledge about their performance and activities, which may lead to the perceived succession success of F-OSB.

A list of F-OSBs was finalised by reaching out to the SMEs. The purpose of this contact was brief, and based on their consent, questions were asked to clarify the eligibility criteria for F-OSBs and respondents. After ensuring that the F-OSBs fall under the criteria set for selecting family businesses and respondents, 600 questionnaires were distributed. Two hundred questionnaires were distributed in each state using WhatsApp and email. We received 413 questionnaires back after 6 weeks. Thus, the response rate was 68%. In addition, 33 questionnaires were discarded due to the following reasons. Twelve responses were incomplete, six respondents had less than 3 years of experience, and 15 respondents belonged to the 1st generation. So, the questionnaires finalised for data analysis were 457. ANOVA and Mann-Whitney U tests were applied to test the difference between response and non-response biases. However, no significant difference was found (Basly and Saunier, 2020).

Standard method bias refers to the systematic error introduced in research when data from multiple variables are collected from the same source, typically through self-report measures (Cooper et al., 2020). Therefore, this study used the marker variable 'attitude towards colour blue' to test the potential common method bias. In order to test, common methods biases prevail

in the data or not? Correlation is run between all observed variables and marker variables. It was found that the marker variable 'attitude towards coloured blue' has no relationship with any of the variables used in this study. This indicates no prevalence of common method biases.

1.11. TECHNIQUE FOR DATA ANALYSIS

The most relevant software and procedures were identified for data analysis. This study used SPSS-26 and Smart-PLS 3.3 software for data analysis. The following tasks have been completed using SPSS: (1) preparing the datasets for preliminary testing (identifying and correcting any missing values), (2) creating descriptive analysis for the demography portion, and (3) analysing standard method variance. Smart-PLS was used to analyse the structural model, which included the confirmatory factor analysis (CFA) as well as the reliability and validity of the constructs. The present investigation used structural equation modelling, which is detailed below.

1.11.1. Structural Equation Modelling

The Partial Least Squares (PLS) analysis, a component of Structural Equation Modeling (SEM), was employed in this research. Generally, two types of SEM models are widely used in business research: Covariance-Based SEM and Component-Based SEM. Before Covariance-Based SEM can be used, several prerequisites must be met. For example, the data must be normally distributed, the indicator model must be reflective, the variable measurement scale must be continuous, and a large sample size is essential. Component-Based PLS-SEM, on the other hand, ignores all assumptions due to its non-parametric composition (Hair et al., 2021). The indicator model might be reflective or formative, and the data must not be uniformly distributed. Using a Nominal, Interval, or Ratio measuring scale is possible. Even with only 50 samples, a complicated model with 100 indicators may be examined. Table 2 shows the contrast between Component-Based SEM (PLS) and Covariance-Based SEM (CB-SEM) (Hair and Alamer, 2022).

This study used Component-Based PLS-SEM for the following reasons: (1) one of the variables (succession success) used in this study had a formative measure; (2) the model is complex. The complexity increases when Smart-PLS has to compute independent variables, moderating and mediating mechanisms simultaneously; (3) the sample size is not large.

Table 1:3 PLS-SEM or CB-SEM Selection Criteria

	PLS-SEM	CB-SEM
search Objective	· If the research is descriptive in nature or an improvement to the prevailing structural theory, PLS-SEM should be used.For specifying key "driver" constructs or making predictions about important targets, PLS-SEM is the best choice.	· In a case to confirm a hypothesis, test a theory, or compare various hypotheses, use the CB-SEM model.
Data Characteristics and Algorithm	· If the sample size is small and the data distribution is non-normal, the PLS-SEM method should be used.	· The use of a large data set and/or standard data
Measurement Model Specification	· If the formative construct is included in the structural model, PLS-SEM should be used.	· Make use of the CB – SEM option if the error terms require more explanation, such as covariance.
Structural Model	· If the structural model is extensive, PLS-SEM should be used.	· Whereas if the model is non-recursive, use the CB – SEM option
Model Evaluation	· A researcher who wants to employ latent variable scores in later studies will benefit from using the PLS-SEM.	· When a global goodness-of-fit criteria is required in research, the CB-SEM methodology is the recommended method. · If a researcher has to assess for measurement model invariance, he or she should utilise the CB-SEM method.

Source:(Hair et al., 2011)

1.11.2. Structural Model Assessment

Structural model assessment determines how well the proposed model fits the data, including the significance of relationships, collinearity, and the model's explanatory and predictive power. It is possible to determine predictive capabilities by looking at three various measures: coefficient of determination (R2), standard average effect size (f2), cross-validation redundancy (Q2), and Path coefficient. The coefficient of determination (R2) indicates the variance explained in each endogenous construct. The range of R2 is between 0 to 1. The higher the value of R2, the greater the predictive accuracy. Henseler et al. (2009) proposed a rough rule of thumb. According to them, the R2 values of 0.75, 0.50, and 0.25 can be considered substantial, moderate, and weak, respectively.

In addition, this study calculated the standard average effect size f2. F2 is the change in R2 when an exogenous variable is removed from the model. Each predicting construct is removed one by one, and its R2 without that construct is recorded and later compared with the R2 when the removed construct was in the model; the difference between the two R2 is indicative of the removed construct's predictive ability for endogenous construct (Sarstedt et al., 2016). Cohen (2013a) proposed f2 values of 0.02, 0.15, and 0.35, respectively, representing small, medium, and significant effects.

Moreover, model predictive accuracy Q2 was proposed by (Geisser, 1975). The Q2 value, which is based on the blindfolding technique, anticipates the data points that were not included. This procedure is continued until all data points have been removed and the model has been recalibrated. In their study, Hair et al. (2017) recommended an omission frequency of between 5 and 10. The relevant measure of predictive relevance, Q2 values of 0.02, 0.15, and 0.35, indicates that an exogenous construct has a small, medium, or large predictive relevance.

1.11.3. Mediation Analysis Assessment

Bootstrapping was performed to analyse the mediating effect of financial literacy and fintech usage between financial behaviours and succession success. Bootstrapping is a non-parametric resampling procedure. It has been recognised as a rigorous and robust mediation assessment method (Zhao et al., 2010). There are several types of bootstrapping methods: Percentile bootstrap, Standardised bootstrap, biascorrected and Accelerated (Bca) bootstrap, Davidson and Hinkley's bootstrap, and Shi's double bootstrap. Bias-corrected and accelerated (Bca) bootstrap methods are the most suitable for analysing the mediation. Firstly, it is a default setting option in Smart-Pls. Secondly, it reduces the biases prevailing in the data and effectively accelerates the outcome (Cheah et al., 2018). Cheah et al. (2018) proposed a few steps, and I implemented those steps to investigate the mediating effect of financial literacy and fintech usage between financial behaviours and succession success. Run the PLS algorithm and evaluate the loading >0.7. to assess CR>0.7 and AVE >0.5. to select and run bootstrapping by selecting Bias-Corrected and Accelerated (BCa) and two-tailed.

After analysing the mediating effect by using the BCa method, I took one additional step to determine the significant indirect effect prescribed by (Zhao et al., 2010). So, this study used the Variance Accounted For (VAF) approach to investigate whether there exists a complete mediation (indirect only), partial mediation (i.e., complementary or competitive), direct only (no mediation), or no effect (no mediation). The VAF approach determines how much the mediation process explains the dependent variable's variance. Sarstedt and Cheah (2019) proposed a rule of thumb for mediation. This rule proposes no mediation if the VAF is less than 20%, partial mediation if the VAF is between 20% and 80%, and full mediation if its VAF is above 80%.

1.11.4. Moderation Analysis Assessment

Examining moderation analysis can be done in three different ways, namely the product-indicator approach Chin et al. (2003), the two-stage strategy Henseler et al. (2012), and the orthogonalization approach (Henseler et al., 2012). The product indicator approach multiplies each indicator of the exogenous construct by each indication of the moderator to get a product indicator approach. The product indicator approach shows higher prediction accuracy. This approach is used when exogenous and moderator constructs are reflective, the sample size is more than 200, or the number of indicators is medium to large (>4). The researcher checked the change in R^2 and the f^2 effect size using this approach. The values of effect size f2 proposed by Cohen (2013a) are small (0.02), medium (0.15), and large (0.35).

The two-stage strategy approach is used when the exogenous or moderating variable is a formative construct. The researcher runs the algorithm in stage one to calculate the latent variable scores. In stage two, the latent variable scores become an indicator for exogenous, endogenous, and moderator. However, Sarstedt and Cheah (2019) and Henseler and Chin (2010) highlighted that a two-stage strategy approach can also be used when exogenous and moderating constructs are reflective. This approach yields the most accurate estimates and higher statistical power. However, this approach's prediction accuracy is low compared to the product indicator and orthogonal approach.

In the two-stage strategy approach, VIF values of a formative construct are also considered to be <5. VIF is the variance inflation factor used to measure multicollinearity. The researcher checked the R2 change and then calculated the effect size f2. The researcher can use the guidelines proposed by Aguinis et al. (2005) for considering effect size when they fail to meet the minimum or small effect size suggested by Cohen (2013a), particularly in the case of moderation analysis. The effect size threshold proposed by Aguinis et al. (2005) proposed a

threshold of effect size that is small, 0.005; medium, 0.01; and large, 0.025. respectively. Aguinis et al. (2005) endorsed that this effect size range is more realistic than Cohen's.

The third approach, orthogonalization, may eliminate the remaining correlation and residual centring to represent the interaction effect. Secondly, it may also be used when the variables are standardised, the direct effect between the independent variable and the dependent variable cannot be compared, and no interaction term is included. This approach is an extension of the product-indicator approach. It minimises the estimation bias. Moreover, this approach maximises the prediction of endogenous constructs and yields high prediction accuracy. The orthogonalization approach quantifies or interprets the moderating effect's strength (Henseler and Chin, 2010). This approach works best when the sample size is at least 200, or the number of indicators is medium to large (≤ 4 indicators). AVE>0.50 and CR>0.70 were observed in the first step. Then, the R2 results of the model were checked to estimate the variance. The researcher followed the f2 values guidelines proposed by (Benitez et al., 2020).

Based on the discussion about the three above-mentioned approaches, the best-suited approach is the product-indicator approach. There are a few reasons: First, the exogenous and moderator constructs are reflective. Secondly, the sample size in this study is more than 200; thirdly, the number of indicators in a greater number of constructs is more than four. So, the researcher used the product-indicator approach.

1.12. STUDY SIGNIFICANCE

This study significantly contributes to theory and practice in family business succession. Examining the complex interplay between financial socialisation, literacy, fintech usage, and risk aversion addresses critical knowledge gaps regarding the financial dimensions of succession success in F-OSBs. The research extends beyond traditional succession approaches by providing empirical evidence on how financial capabilities and behaviours influence generational transitions. This study considers that poor financial management remains a

primary reason for F-OSB failure. This study examined how descendant entrepreneurs' financial knowledge and risk attitudes impact succession outcomes. Importantly, this research addresses a critical contextual gap by examining F-OSBs within Malaysia's unique socio-cultural environment, characterised by distinct multicultural dynamics, Islamic finance integration, and family-centric business values that differ markedly from Western and other Asian contexts. Given that findings from Western nations and even neighbouring Southeast Asian countries may not be directly applicable to Malaysia's distinctive institutional and cultural landscape, this study provides context-specific insights essential for understanding succession dynamics in Malaysian F-OSBs. The study provides actionable insights for family businesses developing succession strategies tailored to their financial contexts. Additionally, integrating fintech considerations reflects modern family businesses' evolving digital landscape, offering practical guidance on leveraging technology to bridge traditional and contemporary financial practices during succession transitions. These findings are particularly valuable considering the economic importance of F-OSBs and their historically low survival rates across generations.

1.13. STUDY LIMITATION

Like any research effort, this thesis has its limitations. The present study gathered primary data from only four Malaysian cities. Thus, these findings cannot be applied to the entire population. To address the generalisability issue, future researchers should collect data from other Malaysian states to validate the results for the entire population. The focus of this study was on male entrepreneurs. The data should also be collected from female descendant entrepreneurs, and a comparative study should be conducted to examine the differences between them. Thus, the audience would understand that entrepreneurs of either male or female descent are adept at handling financial matters and that gender can lead F-OSBs successfully across generations. The present study was conducted within an Islamic, emerging country

context. So, researchers should include perspectives from both non-Muslim and developed countries. This study has another limitation related to data collection, which is conducted at a single point in time (cross-sectional research design), resulting in a limited snapshot of the phenomenon (Maier et al., 2023). This limitation can be overcome by employing a longitudinal research design, where data are collected at different time intervals and from multiple generations. This study focused on only four financial heuristics, which do not depict the effect of other financial heuristics on the succession success of F-OSBs. This study used only two moderators: risk aversion and fintech usage, which do not entirely depict the effect of strong or weak financial behaviours on succession success. A few more moderating mechanisms should be employed to gain a more comprehensive understanding of the role of financial behaviors in relation to the phenomenon of succession success in F-OSBs.

The data collection process encountered several notable challenges that merit acknowledgement. Response rates were significantly affected by participants' hesitancy to disclose sensitive financial information, particularly regarding succession planning and financial decision-making practices. Additionally, the data quality was impacted by potential measurement errors in self-reported financial literacy assessments, where respondents might have overestimated their capabilities. The study also faced logistical challenges in accessing both predecessor and descendant entrepreneurs simultaneously within the same business, often requiring multiple visits and schedule accommodations. Finally, although efforts were made to ensure the content validity of the questionnaire through expert review, some financial terminology may have been interpreted differently across participants with varying levels of formal financial education, potentially affecting response consistency.

1.14. THESIS STRUCTURE

Chapter 1 provides an introduction and overview of the thesis. Specifically, it includes the research background, theories, methodology applied in the thesis, and a summary of the overall structure. The chapter also includes the research objectives and the significance of the research.

Chapter 2 examines the direct impact of financial management capabilities on the perceived succession success of family-owned businesses. This direct relationship revealed that financial management capabilities, audit, fraud management, risk management, and working capital management contribute to the success of F-OSBs in succession. In addition, this chapter introduced fintech usage as a moderator between financial management capabilities and perceived succession success. This moderator reveals that, by using fintech extensively in F-OSBs, financial management capabilities can contribute to perceived succession success.

Chapter 3 provides insight into the direct effect of financial heuristics, anchoring bias, herd bias, mental accounting, and risk aversion on the perceived succession success of F-OSBs. The direct effect revealed which heuristics contribute to the perceived succession success of F-OSBs. Moreover, this chapter discusses the moderating role of financial literacy between financial heuristics and perceived succession success. Doing so will reveal that heuristic biases may be reduced due to the financial literacy of descendant entrepreneurs, which may result in the perceived success of succession in F-OSBs.

Chapter 4 discusses the role of financial socialisation in family business succession success. Moreover, it provides insight into the underlying mechanism of financial literacy and fintech usage and reveals how the association between financial socialisation and perceived succession success could be improved. In addition, risk aversion is used as a moderating construct. This chapter provides insight into whether high-risk-averse descendant entrepreneurs, despite their financial literacy and fintech usage, can contribute to the perceived succession success of F-OSBs.

Chapter 5 presents the overall conclusion of the thesis. Conclusions for every research objective have been incorporated in this section. This chapter outlines the implications of the research and identifies the scope for further investigation. No new data have been incorporated into this chapter. Moreover, facts and interpretations have been differentiated.

1.15. CONCLUSION

This chapter presented the background and context of the thesis, setting the foundation for understanding the research focus. It provided an overview of the research methodology, emphasizing the approach to address the identified research gap—key aspects that had been previously unexplored in the literature. The chapter also introduced the primary research model and clearly defined the objectives, ensuring alignment with the study's overarching goals. Furthermore, the significance of the research was highlighted, underlining its contribution to the field, and the structure of the thesis was outlined to guide readers through the subsequent chapters.

CHAPTER 2: FINANCIAL MANAGEMENT CAPABILITIES AND SUCCESSION SUCCESS: THE MODERATING ROLE OF FINTECH

2.1.INTRODUCTION

Growth, profitability, and sustainability are directly linked to effective financial management in any business (Sreih et al., 2019). This reality reveals a unique dimension within Family-Owned Small Businesses (F-OSBs), where financial decision-making rests in the hands of multiple family members (Reina et al., 2023). This distributed power structure creates a complex dynamic in which personal gains can influence financial transactions and profit allocations. As Farah et al. (2020) revealed, inherent conflicts of interest in financial dealings can compromise the financial stability of the F-OSB. The consequences extend beyond mere balance sheets; unstable financial issues directly jeopardize these businesses' immediate success and long-term survival (Cuellar-Fernández et al., 2021). Therefore, this study intends to investigate distinctive financial management challenges that F-OSBs face at the intersection of family dynamics and business operations.

F-OSBs play a crucial role in the global economy as family enterprises account for 70-90% of the worldwide GDP and generate 50-80% of annual job opportunities (Ahmad et al., 2018a). These businesses demonstrate a significant financial impact across regions, generating a 6.65% return on assets in the US, while achieving returns of approximately 8% in Europe and Chile (Apisakkul and Boonrugsa, 2023). Furthermore, F-OSBs are regarded as significant generators of global wealth. However, despite the importance of F-OSBs, worldwide statistics reveal that 30% of F-OSBs transition to the second generation. Of those surviving businesses, 15% move into the third generation, and less than 3% transition to the fourth generation" (Ahmad and Yaseen, 2018). The Chinese Chamber of Commerce and Industry of Malaysia reported that 13% of family businesses in Malaysia are actively concerned about their succession plans and the likelihood of their success. While 63% of these businesses have expressed their intentions

to arrange for succession, 24% do not believe that any measures taken for succession planning could help ensure their longevity (Khoo, 2019). Therefore, it can be inferred that, despite the considerable contribution of F-OSBs, their longevity across generations is at risk.

Previous studies have focused on various factors, like personality traits (Ahmad et al., 2023e), self-compassion (Aziz et al., 2022), leadership styles (Coffie et al., 2024), motivation (Gagné et al., 2021), innovative activities (Baltazar et al., 2023) familial relationships (Su and Dou, 2025), on the succession of F-OSBs. However, (Nasimiyu, 2024) revealed that strong financial management capabilities, which are planning, organising, controlling, and monitoring a firm's financial resources, enable businesses to maintain cash flow, mitigate risks, and secure long-term growth, Abbas et al. (2024) revealed that, financial management capabilities ensure financial stability, resource allocation, and strategic planning during leadership transitions from one generation to subsequent generation (i.e. succession success). Investigating financial management is arguably more critical than other factors because financial stability underpins all other key elements of succession, including governance, conflict resolution, and innovation. Without robust financial management, even well-planned succession plans are prone to failure. Thus, this study emphasises addressing this overlooked research gap, a pivotal factor.

Despite the economic significance of F-OSBs, they often lack adequate financial management capabilities and struggle with rigorous and complex financial practices due to limited financial knowledge and the high cost of external financial services (Gallucci et al., 2021). These businesses face significant challenges in managing their financial affairs. These businesses face substantial challenges in working capital management, compromised audit transparency, increased fraudulent practices, and ineffective risk management (Santoro et al., 2021). While scholars widely acknowledge the vitality of financial management capabilities for F-OSBs, a critical gap exists in understanding how these capabilities influence successful succession transition.

Existing research has examined related aspects of financial management in SMEs but not in F-OSBs. For instance, Iram et al. (2023b) examined the overall effect of financial heuristics on micro-enterprise growth, while Wolmarans and Meintjes (2015) explored how working capital, asset and liability management, and strategic management impact the success of SMEs. Moreover, Ghaleb et al. (2020) examined small enterprises' financial metrics (income, expenses, annual turnover, and profits) about financial performance. In contrast, Karanović et al. (2019) investigated cash flow methods and liquidity management as key factors in achieving business success. However, the literature indicates a significant gap in examining the specific relationship between comprehensive financial management capabilities (i.e., audit practices, fraud management, risk management, and working capital management) and the perceived succession success of F-OSBs. This critical gap leads to our first research question:

R.Q.1: Does enhanced financial management capabilities increase the likelihood of succession success?

Fintech offers innovative solutions for increasing an enterprise's financial management capabilities (Alt et al., 2018). However, F-OSBs risk falling behind due to outdated financial practices and a lack of tech-driven capabilities. Generational conflicts during succession further exacerbate the issue, as younger successors often demand the integration of modern tools to ensure competitiveness, while older generations resist change (George et al., 2024). Additionally, without fintech, financial management processes may lack the agility and efficiency necessary to navigate the complexities of succession planning, resulting in suboptimal transition outcomes (Suryono et al., 2020).

Previous studies have investigated fintech’s transformative role in enhancing financial inclusion, improving access to capital, and facilitating efficient transactions across the business environment (Thomas and Hedrick-Wong, 2019). While Nugraha et al. (2022) explored the contribution of fintech to SME financial management practices, Xiang et al. (2018) identified

inconsistent relationships between financial decision-making and the growth outcomes of family businesses. Sharma et al. (2024) revealed that fintech adoption significantly reduces information asymmetry between family members in business operations, which may alleviate tensions related to the longevity of businesses. Similarly, Scafarto et al. (2023) demonstrated that using digital financial tools can improve working capital efficiency and firms' performance. Spiga et al. (2024) also documented how blockchain-based financial tracking improved transparency in family businesses but noted significant implementation barriers during leadership transitions.

However, despite this valuable contribution, a critical gap remains in understanding how fintech integration can enhance the financial management capabilities of F-OSBs, enabling them to improve transparency in financial processes, align traditional methods with modern digital financial tools, and facilitate a smooth business transition to the next generation. This gap is particularly consequential given that we know very little about how strategic fintech adoption within F-OSB financial practices can address unique complexities of succession planning and ensure a successful intergenerational transition. So, this significant research gap leads to the second research question:

R.Q.2: Does fintech moderate the relationship between financial management capabilities and perceived succession success in F-OSBs?

The contribution of this study to the literature is threefold. First, it has filled a research gap by investigating the direct relationship between financial management capabilities and perceived succession success. Zybura et al. (2021) have often treated these constructs in isolation; this study provides new insights into how effective financial management practices directly influence the outcomes of leadership transitions, especially in the context of family businesses.

Second, it contributed to family business literature by inducing fintech to mediate between financial management capabilities and perceived succession success. This innovative approach advances the theoretical framework of family business research, underscoring the importance of adaptability and technological adoption. This study provides a nuanced understanding of how family businesses can effectively leverage technology to navigate succession challenges by demonstrating how fintech tools enhance financial processes, bridge generational gaps, and improve decision-making efficiency. Third, this study employed dynamic capability theory to explain how financial management capabilities can be considered dynamic capabilities that enable F-OSBs to adapt, integrate, and reconfigure their financial resources in response to generational shifts. Moreover, this study used the dynamic capability theory to explain the moderating mechanism of fintech usage in the context of F-OSBs. Theory suggests that F-OSBs must continually adapt and evolve their use of financial technologies to remain competitive and survive across generations. The policymakers should urge the F-OSBs to induce fintech to achieve long and short-term financial goals. The good financial health of F-OSBs due to fintech usage can increase the likelihood of a successful succession transition. This chapter consisted of five sections. The first section is an introduction, highlighting the research gap and problem and developing the research question. At the same time, the second section is the theoretical framework and literature review. The third section is related to research methodology, which further explains the research approaches, data collection methods, and issues related to data business. The fourth section presents the study's results, and the fifth section discusses the results, research implications, and limitations, concluding with a summary.

2.2.LITERATURE REVIEW

2.1.1. Perceived Succession Success

Perceived succession success refers to the successful transition of power, leadership, and ownership within F-OSB, typically from one generation to the subsequent generation. When succession is not adequately planned and executed, it can lead to instability, uncertainty, and potentially the downfall of the F-OSB. F-OSBs ensure that leadership positions are filled with capable successors who manage both financial and non-financial affairs and lead the family business into subsequent generations. Ellen et al. (2024) revealed that managing financial affairs is like blood in the veins of an F-OSB. Poor financial management capabilities can jeopardize the performance of F-OSBs. Therefore, this study utilized financial management capabilities, including audit, fraud, risk, and working capital management, to investigate how they contribute to succession success in F-OSBs.

2.1.2. Financial Management Capabilities

2.1.2.1.Audit

An audit formally examines an organisation's or an individual's accounts or financial situation. F-OSBs exhibit distinctive audit practices due to their differing ownership structures (Niskanen et al., 2010). Németh and Németh (2017) revealed that less than 60% of F-OSBs implement written strategic business plans for formal accounting, controlling, and internal audit mechanisms. The relationship between audit quality and succession success can be argued because comprehensive auditing creates the financial transparency and accountability necessary for effective leadership transitions. F-OSB often spends money to earn a good reputation rather than on the business's financial health diagnostics (Lambrecht and Naudts, 2008). Moreover, there is a demand for less extensive auditing due to the concentrated ownership structure Al-Okaily and Naueihed (2019). (Ratcliff, 2018) revealed that robust audit

practices counter these tendencies by establishing objective financial governance systems that build successor confidence, stakeholder trust, and operational integrity.

The mechanism through which audit quality enhances succession success operates through multiple pathways aligned with dynamic capability theory. High-quality auditing enables F-OSBs to sense financial irregularities and opportunities by establishing systematic financial monitoring processes that provide accurate data for decision-making. These audit mechanisms allow businesses to seize optimisation opportunities by identifying inefficiencies and validating strategic investments while transforming financial operations through standardised procedures that transcend individual leadership styles. Fooladi and Shukor (2012) confirm that higher-quality audits correlate with more lucrative firm performance. Warren and Smith (2015) warn that a business must confront the grievous consequences (failure or closure) of not using a comprehensive auditing system (failure or closure). Astonishingly, the literature on the auditing role in F-OSB is scarce. DCVT further elaborates that F-OSB's engagement in quality auditing may enhance the transparency of the business operations. Operational transparency may urge the employees to follow the rules and invest in their ultimate capabilities for the F-OSB 's success. Established audit mechanisms create the financial stability and transparency that preserve F-OSB longevity through succession transitions. This leads to our hypothesis:

(H1): Audit has a significant positive association with the perceived succession success of family-owned small businesses.

2.1.2.2.Fraud Management

Enterprise fraud management is the real-time screening of transaction activity across users, accounts, processes, and channels to identify and prevent internal and external fraud in a firm. The Association of Certified Fraud Examiners (ACFE) pointed out that small businesses with fewer than 100 employees excessively confront fraud. Moreover, ACFE reported that "31% of all occupational frauds were committed against small businesses, resulting in a median loss of

$150,00". The fraud rate is higher in F-OSB than in the other business categories. Another Institute of Internal Auditors survey revealed that only 2% of small businesses report fraud; however, 40% are the victims (Hrncir and Metts, 2011). Literature indicates inconsistent results. Gupta and Mehta (2021) conducted a review study and found that the implementation of fraud management is not significantly associated with a firm's non-financial performance. Banks have robust fraud detection mechanisms, enabling them to achieve high financial performance (Hussaini et al., 2018). Fraud practices are high in public institutions in developing countries, resulting in poor services and compromised financial performance (Kiprono and Ng'ang'a, 2018).

Literature indicates that the fraud management practices adopted by F-OSBs represent critical capabilities that directly impact business longevity, encompassing detection systems, prevention protocols, and response frameworks tailored to the vulnerabilities of family businesses (Camisón-Zornoza et al., 2020). Family businesses face unique fraud risks during their survival, as Boateng and Acquah (2020) found that a large number of family business confronts financial irregularities which undermine family members' trust and stability; additionally, Efferin and Hartono (2015) demonstrated that F-OSBs with robust fraud management systems can more completely manage their leadership transitions. DCVT further explains that F-OSB senses their fraud vulnerabilities using their technological possibilities. Higher fraud-sensitive family businesses tend to achieve technological resources in fraud detection, seize protection opportunities by implementing fraud-sensitive systems aligned with the governance structures of the family, and transform their operations by embedding fraud prevention throughout the succession phase (Halbouni et al., 2016). Such initiatives may increase transparency, preserve financial assets, strengthen stakeholder confidence, and thus increase the likelihood of a successful succession transition. So, the proposed hypothesis is:

(H2): Fraud management has a positive association with the perceived succession success of family-owned small businesses.

2.1.2.3. Risk Management

Risk management in F-OSBs represents a systematic process of identifying, assessing, and mitigating potential threats that may occur during the investment operational processes (Kenton, 2019). This highlights the unique characteristics of family businesses, where management and ownership are intertwined (Senegović, Bublić, & Ćorić, 2015), creating a concentrated risk environment shaped by the differing cognitive capabilities of family members (Nguyen & Shaw, 2011). Le Breton–Miller and Miller (2013) noted that family businesses perceive risks differently than non-family businesses, focusing on unique risks related to the business's succession, governance, ownership, decision-making, and performance (Visser and van Scheers, 2018). Family businesses often prioritise risk mitigation for family members over business continuity, with one-third of the risk management plans designed to protect family interests (Lipitz and Hauser, 2016). This complex risk landscape shows that family businesses are prepared to bear the financial loss but remain reluctant to relinquish control (Ratten, 2015).

The relationship between risk management capabilities and succession success stems from the existential threat that poor risk management poses to F-OSB's survival. When risks are misunderstood or mismanaged, they eventually lead to the failure of a business (Daniell and McCullough, 2013), particularly during the vulnerable periods of succession, when survival risks peak. Effective risk management capabilities may contribute to succession through multiple mechanisms; they create financial stability that supports transition processes, identify and address succession-specific risks, and build resilience against external shocks during leadership changes (Visser and van Scheers, 2018). The lens of DCVT provides insight into how F-OSBs with superior risk management can sense emerging threats, seize opportunities, and transform their operations and strategies to mitigate these risks and preserve longevity.

Family members often find managing risk difficult (Daniell and McCullough, 2013) and may avoid necessary but risky steps due to gaps in their capabilities (Senegović et al., 2015). Businesses that develop robust risk management capabilities gain a significant advantage in successfully transitioning to subsequent generations. Therefore, investigating how risk management capabilities increase the likelihood of succession success becomes crucial for understanding F-OSB longevity and intergenerational sustainability. So, the proposed hypothesis:

(H3): Risk management has a significant positive association with the perceived succession success of family-owned small businesses.

2.1.2.4.Working Capital Management

Working capital management (WCM) represents a critical financial management capability that enables firms to maintain adequate cash flow to meet their short-term operating cost and debt obligations (Tuovila, 2019). Financial officers increasingly recognise WCM's importance for family businesses (Kieschnick et al., 2013), particularly as firms allocate 40% of their assets as current assets (Autukaite and Molay, 2011). WCM encompasses the strategic oversight of accounts receivable, inventory, accounts payable, and cash conversion cycles—all essential for maintaining business operations while positioning for long-term sustainability across generations.

Literature indicates that effective WCM enables F-OSBs to attain high liquidity and profitability through proactive short-term financial decisions (Raheman and Nasr, 2007), creating the financial stability necessary for leadership transition. In addition, Gill (2013) noted that WCM serves as a significant predictor of firm performance. Additionally, robust WCM practices build financial resilience that protects F-OSBs during vulnerable periods when leadership focus may temporarily shift from operations to transition management. Perhaps most critically, WCM capabilities provide next-generation successors with transparent

financial frameworks that facilitate knowledge transfer and build confidence in the business's financial foundation.

Through the lens of dynamic capability theory, F-OSBs with superior WCM capabilities can sense their market conditions that might affect cash flow, seize opportunities through strategic management of current assets and liabilities, and transform financial practices to support intergenerational sustainability. Specifically, effective WCM enables successors to evaluate current assets, confidently manage the payment of current liabilities, identify and engage in short-term investment opportunities, and implement proactive initiatives to address the complex matters of succession. Successors who inherit robust WCM systems and capabilities gain immediate operational control with reduced financial disruption, enhancing their legitimacy with stakeholders and increasing their likelihood of long-term success. The transfer of sophisticated WCM knowledge across generations creates both financial stability and enhanced decision-making capabilities that may directly contribute to succession success. The proposed hypothesis is as follows:

(H4): Working capital management has a positive relationship with the perceived succession success of family-owned small businesses.

2.1.3. Fintech Usage

Fintech usage refers to using digital technologies to deliver financial services and solutions (Dorfleitner et al., 2017). Fintech is an internet-based technology that revolutionises and streamlines traditional financial services. Firms that use fintech leverage digital platforms, software, and algorithms to enhance the efficiency, accessibility, and convenience of financial transactions. Fintech is the application and integration of innovative technology in a firm to improve various aspects of financial services. Previous studies have used fintech to test the effectiveness of financial matters and their impact on the performance of digital payment systems and data processing with the help of artificial intelligence. Ozili (2018) has explored

how fintech can minimise operational costs and financial inclusion. At the same time, Abis et al. (2024) revealed that fintech usage can improve efficiency, accessibility, and convenience for customers in financial institutions. However, Kandpal et al. (2023) revealed that fintech enables F-OSBs to lower transaction costs, provide fair and transparent business dealings, facilitate direct interaction with customers, and ensure the quick availability of financial information. Additionally, fintech usage in F-OSBs can enhance security and protect customer information through advanced data encryption and cybersecurity measures. However, the literature does not reflect how fintech usage influences financial management and results in the perceived succession success of F-OSBs. We introduced fintech into this model to gain insight into how F-OSBs, by utilizing fintech, process their financial position and make informed decisions for a successful succession transition.

2.1.4. The moderating effect of Fintech

The digital revolution has transformed the financial management practices of companies through fintech and cloud technologies and stepped towards reshaping how they can handle their audit process (Alkaraan et al., 2022). These technological innovations enable automated data verification, continuous monitoring, enhanced reporting transparency, and improved compliance tracking, which collectively strengthen audit management.

F-SOBs adopting fintech-enabled audit solutions gain multiple competitive advantages critical for longevity. First, these technologies reduce information asymmetry between family stakeholders by providing objective, transparent financial data that builds trust among potential successors. Second, automating their audit processes frees senior management from time-consuming manual verification, allowing them to focus on knowledge transfer and sustainable growth (Thottoli et al., 2022). Third, advanced audit capabilities strengthen financial governance structures that persist beyond leadership transitions, creating institutional stability (Arslan and Alqatan, 2020). Fourth, sophisticated audit technologies enhance financial

visibility and confidence in decision-making, which is crucial when transferring financial authority to next-generation leaders (Lehner et al., 2022). Thus, fintech adoption may enhance audit capabilities that directly support the transition of F-OSBs to subsequent generations. This leads to our hypothesis:

(H5): Fintech moderates the relationship between the audit and perceived succession success of family-owned small business.

Fraud management capabilities constitute a critical dimension of financial management in firms, involving the systematic detection, prevention, and mitigation of fraudulent activities. Mat Ridzuan et al. (2022) revealed that technological advancement enhances a firm's fraud detection capabilities through a strong monitoring system. Amasiatu and Shah (2018) supported that technological innovations can mitigate fraud without automatically guaranteeing profitability.

Fintech integration transforms fraud management or detects malpractices by implementing digital oversight mechanisms that create transparency and accountability, which are critical factors to preserve the longevity of any firm. Akartuna et al. (2022) established that the fraud detection system can increase employees' efficiency and the firm's performance through fraud detection and behavioral deterrence. This relationship between fintech-enhanced fraud management and longevity operates through establishing financial transparency, creating systematic controls that survive leadership transitions, protecting family assets during vulnerable periods, and professionalising financial governance to reduce family conflicts. Thus, it can be deduced that adopting financial technology (fintech) platforms by F-OSBs can lead to a more effective and efficient method of fraud prevention and management in family businesses, thereby increasing the likelihood of succession success.

(H6): Fintech moderates the relationship between fraud management and the perceived succession success of family-owned small businesses.

Fintech has induced innovative digital solutions, transforming the firm's traditional operations. These technological advancements provide sophisticated tools for real-time data analysis, forecasting the intensity of risk and indicating the opportunities to minimize the risks that were not previously unavailable to SMEs Gomber et al. (2018). Fintech adoption enhances a firm's financial capabilities through multiple mechanisms: it democratizes access to sophisticated financial analytics that were once available only to larger corporations, it creates transparent financial records, and it bridges the generational digital divide (Anagnostopoulos et al., 2025). Similarly, Lee, Li, Yu, and Zhao (2021) also endorsed that firms that strategically integrate fintech solutions can enhance their capabilities to identify, assess, and mitigate financial risks, achieving higher performance. Such improved capabilities can directly address the financial vulnerabilities when financial stability is most critical yet often most threatened (i.e., succession phase). Therefore, we propose that F-OSBs that systematically adopt and integrate fintech solutions into their financial operations will develop more robust risk management capabilities, create greater financial transparency between generations, and consequently increase their likelihood of achieving successful succession transitions. The deduced hypothesis is:

(H7): Fintech moderates the relationship between risk management and the perceived success of succession in family-owned small businesses.

Tech devices and mobile applications have improved the firm's performance by managing their working capital better through automating and digitising manual, error-prone, and time-consuming financial (Coombs et al., 2020). These technological solutions encompass cash flow forecasting tools, automated accounts receivable/payable systems, inventory optimisation algorithms, and digital payment platforms that collectively enhance financial efficiency to handle day-to-day financial matters (Patnaik and Baral, 2020). Using technology, firms can create financial stability by optimising cash conversion cycles and reducing capital tied up in

operations, establishing the financial foundation necessary for leadership transitions (Hofmann et al., 2022). Additionally, fintech solutions offer transparent and real-time financial visibility, which fosters trust among family stakeholders and potential successors. So, it can be argued that when fintech adoption increases in F-OSBs, working capital efficiency improves by reducing decision latency, minimizing human error, and enabling data-driven financial strategies. These improvements create financial resilience, which is essential for navigating succession transitions and enhancing stakeholders' confidence in the process. Therefore, we hypothesize:

(H9): Fintech moderates the relationship between working capital management and the perceived success of succession in family-owned small businesses.

2.1.5. Theoretical Framework

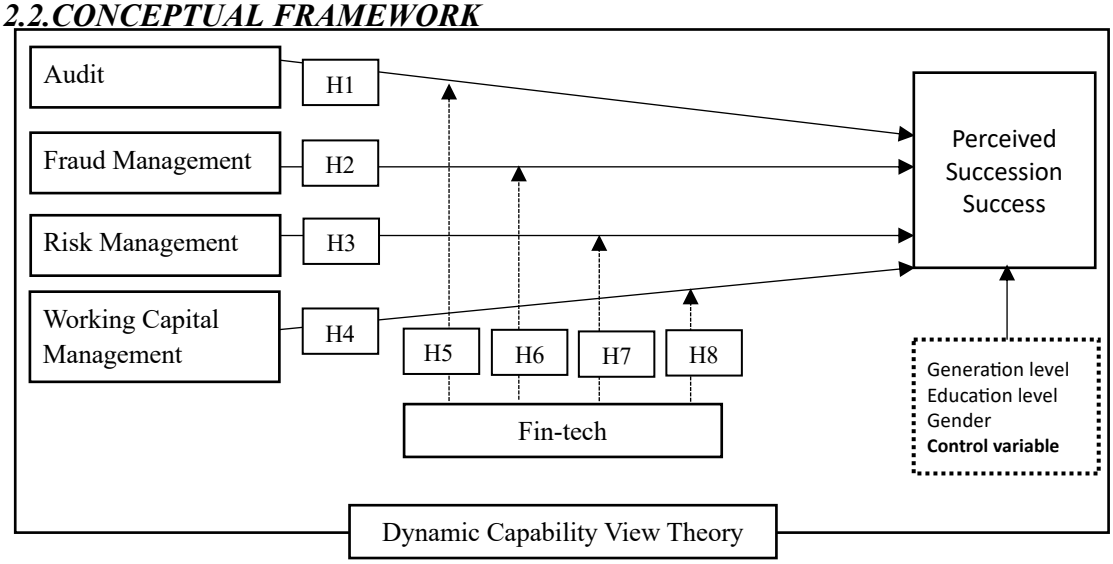
Dynamic capabilities refer to a firm's ability to integrate, build, and reconfigure internal and external resources/capabilities to address and shape rapidly changing business environments (Teece, 2007). DCVT provides insight into financial management capabilities in F-OSBs, which can be conceptualized as specialized organizational competencies that enable firms to sense, seize, and transform financial opportunities and challenges.

These capabilities manifest through four critical dimensions: audit management capabilities that ensure financial transparency and compliance; risk management capabilities that identify and mitigate financial threats; fraud management capabilities that safeguard assets and maintain integrity; and working capital management capabilities that optimize cash flow and operational financing. Each dimension aligns with Teece's framework—sensing occurs when F-OSBs identify financial patterns and anomalies through audit procedures; seizing happens when businesses implement risk management protocols to capture value; and transforming takes place as firms reconfigure financial practices through fraud prevention and

working capital optimization to ensure long-term sustainability (Teece et al., 1997; Eisenhardt & Martin, 2000).

Research demonstrates that family businesses effectively deploying dynamic capabilities achieve superior performance in volatile environments (Chirico & Nordqvist, 2010). For F-OSBs, financial management capabilities become particularly critical during succession, as they enable effective resource allocation, strategic investment decisions, and long-term financial stability (Sirmon & Hitt, 2003). These capabilities facilitate smoother leadership transitions by ensuring financial security and operational continuity (Zahra et al., 2006). The dynamic nature of these capabilities allows F-OSBs to adapt and respond to environmental changes, making informed decisions that ensure financial sustainability and succession success (Helfat et al., 2007).

2.2.CONCEPTUAL FRAMEWORK



2.3.METHODOLOGY

2.3.1. Participants and Procedure

This study employed a cross-sectional research design to collect the primary data from the successors of F-OSBs in Malaysia. This study employed a closed-ended questionnaire that comprised constructs related to financial management capabilities, perceived succession success, and fintech adoption. This study was conducted in three cities in Selangor state of

Malaysia: Shah Alam, Subang Jaya, and Petaling Jaya. These are the biggest revenue-generating cities and contain many F-OSBs compared to other Malaysian cities (Abdul Hamid, 2013). The list of F-OSBs was obtained from the Small Medium Enterprise Corporation (SME-Corp) Malaysia. We finalized 512 F-OSB based on the following criteria: (1) the business must be at least five years old (Bureau of Labour Statistics, 2012); (2) has 5 to 30 employees and an annual sale turnover between RM 300,000- RM 3 Million (Lim and Teoh, 2021) and (3) the business identifies itself as family-owned (Westhead and Cowling, 1998), and /or a single-family owns 50% or above shares (Chua et al., 1999).

We set the following criteria to select the respondents. 1) the respondent must be designated as a chairman or managing director because the successors designated at such position have the authority to deal with financial and succession matters, and 2) F-OSBs belong to 2nd generation and onwards because F-OSBs start losing grip on their longevity from the 2nd generation or onwards We chose to examine the retail sector because it accounts for 13.1% of Malaysia's GDP (Kamaruddin and Shamsudin, 2021), and focusing on a single sector would offer better insight into that sector without complexities.

We used a non-probability purposive sampling technique because the respondent successor has only information about financial and succession-related matters (Isaga et al., 2015). Emails and phone calls were sent to 512 F-OSBs, and they were briefed on the nature of the study and asked to participate as volunteers. 473 F-OSBs showed interest in participation. In June 2022, the questionnaire was delivered to the targeted successors of F-OSBs through Google Forms. We received 439 responses within six weeks due to follow-up. However, this study did not use responses received after this stipulated time. We discarded 110 questionnaires that were not filled out by the target respondents or F-OSBs. The details are as follows: 21 F-OSBs had more than 30 employees, while 5 F-OSBs had less than 3 employees. 28 F-OSBs revealed that their annual sales turnover is lower than RM 300,000, and 32 respondents' families had less than

50% shares. Nine respondents were not designated as managing directors or chairpersons, and 10 were from the 1st generation. Moreover, five questionnaires were discarded due to missing responses greater than 15%. We used the mean value approach to address the missing values. The demographic information of the respondents reveals that the age of the respondent successor was from 26 to 63, Mage = 35.23. Of these participants, 64.2 % belonged to the 2nd generation, 29.5% to the 3rd generation, and 6.3% to the 4th generation. We found no F-OSB under the surveillance of the 5th generation. 13.2% had a postgraduate degree, 44.4 % had an undergraduate degree, 26.3 % completed high school, and 16.1 % completed secondary school. In addition, 78% of respondents were male, while 22% were female. The high representation of male counterparts suggests that the predecessors of F-OSBs tend to designate males as successors to their family businesses.

2.3.2. Measures and Control Variables

This study adopted scales to measure the constructs. A six-item perceived succession success scale was developed by (Cabrera-Suárez and Martín-Santana, 2012) and treated as a reflective construct. The items of perceived succession success are: Relationship with suppliers, customers, financial institutions, etc., have not been damaged by the change of management"; "The expectations for the future of the firm are favourable"; "The firm has improved its strength and competitive position since I have been working in it"; "The working atmosphere and employee satisfaction have improved"; "The family is satisfied with the evolution of the firm"; "I am satisfied professionally with the evolution of the succession process."

The audit scale was validated by Kabuye et al. (2017), consisted of 10 items, and was treated as a reflective construct. The items of this scale are: audit safeguards the misuse of firm's assets"; "audit checks the authorization of expenditures"; "audit ensures economic transaction are supported by adequate documentation"; "audit promotes segregation of duties";

"audit promotes ethics within firm"; "audit facilitates to identify the risk"; "audit develops risk management strategies for board approval"; "audit prepares the risk treatment plans"; "audit evaluates the management effectiveness"; "audit develops system to ensure compliance with business policies".

The fraud management scale was developed by Kabuye et al. (2017) and consisted of 8 items and was treated as a reflective construct. The items of this scale are: "have technological solutions to flag the irregular activities"; "we use whistleblower mechanism"; "take action upon fraud detection"; "risk-based internal audits are carried out"; "communicate the outcome of fraud investigation"; "have a procedure to disclose evidence to detect fraud"; "monitor employees working in high-risk departments"; "established lines of communication with police for the investigation of detected fraud".

The risk management scale was developed by (Zaleha Abdul Rasid et al., 2011) and consisted of 8 items. The items of this scale are: "have effective risk-management policy"; "risk is well understood"; "regularly reviews internal control"; "risk management is embedded in firm's culture"; "risks are reported through formal procedures"; "internal control is for risk faced"; "prioritise risk effectively"; "risk is assessed and reported on an ongoing basis".

In addition, the working capital management scale was developed by (Németh and Sz, 2017) and consisted of 13 items. The elements of this scale are: "business has bank account"; "normally experience cash shortages"; "sell goods or services by cash"; "helpful in decision making"; "set minimum cash balance"; "cash surplus is invested in marketable securities"; "has internal control on cash"; "separation of cashier duties from accounting duties"; "owner /manager is trained on working capital management"; "most sales are credit"; "have credit policy in place"; "set credit policy while extending credit"; "sales are reconciled with inventory change".

The fintech scale was validated by Shen et al. (2022). This scale consisted of 4 items. The elements of this scale are: "digitally connected with smart devices or have a database", "business benefits from various digital technologies", "operate digitally and have a creative design basis", and "interact digitally in activities for our employees". Each item of these constructs was recorded on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

2.3.3. Common Method Biases

The primary data collected at a single point in time is perceived to be affected by a common bias method (CBM). A common bias method (CBM) error affected the data and results. Common bias is a significant concern related to self-survey reports (Spector, 2006) as it may lead to overestimating the relationship between the measured constructs (Conway and Lance, 2010). This study utilised Harman's single factor to ensure that the total variance did not exceed 50%. As demonstrated in Table 1, the total variance is 46.469%, indicating no common bias issue exists in the data.

Table 2:1 Common Method Biases Test

	Initial eigen values			Extraction sum of squared loading		
Variables	Total	% of variance	Cumulative%	Total	%of variance	Cumulative%
1	46.469	46.469	46.469	46.469	46.469	46.469
2	14.017	14.017	60.486	14.017	14.017	60.486
3	10.178	10.178	70.664	10.178	10.178	70.664
4	7.753	7.753	78.417	7.753	7.753	78.417
5	6.734	6.734	85.151	6.734	6.734	85.151
6	5.672	5.672	90.823	5.672	5.672	90.823
7	4.142	4.142	94.965	4.142	4.142	94.965
8	3.245	3.245	98.210	3.245	3.245	98.210
9	1.678	1.678	99.888	1.678	1.678	99.888
10	0.112	0.112	100.000	0.112	0.112	100.000

Source: Author's own calculation

2.3.4. Non-response Bias

We conducted a meticulous two-step process to evaluate the impact of non-response bias. Initially, the dataset was divided into two parts, and we analyzed the first and last 25% of

responses based on sales and the number of years of F-OSB, as suggested by Fricke et al. (2020). The ANOVA test revealed no significant differences between the two separated parts of the dataset. Additionally, the comparison of responses and non-responses was performed by using the Mann-Whitney U test. However, we found non-significant results. We found incomplete responses from a few respondents. However, they have provided valid reasons for incomplete responses. However, based on the findings, we concluded that non-response bias was minimal (Cheung et al., 2017).

2.4.RESULTS

2.4.1. Measurement Model Analysis

We used PLS-SEM software because it can handle complex models and deal with non-normally distributed data sets (Hair et al. 2014). Additionally, Smart-PLS has a strong estimation capability for PLS-SEM.

2.4.2. Content Validity

Content validity refers to the degree to which research instruments accurately reflect the underlying concepts (Rehman et al., 2019a). Opinions from three professionals and experts in the family business domain were obtained to evaluate the content validity of the instruments used. They provided feedback on the wording and phrasing of the instrument to refine the questionnaire (Sekaran and Bougie, 2016).

2.4.3. Measurement Model

The convergent validity of multi-item constructs (audit, fraud management, risk management, working capital management, and fintech) was assessed by the loading and significance level of each item of its respective constructs. Truong and McColl (2011) revealed that factor loading greater than 0.5 provides reliable results. The factor loading of items of each construct (Table 2) was between 0.60 to 0.956. Therefore, all the items on the scale were within the reliability range. Composite reliability and Cronbach's alpha value of all constructs were

equal to or higher than 0.7, which indicates a suitable range of reliability and validity of constructs (Nunnally and Bernstein, 1994).

Table 2:2 Exogenous Construct's Reliability & Validity

		Convergent Validity				Internal consistency	Reliability
		Outer loading	t-value	Indicator reliability	AVE	Composite reliability	Cronbach's α
Constructs	Indicators	>0.7	>2	>0.5	>0.5	>0.7	>0.7
Audit	AU.1	0.866	58.471	0.000	0.774	0.965	0.927
	AU.2	0.913	116.54	0.000			
	AU.3	0.908	91.311	0.000			
	AU.4	0.917	122.4	0.000			
	AU.5	0.891	82.59	0.000			
	AU.6	0.694	27.083	0.000			
	AU.7	0.919	115.04	0.000			
	AU.8	0.908	110.61	0.000			
Fraud Management	FM.1	0.859	83.43	0.000	0.731	0.961	0.904
	FM.2	0.842	57.66	0.000			
	FM.3	0.844	67.38	0.000			
	FM.4	0.856	73.143	0.000			
	FM.5	0.866	71.564	0.000			
	FM.6	0.860	60.821	0.000			
	FM.7	0.868	76.169	0.000			
	FM.8	8.855	73.259	0.000			
	FM.9	0.843	68.778	0.000			
Risk Management	RM.1	0.770	38.479	0.000	0.933	0.945	0.881
	RM.2	0.814	50.425	0.000			
	RM.3	0.849	64.837	0.000			
	RM.4	0.884	98.101	0.000			
	RM.5	0.854	68.155	0.000			
	RM.6	0.861	70.47	0.000			
	RM.7	0.811	50.473	0.000			
	RM.8	0.749	33.842	0.000			
Working Capital Management	WCB.1	0.752	39.201	0.000	0.563	0.944	0.935
	WCB.2	0.774	44.723	0.000			
	WCB.3	0.795	49.620	0.000			
	WCB.4	0.713	33.025	0.000			
	WCB.5	0.722	35.639	0.000			
	WCB.6	0.759	41.683	0.000			
	WCB.7	0.755	40.976	0.000			
	WCB.8	0.709	28.846	0.000			
	WCB.9	0.756	42.789	0.000			
	WCB.10	0.789	42.363	0.000			
	WCB.11	0.740	35.290	0.000			
	WCB.12	0.725	31.076	0.000			
	WCB.13	0.757	37.849	0.000			
Fin Tech	FT.1	0.840	51.104	0.000	0.792	0.919	0.868

	FT.2	0.908	99.071	0.000			
	FT.3	0.921	124.91	0.000			
Perceived succession success	SS.1	0.885	94.096	0.000	0.691	0.930	0.908
	SS.2	0.861	54.767	0.000			
	SS.3	0.667	24.042	0.000			
	SS.4	0.831	39.763	0.000			
	SS.5	0.895	90.581	0.000			
	SS.6	0.827	58.479	0.000			

Source: Author's own calculation

Table 3 shows the discriminant validity (HTMT). According to Henseler et al. (2016), HTMT's threshold value is suggested to be 0.90. The path model that indicates an HTMT value of 0.85 is presumed to be a more distinguished (Henseler et al., 2016). Each construct's HTMT values were within the acceptable range.

Table 2:3 Discriminant Validity

Constructs	AU	FM	FT	RM	SS	WCM
AU						
FM	0.794					
FT	0.787	0.785				
RM	0.854	0.852	0.894			
SS	0.849	0.881	0.782	0.890		
WCM	0.860	0.882	0.812	0.845	0.882	

Note: n=329. AU=Audit; FM= Fraud management; FT=Fin-tech; RM=Risk management; SS=Perceived succession success: WCM; working capital management
Source: Author's own calculation

2.4.4. Structural Equation Modelling

Successors' age, gender, and generation level are higher influencers of the succession process of the F-OSB (Ahmad et al., 2023d). Therefore, this study used the mentioned variables as the control variables. Results revealed that education level (β = 0.140, p = 0.004, t-value = 2.539) has a significant relationship with perceived succession success, while gender (β = -0.0506, p = 0.274, t-value = 1.465) and generation level (β = -0.0682, p = 0.351, t-value = 0.964) have no significant relationship with perceived succession success.

Partial Least Squares Structural Equation Modelling (PLS-SEM) was implemented using Smart-PLS to examine the hypothesised relationship between the constructs. The results (table 5) showed that audit is positively related to perceived succession success (H1=β = 0.093, p=0.031, t =2.084) and fraud management (H2=β = 0.234, p=0.000, t= 4.645). Risk

management is related to perceived succession success (H3: β = 0.416, p = 0.000, t = 7.650). Working capital management has a positive significant relationship with perceived succession success (H4= β = 0.200, p=0.000, t < 5.197. Hence, hypotheses H1, H2, H3, and H4 are accepted. Cohen (1988) provided the f2 effect size: small = 0.02, medium = 0.15, and large = 0.35. This study shows that audit, fraud management, risk management, working capital management, and fintech have a medium-sized f2 effect.

Table 2:4 Boot Strapping- Direct Relationship

Hypothesis	Relationship	Coefficient	Std.Dev	t-value	p-value	R^2	f^2	VIF	Decision
H1	AU → SS	0.093	0.045	2.084	0.031		0.044	2.761	Yes
H2	FM → SS	0.234	0.050	4.645	0.000		0.108	3.353	Yes
H3	RM → SS	0.416	0.054	7.650	0.000		0.083	2.098	Yes
H4	WCM →SS	0.200	0.038	5.197	0.000		0.035	4.179	Yes

Note: n=329. AU=Audit; FM= Fraud management; FT=Fin-tech; RM=Risk management; SS=Perceived succession success: WCM; working capital management. D: Standard deviation; f^2: effect size, (small=0.02), (medium=0.15) and (Large= 0.35); VIF: Inner model variance inflation factors. Significance, standard deviations. Only total effects are shown.
Source: Author's own calculation.

2.4.5. The Moderation Analysis

We employed the bootstrapping bias-corrected confidence interval method in structural equation modeling (SEM) to assess our moderation effects (Preacher and Hayes, 2008; Strizhakova et al., 2011). The moderation effect is reported in Table 5. The moderation effects show a significant moderating effect of fintech on audit and perceived succession success (H6: β = 0.120, p = 0.011, t = 2.456). In contrast, fintech does not moderate the relationship between financial management and perceived succession success (H7: β = -0.086, p = 0.000, t = 1.582). The fintech moderates the relationship between risk management and perceived succession success (H8= β = 0.149, p=0.000 t= 4.621), and fintech does not moderate the relationship between working capital management and perceived succession success (H9= β = 0.061, p=0.675, t = 0.449). So, H5 and H8 are accepted, while H6 and H8 are rejected.

Table 2:5 Bootstrapping- Moderation Relationship

Hypothesis	Relationship	Coefficient	Std.dev	t-value	p-value	f^2	Decision	BCI-LL	BCI-UL
H5	AU*FT→SS	0.120	0.049	2.456	0.011	0.021	Yes	-0.191	0.000

H6	FM*FT→SS	-0.086	0.055	1.582	0.107	0.012	No	-0.222	-0.004
H7	RM*FT→SS	0.149	0.032	4.621	0.000	0.041	Yes	0.071	0.202
H8	WCB*FT→SS	0.061	0.036	0.449	0.675	0.001	No	-0.049	0.093

Note: n=329. AU=Audit; FM= Fraud management; FT=Fin-tech; RM=Risk management; SS=Perceived succession success: WCM; working capital management
Source: Author's own calculation.

2.4.6. Predictive Relevance

According to Cohen (2013b), a Q2 result of 0.02 indicates small, 0.15 medium, and 0.35 large predictive relevance. Table 7 shows that perceived succession success (0.631) has a large predictive relevance. So, the model demonstrates high predictive relevance. RMSE (0.723) and MAE (0.511) are error metrics showing prediction accuracy for perceived succession success. Lower values indicate better model fit. These moderate values suggest the model captures succession dynamics reasonably well but has some prediction limitations, meaning family business succession success can be partially predicted but remains influenced by unmeasured factors beyond the model's variables.

Table 2:6 Predictive Relevance

Endogenous variables	RMSE	MAE	Q^2 Predict
Perceived succession success	0.723	0.511	0.631

Source: Author's own calculation

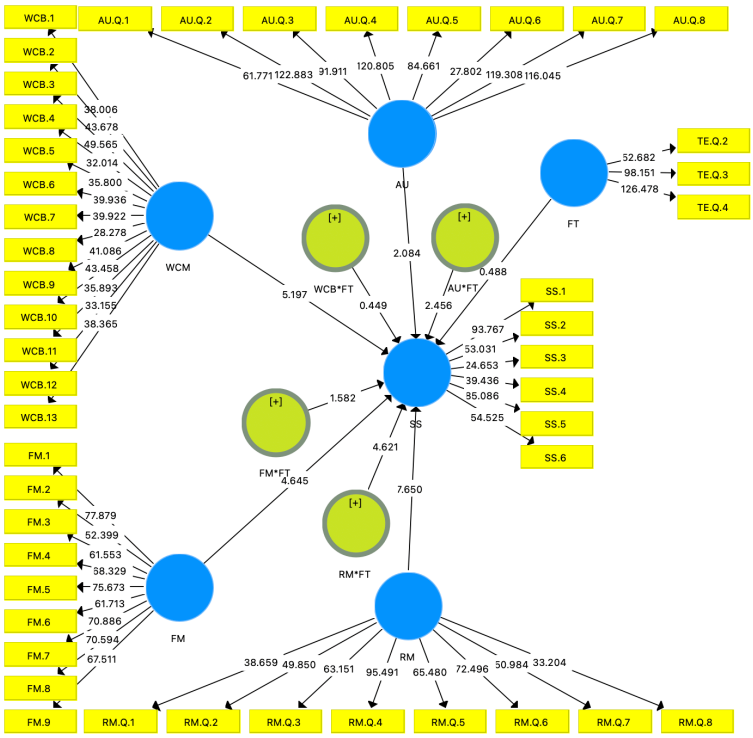


Figure 2.1Statistical Model Financial Management Capabilities and Perceived Succession Success

Figure 2.1. shows the direct relationship between financial management capabilities (fraud management, risk management, working capital management, and audit) and perceived succession success. Additionally, this figure illustrates the moderating effect of fintech usage on the relationship between financial management capabilities and perceived succession success.

2.5.DISCUSSION

This study investigated two research questions. The first research question was, does the financial management capabilities of F-OSB increase the likelihood of succession success? The second research question was, does fintech moderate the relationship between financial management capabilities and perceived succession success in F-OSBs? The discussion of the results of the research questions is provided as follows:

2.5.1. Direct Relationship

This study found that audit capability has a positive relationship with the perceived succession success of F-OSB. This finding aligns with AlQadasi and Abidin's (2018)

observation that businesses with ownership concentration are more likely to demand extensive auditing (H1=accepted). Our results also complement (Bisogno and Vaia, 2017) assertion that formalized accounting systems are crucial predictors of family business transitions and support. These findings also answer Nwuke and Adeola's (2023) call for studies examining specific capabilities that facilitate successful leadership transitions in family enterprises. Dynamic capability theory helps to explain that F-OSBs must develop and enhance their abilities to manage and navigate succession processes effectively. Audit is crucial in this process by providing essential information and insights to make decisions for a successful succession transition. The audit mechanism of F-OSBs helps to assess their current strengths and weaknesses and determine the gaps that must be addressed for a successful succession. In addition, the audit can help the F-OSBs identify and sketch proactive measures to mitigate the forthcoming challenges for perceived succession success.

This study revealed that fraud management has a positive relationship with the perceived succession success of F-OSBs. (H2=accepted). This finding is aligned with Hussaini et al. (2018), who revealed that banks with strong fraud management capabilities demonstrate superior performance, so our findings fill a critical research gap by extending this relationship specifically to the succession context in family businesses. Previous research by Miller (2023) established that next-generation family members cite financial transparency as their primary concern when evaluating succession opportunities. However, existing literature offered minimal guidance on how F-OSBs could address this concern. So, this study fills a gap in the literature by explaining with the support of dynamic capability theory that the prevalence of fraud poses a significant threat to the success and longevity of F-OSBs. Fraud erodes trust, damages reputation, and causes financial losses to the F-OSBs. Therefore, fraud management is essential for successfully transitioning F-OSB to the subsequent generations. In addition, fraud management in F-OSBs can create a culture of integrity and trust for family members,

employees, customers, suppliers, and other stakeholders. This culture of integrity and trust reduced the loopholes in the system, increased fraud management and resulted in the likelihood of succession success of F-OSB.

Risk management has a positive relationship with the success of FOSB succession, aligning with the findings of Visser and van Scheers (2018). (H3=accepted). Visser and van Scheers (2018) found that effective risk management helps family businesses perform well and maintain sustainable growth. This relationship can be understood through dynamic capability theory. FOSBs' ability to sense potential risks, seize opportunities through proactive risk assessment, and transform threats into strategic advantages directly facilitates succession continuity. Our findings extend beyond Baltazar et al. (2023), who identified risk management as crucial for family business longevity by specifically demonstrating its impact on succession outcomes—addressing a critical literature gap. Dynamic capability theory further explains that F-OSBs must possess specific dynamic capabilities to manage risks; such capabilities rationalise the intensity of the risk and take proactive measures to turn it into an opportunity. F-OSB's ability to learn, adapt, and continuously improve risk management in the operation increases the chances of a successful succession transition. The theory further highlights that integrating internal and external resources and knowledge to manage risks contributes to succession transition across generations.

This study found that working capital management has a positive relationship with the perceived succession success of F-OSBs. (H4=accepted). Aligning with Mokhber et al. (2017) findings that businesses concerned with day-to-day transactions are more likely to achieve sustainable performance. Through the lens of dynamic capability theory, our results demonstrate how working capital management constitutes a critical sensing and seizing capability that enables F-OSBs to adapt to market fluctuations while maintaining operational stability—prerequisites for succession success that previous literature has insufficiently

examined. This finding extends (Daovisan and Shen, 2020) work on financial management in family firms by specifically connecting working capital efficiency to performance outcomes and addressing (Patidar et al., 2016) call for more concrete financial metrics in succession planning research. So, with the help of this theory, it can be further explained that effective working capital management can increase the profitability and growth of the business, which is an important factor in attracting and retaining potential successors. Furthermore, the dynamic capability theory suggests that by effectively managing working capital, F-OSBs can develop the necessary capabilities and competencies for perceived succession success.

2.5.2. Moderating Relationship

Fintech moderates the relationship between audit capabilities and the perceived succession success of F-OSBs. (H5=accepted). These findings align with Barr-Pulliam et al. (2022), who found that audit firms adopting the latest technologies are more likely to succeed in the audit and preserve their financial viability. This result addresses our research question by illustrating how specifically financial management capabilities are enhanced during succession transitions, which is a critical gap in previous literature. Studies by Rodriguez-Ariza et al. (2021) demonstrated technology's impact on audit quality in general business contexts, and (Lootah et al., 2025) examined succession planning separately from financial capabilities; our research uniquely bridges these domains by revealing how fintech-enhanced audit capabilities create the transparent financial environment essential for succession success. Relying on the dynamic capability theory, it can be argued that fintech, as a technological innovation, helps F-OSBs to enhance their audit capabilities. The fintech adoption can improve the efficiency and accuracy of the audit process, ensuring that financial mismanagement is detected and mitigated. This results in the improvement of F-OSB's governance and control systems. Thus, with the help of fintech, audit capabilities improve the perceived success of F-OSBs in succession.

Furthermore, using fintech in audit processes can provide real-time and transparent financial information, crucial for making informed decisions during the succession transition.

Fintech does not moderate the relationship between fraud management and perceived succession success in F-OSBs. (H6=rejected). Amasiatu and Shah (2018) observed that technological innovations can mitigate the occurrence without guaranteeing overall business performance outcomes. This unexpected result can be critically interpreted through the (Ali 2020) agency theory framework, which suggests that technology may detect fraud. However, the complex principal-agent problems inherent in family businesses require more than technological solutions. The temporal mismatch between succession transitions (spanning 5-25 years) and rapid technological evolution creates a fundamental incompatibility that (Cennamo, 2018) identified as the "technological continuity paradox" in generational business transfers. Therefore, not all financial management capabilities benefit equally from fintech integration during the succession phase.

Fintech moderates the relationship between risk management and the perceived succession success of F-OSB. (H7= accepted). Extended beyond simply reinforcing (Lee et al., 2021) findings on fintech's enhancement of risk management capabilities. Through the lens of dynamic capability theory, our findings reveal how fintech enhances risk management and creates a three-fold advantage: it enables real-time risk detection (i.e. sensing) that traditional approaches miss facilitates rapid resource mobilisation (i.e. seizing) during succession transitions and transforming intergenerational risk perception gaps into complementary capabilities. These findings fill a critical gap identified by (Ahmad and Oon, 2025), who highlighted the need to understand how technological integration interacts with financial management capabilities when F-OSBs typically face heightened vulnerability to both internal governance risks and external market threats during their succession phase.

This study reveals that fintech does not moderate the relationship between working capital management and the perceived succession success of F-OSBs. (H8=rejected). These findings aligned with those of Bahhouth et al. (2012), who found that innovative technologies are less likely to enhance firms' working capital management efficiency. This unexpected result extends Gera et al. (2025) observation that technology adoption in family businesses often faces implementation barriers when fundamental financial management practices remain underdeveloped. The dynamic capability theory enlightens that fintech has the potential to enhance the F-OSB's ability to adapt and respond to changing environments. However, in the context of working capital management, the success of F-OSB depends on factors like efficient inventory management, cash flow forecasting, and effective credit control. At the same time, fintech does not support these factors of working capital management and the success of F-OSB across generations because Malaysian F-OSBs are manually handling their working capital management. Such a situation creates a structural incompatibility with digital transformation, supporting (Park et al., 2022) argument that technological solutions require compatible organisational processes to deliver value. Moreover, it can also be deduced that non-uniform financial literacy and adoption of financial technology among successors exist. Therefore, to effectively manage digital financial transactions, a professional accountant must handle financial affairs efficiently, thereby increasing the longevity of F-OSBs.

2.5.3. Theoretical Implications

This study has several theoretical contributions extending the boundaries of family business literature. Firstly, this study reconceptualizes the succession dynamics by positioning financial management capabilities as a critical yet under addressed determinant of succession outcomes. Previous research has primarily examined interpersonal factors like family dynamics, governance, and successor's characteristics (Ge and Campopiano, 2021). This oversight represents a significant theoretical blind spot, as our findings reveal that financial management

capabilities constitute foundational mechanisms through which succession processes unfold. This challenges the influential framework of Sharma et al. (2003), which prioritizes interpersonal over financial dimensions of succession, and aligns with the emerging critique of Khan et al. (2025) that financial preparedness deserves equal theoretical attention to relational preparedness.

Second, this study advances the theoretical understanding of digital transformation in family businesses by empirically demonstrating how fintech adoption modifies core succession dynamics. For instance, Zapata-Cantu et al. (2023) pointed out that integrating technology in family businesses can profoundly impact their performance and sustainability. Soluk et al. (2021) explored general digitalisation processes, but neither addressed the specific intersection of financial technologies and succession planning. Our findings fill this critical gap by revealing the contingent nature of fintech's influence—showing that it does not merely enhance financial capabilities uniformly but fundamentally reconfigures their relationship with succession outcomes through differential impacts on financial processes.

Third, this study contributes to the dynamic capability theory by demonstrating its explanatory power in intergenerational business contexts. Previous studies have used a similar theoretical lens in the family business context by focusing on competitive advantage (Moreno-Gené and Gallizo, 2021) rather than succession-related capabilities. Our findings reveal how the sensing-seizing-transforming framework operates differently in family business contexts where capabilities must transfer across generations. This addresses the critique that mainstream organisational theories often fail to account for the unique temporal dynamics of family businesses. Furthermore, by positioning fintech adoption as a transformative capability that modifies other capabilities, our study answers call for research examining the hierarchical nature of dynamic capabilities and their technological enablers (Kowalski et al., 2024).

These theoretical contributions collectively address what (Rodriguez Serna et al., 2023) identified as a fundamental limitation in succession literature—the tendency to examine succession factors in isolation rather than as interacting systems of capabilities. By demonstrating how financial management capabilities, technological adoption, and succession outcomes form an integrated theoretical system, this study provides a more holistic and nuanced theoretical framework for understanding the complex interplay of factors determining succession outcomes in family-owned small business conditions.

2.5.4. Practical Implications

This study holds practical implications for family members, their successors, and policymakers. This study points out that family members should emphasise developing the financial management capabilities of their successors. These capabilities, such as efficient inventory management, cash flow forecasting, and effective credit control, are crucial for the business's success. Additionally, they should consider implementing fintech in their business operations to enhance their financial management capabilities and increase the likelihood of successful succession for F-OSB. This study highlights that successors should actively seek opportunities to learn about fintech and its applications in financial management. Policymakers should emphasise providing training and support for financial management skills, promoting the adoption of fintech solutions, and creating an enabling regulatory environment for F-OSBs to use digital financial services. Such training can improve the financial management capabilities of F-OSB's predecessors and successors, enhancing the likelihood of succession success.

Additionally, policymakers should prioritise removing barriers that hinder successors from accessing technological and innovative skills. Policymakers should provide adequate funding and resources for financial education programs that focus on improving financial literacy and management capabilities, particularly for the successors of F-OSBs. Such initiatives help the

successors control their financial matters by using technology and becoming able to transact their business to subsequent generations.

2.5.5. Limitations and Future Research Directions

This research has several limitations. These limitations are as follows: 1) cannot be generalised to the entire population, as three cities in one state of Malaysia were selected; 2) this study focused on male successors only; 3) This study only focused on Islamic and emerging countries context; 4) present study only focused only one moderator; fintech usage; 5) no any mediating mechanism was used and 6) research design is only cross-sectional which gives only snapshot of one point in time.

Researchers should consider the following aspects for future research based on the research limitations. 1) Female descendant entrepreneurs should also be focused, and a comparison study should be performed to investigate whether the son is more vibrant than the daughter's successor for a successful succession transition; 2) researchers should replicate this study in non-Islamic and developed country contexts like China, the USA, and the UK. 3) Other variables, such as the usage of artificial intelligence and the 'Not Invented Here Syndrome', should also be considered as potential moderating mechanisms; 4) future studies should explore the influence of mediating mechanisms such as financial socialization, strategic congruence, and agility; 5) a longitudinal research design should be implemented.

2.5.6. Conclusion

In conclusion, this study took the initiative to improve the survival rate of F-OSBs across generations by investigating the relationship between financial management capabilities, fintech adoption, and perceived succession success. This study pointed out that emphasising financial management capabilities and adopting fintech is crucial for the successful succession transition of F-OSBs. These findings align with the dynamic capability theory, emphasising the

importance of developing, integrating, and adapting resources and technologies to enhance organisational success during transitions. The study addresses significant research gaps by introducing fintech as a moderating mechanism and offering insights into its limitations in contexts like fraud and working capital management due to factors such as rapid technological changes and manual practices in F-OSBs. Overall, this research advances the theoretical understanding and provides practical implications for F-OSBs to enhance succession success through strategic financial management and selective fintech adoption.

CHAPTER 3: UNDERSTANDING SUCCESSION DYNAMICS: FINANCIAL HEURISTICS, FINANCIAL LITERACY, AND LONGEVITY IN FAMILY-OWNED SMALL BUSINESSES

3.1.ABSTRACT

This study aims to investigate how the financial heuristics of descendant entrepreneurs and their financial literacy influence the longevity of F-OSB across generations, utilising a moderating mechanism. This study employed purposive sampling to collect primary data from 457 descendants of entrepreneurs who served as designated chairpersons or managing directors in their F-OSBs. The results of this study reveal that anchoring bias, herd bias, and mental accounting have a positive relationship, while risk aversion has a negative relationship with perceived success. Moreover, Financial literacy moderates between financial heuristics (herd bias, risk aversion) and perceived succession success. In comparison, the other financial heuristics (anchoring bias and mental accounting) had no significant moderating effect on financial literacy. This study suggests that family members should pay close attention to managing financial heuristics and developing financial literacy to ensure a successful succession transfer in their family businesses.

3.2.INTRODUCTION

Every F-OSB must undergo the succession phase within approximately 25 years (Nguyen et al., 2024b). However, a compelling question remains: why do only a few F-OSBs successfully transition to the next generation while the majority falter? Global statistics show that over 70% of F-OSBs struggle during their second generation, and nearly 90% collapse by the third generation (Ahmad et al., 2023b). king et al. (2022) highlighted this alarmingly low survival rate as a critical concern. Typically, each generation lasts for approximately twenty-four years (Ahmad et al., 2018b). The financial decisions made by the descendants of entrepreneurs during this period determine whether an F-OSB will survive or perish.

Wang (2024) showed that financial literacy provides immediate, actionable frameworks for managing cash flow, controlling costs, and ensuring liquidity, which is vital for sustaining operations during economic uncertainty. However, many descendants of entrepreneurs possess limited financial literacy (Khan et al., 2022), forcing them to rely on informal, experience-based financial decision-making with limited access to professional financial advisors (Botelho et al., 2023). The varied educational background among descendant entrepreneurs creates uneven awareness of how financial heuristics (anchoring, herd, mental accounting, risk aversion) subtly influence their decision-making. Poor financial understanding compromises financial decision quality and can accumulate debts that threaten business viability (Gumbo et al., 2023). Cristofaro and Giannetti (2021) further emphasised that an entrepreneur's psychological heuristics and cognitive limitations can significantly impact financial decision-making and, subsequently, the firm's performance. Family members need specialised financial cognition to navigate their business's unique dynamics, which are often intertwined with personal experiences and emotions (Brundin and Languilaire, 2023). Consequently, flawed financial cognition during critical phases of establishing gross-generations stability can severely hit the business's longevity.

Behavioural finance theories enlighten that entrepreneurs may behave irrationally in various situations, contradicting traditional finance theories' assumptions of rational behaviour (Hunt et al., 2022). Proponents of behavioural finance emphasise how financial heuristics impact entrepreneurial rationality and decision-making accuracy, which are essential for ensuring the long-term sustainability of their businesses (Weixiang et al., 2022b). However, research remains fragmented in fully understanding how these heuristics shape long-term survival compared to more commonly studied factors like innovation or employee engagement. This creates a critical research gap, as most studies focus on external factors while leaving the internal, practical mechanisms of financial decision-making underexplored. Literature fails to

address how descendants of entrepreneurs might navigate the complexities of F-OSBs across generations (i.e., succession success) without proper financial cognition and awareness. This critical gap leads to our first RQ: Do financial heuristics increase the perceived success of the F-OSB in succession?

Previous studies have examined anchoring, herd, mental accounting, and risk-aversion heuristics to expedite decision-making (Maheshwari et al., 2023). However, Limited research has explored the direct association between financial heuristics and business performance, which has yielded inconsistent results Ahmad and Shah (2022). Thus, it created a significant research gap in understanding how these heuristics impact succession success in F-OSBs. Entrepreneurs' financial knowledge helps them avoid financial blunders through prudent financial planning (Goyal and Kumar, 2021). Similarly, financial literacy enables effective resource management (Muñoz-Murillo et al., 2020) and resource utilisation for the better performance of the business. Financial literacy influence facilitates greater financial inclusion, which has a beneficial effect on business performance (Grohmann et al., 2018). Stereotypical assumptions hinder the development of financial literacy in descendants of F-OSB entrepreneurs (Richards, 2023). Hence, financial literacy has become a necessary tool among the descendants of entrepreneurs who have or intend to take control of their F-OSB and transact it to the subsequent generation. So, the Second research question is whether financial literacy weakens or strengthens the effect of financial heuristics on the perceived succession success of the F-OSB.

Despite the established importance of financial literacy, there remains a critical research gap regarding how financial heuristics specifically influence succession outcomes in F-OSBs. While existing literature acknowledges the role of financial decision-making in business performance, it fails to address the unique context of intergenerational transitions in family businesses where emotional and cognitive factors interact with financial decisions. This gap is

particularly significant given that succession represents the most vulnerable period for F-OSBs. However, we have a limited understanding of how descendant entrepreneurs' financial heuristics might facilitate or hinder successful generational transitions.

This study contributes significant new insights to the F-OSB literature by pioneering theoretical and empirical connections between financial heuristics and multi-generational business longevity—a critical relationship previously unexplored in family business research (Liew and Loo, 2024). Previous researchers have narrowly examined how financial heuristics influence entrepreneurial decision-making through limited moderating mechanisms (Ahmad et al., 2021a). Second, previous studies have narrowly examined how financial heuristics impact an entrepreneur’s decisions to attain performance through limited moderating mechanisms (Rauwerda and De Graaf, 2021). The present study introduced financial literacy as an important moderator between financial heuristics and the perceived succession success of F-OSB. This novel approach reveals how high financial literacy can effectively empower descendant entrepreneurs to navigate cognitive biases during a critical succession period. This study utilised prospect theory to illuminate decision-making patterns within the emotionally complex family business context. This study provides actionable guidance for practitioners to couple financial heuristics with targeted financial literacy development to improve succession outcomes. Thus, it will address the "succession paradox" highlighted in recent longitudinal studies (Seaman et al., 2016), where businesses often fail despite awareness of succession challenges.

This chapter consisted of five sections. The first section is an introduction, highlighting the research gap and problem and developing the research question. At the same time, the second section is the theoretical framework and literature review. The third section is related to research methodology, which further explains the research approaches, data collection methods, and issues related to data business. The fourth section shows the study's results, and

the fifth section discusses the results, research implications, and limitations and provides the conclusion.

3.3.LITERATURE REVIEW

3.3.1. Theoretical Framework

Tversky and Kahneman (1992) introduced prospect theory as a limitation to the explanation of utility theory. They provided a robust framework to understand how descendant entrepreneurs in F-OSBs make decisions under uncertainty and risk. This theory posits that individuals evaluate potential outcomes relative to a reference point rather than absolute states, with losses having a more profound psychological impact than equivalent gains—a phenomenon particularly relevant to F-OSB succession contexts where family legacy and wealth preservation are at stake (Christensen-Salem et al., 2021). In F-OSB settings, financial heuristics manifest when descendant entrepreneurs perceive gaps between current and desired performance levels, activating cognitive shortcuts that directly influence succession outcomes. These heuristics become more pronounced during succession transitions—critical periods when descendant entrepreneurs face heightened uncertainty and complexity in decision-making (Deferne et al., 2023).

Consistent with prospect theory, descendants of entrepreneurs are more susceptible to having low information processing ability. They rationalise sequentially rather than exhaustively. Such entrepreneurs stop searching once they have discovered a satisfactory answer rather than the perfect option (Zellweger and Zenger, 2023). Financial heuristics arise when the F-OSB experiences a gap between current and desired performance levels, thus influencing the survival of F-OSB. Prospect theory suggests that individuals are likelier to take risks in unfavourable situations (Kellen et al., 2020). They take advantage of every chance, no matter how extreme, to enhance their standard of living and performance. Similarly, descendants of entrepreneurs of F-OSB with a low perception of succession success are more

willing to accept greater risk. They are prone to exercise their resources based on the currently available information (i.e., anchoring bias). Based on available information, a descendant entrepreneur may disregard new information and innovative ideas and perceive their F-OSB's succession transition as successful. Consequently, when descendant entrepreneurs perceive a high risk of succession failure, they are more susceptible to anchoring bias.

Descendant entrepreneur can increase their chances of success by following the activities and suggestions of their peers while also considering their information and expectations (Dang and Harima, 2020). However, the peers being followed might not understand complex matters like succession in-depth. The situation might be critical when the descendant entrepreneur may follow his peers (i.e., herd bias) to turn the F-OSB's succession successful. Moreover, descendants of entrepreneurs may perceive the value of uncertain decisions as high and may attain success in succession. Entrepreneurs with high mental accounting may overestimate their perception of succession success, regardless of the actual outcome of the process. According to Prospect Theory, some entrepreneurs may take small risks to ensure their business's succession, while descendants who perceive their succession as successful may not want to make risky decisions. However, traditional theories reveal that individuals are risk-averse when their situation is favourable. Moreover, Panicker et al. (2019) emphasised identifying the potential boundary conditions to anticipate the strong contextual effects. Thus, researchers considered financial literacy to strengthen the boundary conditions of prospect theory, which further elaborates that an increase in the financial literacy of F-OSB entrepreneurs may save them from being prey to financial heuristics. Thus, the succession of F-OSB might be successful.

3.3.2. Anchoring Bias

Anchoring bias is a robust phenomenon affecting all facets of life (de Wilde et al., 2018). Researchers used many perspectives to define anchoring bias. For instance, Owusu and Laryea

(2023) emphasised anchoring the inclination of investors to base their financial market decisions primarily on any information that is accessible. In contrast, Ye et al. (2020) outlined the tendency for humans to follow their herd and why investors think best relative rather than absolute. He revealed how investors ignore fresh information and rely on their investment decisions on pre-existing knowledge or beliefs. Kartini and Katiya (2021) also supported the idea that individuals ignored the prevailing marketing dynamics and decided based on their previous experience and outdated information. Investors suppose that outdated information or practices would help them lead (Kumar and Goyal, 2016). Schweickart et al. (2021) found in an intervention study that the anchoring effect is generalised based on an individual's judgment to deal with a particular situation. In addition, Rezaei (2020) proposed that SMART and Swing's decision-making is a function of anchoring bias. Meub and Proeger (2015) highlighted that individuals' irrationality and less financial knowledge urge them to rely on past available information, resulting in errors and heuristics. However, the literature cannot answer how the prevalence of anchoring bias in descendant entrepreneurs may contribute to the success of succession transitions in F-OSBs.

3.3.3. Anchoring Bias and Perceived Succession Success

Entrepreneurs use anchoring bias when evaluating specific situational values with different initial reference points, yielding different estimates (Anderson et al., 2021). Despite limited research, the literature indicates that anchoring bias critically impacts the rationality of decisions made for progressive businesses (Gabaix, 2019). Notably, researchers Sashikala and Chitramani (2018) and Hamilton et al. (2019) pointed out the inconsistent effect of anchoring bias on the perception of a positive outcome. We posit that anchoring bias of entrepreneurs may improve their perception of business success., The literature establishes that a successful business demonstrates a higher likelihood of effective generational transition (Kandade et al., 2021). Through prospect theory’s lens, descendant entrepreneurs set goals based on their

judgment and assumptions regarding succession success. However, when these assumptions prove to be unrealistic in the future due to overreliance on available information, the succession process becomes vulnerable. A descendant entrepreneur relying on the first piece of information and making critical decisions for the day-to-day or long-term may experience poor performance. Subsequently, the succession process of F-OSB may confront problems and may result in succession failure. Thus, the proposed hypothesis is:

(H1): Anchoring bias has a significant positive association with perceived succession success.

3.3.4. Herding Bias

Herd Bias refers to an individual's inclination to replicate the other's judgement (Spyrou, 2013). The effects of herd bias on economic behaviour have been studied extensively over the past few decades (Kumar and Goyal, 2016). Guney et al. (2017) possess evidence that such maladaptive behaviours precipitate financial market booms and collapses. Shusha and Touny (2016) examined attitude factors in herd behaviour and identified three specific areas of herd bias. The first area is herd bias, which exists in the financial markets. The second field focuses on the disparities people and institutions can face in herd behaviour. For instance, Cai et al. (2019) found that individuals, instead of institutional investors, are more prone to exhibit herd behaviour. The reason proposed by Prosad et al. (2015) was the need for individual business owners to adhere to the financial decisions made by the larger organisation. The third field is empirical studies, which explain the causes of herd bias. Zietlow et al. (2018) highlight that no consistent explanation of herding triggers is found in the empirical literature. It is interesting to note that the herd prejudice phenomenon manifests differently in different people and is dependent on socioeconomic aspects such as gender, age, career, and level of education (Rehman and Rashidi, 2021). In addition, Baker et al. (2019) highlighted the lack of scholarly research on how descendant entrepreneurs deal with herding bias in their F-OSB. Since we are

unaware of the effect of herding bias on the longevity of F-OSBs, there is a need to investigate how the herding bias influences the longevity of F-OSBs across generations.

3.3.5. Herding Bias and Perceived Succession Success

Entrepreneur's decision-making under the influence of others is termed as a herding effect. Small business entrepreneurs remain susceptible to this herding bias (Barno and Tuwei, 2020) because they operate with information asymmetry and resource constraints that drive them to mimic seemingly successful peers. In contrast, entrepreneurs handling large-scale firms are less likely to be influenced by their contemporaries due to their access to sophisticated analytical tools and professional advisors (Zhou et al., 2021). Wang et al. (2021) revealed why herding bias varies across business segments. For instance, contextual factors such as market volatility, information availability, and competitive pressure determine the magnitude of herding influence. Importantly, Zubair et al. (2020) identified how demographic characteristics mediate this effect: younger female entrepreneurs and CEOs exhibit strong herd bias in their business decisions, and their attribution also improves their firm's performance. This performance enhancement occurs because herding enables rapid decision-making during uncertainty and leverages collective wisdom. Bo et al. (2014) empirically demonstrated that herding positively affects corporate financial performance by reducing decision paralysis and promoting decisive action. Hamilton et al. (2019) further clarify how managers' herd behaviour explicitly enhances a firm's financial value by signalling stability to stakeholders and aligning with industry norms, thereby improving the business's financial position. This improved financial foundation directly increases succession probability, as financially strong businesses have significantly higher transition rates into subsequent generations (Mihaylov and Zurbruegg, 2021).

Through prospect theory, we understand why herding functions differently across generations—values, operational approaches, and problem-solving traditions evolve across

time and leadership (Shrader et al., 2021). Descendant entrepreneurs have to make decisions during their reign to successfully transition their business into subsequent generations (i.e., a potential gain). The mechanism through which herding influences these decisions emerges when descendant entrepreneurs analyse their predecessors' choices and outcomes (Buckley et al., 2023), extracting contextual patterns that inform the current strategy. Thus, information attainment by studying the past circumstances in which those decisions were made and comparing it with current scenarios may help the descendant entrepreneur to gain more benefits than his predecessors. However, relying on new information prevailing in the market, which has diverse implications and backgrounds, may not align with the current situation or crises of the F-OSB, and could harm the succession transition. Thus, we hypothesised that:

(H2): Herd bias has a significant association with the perceived succession success of the F-OSB.

3.3.6. Mental Accounting

Mental accounting is an individual's way of thinking and analysing financial transactions. A person weighs the value of an ambiguous option and decides while evaluating its probable consequence, which can be either a gain or a loss at the same time, about a specific period in one's life (Schirrmeister et al., 2020). Mental accounting is a prevalent and robust academic method for evaluating financial transactions (Quaicoe and Eleke-Aboagye, 2021). In other words, mental accounting describes an individual's proclivity to codify, analyse, and investigate financial outcomes and results by accumulating their significance in any non-fungible mental records (Iram et al., 2021). Mental accounting is a psychological process in which individuals and families depict documenting, detailing, and breaking down financial transactions (Hayden et al., 2022). The mental accounting concept is widely used in the investment and performance of large-scale businesses; however, the literature is deficient in F-OSB performance and its

survival across generations (succession success). So, an unaddressed link exists between mental accounting and the succession success of F-OSB.

3.3.7. Mental Accounting and Perceived Succession Success

Mental accounting fundamentally shapes succession success by influencing how descendant entrepreneurs categorise, evaluate, and forecast financial decisions in F-OSBs. It is clear why mental accounting affects succession outcomes: entrepreneurs frequently make irrational judgments by compartmentalising financial information into separate mental accounts, leading them to pursue high-risk, undiversified portfolios with misaligned profitability expectations (Harahap et al., 2022). How this mechanism operates becomes evident in the way business owners may use mental accounting as a cognitive framework to evaluate the profits and losses of various accounts Mahapatra and Mishra (2020a), directly impacting succession planning through flawed resource allocation. Drawing on the concept of mental accounting, it can be argued that a person's ability to perform mental accounting can reflect the frequency at which this person assesses and examines accounts (e.g., daily, weekly, monthly, and yearly, etc.) and anticipates the financial performance of their business Xiao and O'Neill (2018) with inconsistent assessment patterns leading to distorted succession planning. An individual's financial behaviour might be seen as a reflection of mental accounting. It aids in finance-related activities and speeds up money management but neglects long-term succession requirements (Engel et al., 2019). When mental accounting reflects the entrepreneur's propensity to anticipate the financial position of their business for subsequent years. The accuracy of these projections becomes critical to resource allocation for future investments and business expansions necessary for successful generational transitions (Napitupulu, 2023). The prospect theory provides insight into the fact that descendants of entrepreneurs who have control of their F-OSB may use mental accounting to anticipate unrealistic profitability in a specific period of a year or may perceive high returns by investing

or expanding their F-OSB's operations. However, poor outcomes due to the wrong anticipation of mental accounting may result in F-OSB's failure or losses. Consequently, F-OSBs with resource drainage stemming from flawed mental accounting frameworks are significantly less likely to transition to subsequent generations successfully. This leads towards the hypothesis:

(H3): Mental accounting has a positive relationship with perceived succession success.

3.3.8. Risk Aversion

Financial risk aversion refers to a person's careful mindset toward financial risk. Risk aversion refers to the amount of risk an investor is willing to accept when making investment decisions (Ahmed et al., 2022). Risk-averse people need adequate protection for the assumed risk of taking a risk. Nevertheless, the modern portfolio theory proposed by Markowitz (2010) pointed out that a trade-off between risk and return drives investors' portfolio allocation choices. In addition, investors appear to have varying levels of learning and knowledge, resulting in different risk appetites (Adielyani and Mawardi, 2020). Thus, low-risk-averse investors seek high returns, and high-risk-averse investors rely on low returns. Dahmene et al. (2021) highlighted risk aversion's theoretical and empirical importance. They demonstrated that more risk-averse investors have smaller amounts of volatile assets in their portfolios and vice versa. Moreover, Riepe et al. (2022) emphasized the importance of understanding the financial behavior of risk-averse individuals. While a person's financial priorities are usually the most important factor in deciding their financial arrangements, the formulation and execution of such plans rely more on their financial cognitive abilities (Jain et al., 2023). Luo et al. (2023) found that small businesses consistently implement poor financial management plans, resulting in poor performance and being risk-averse and volatile compared to large-scale businesses. However, the literature is unable to answer the effect of F-OSB’s risk aversion on their longevity across generations.

3.3.9. Risk Aversion and Perceived Succession Success

An individual's natural reluctance to take risks can devastate their chances of ever pursuing an entrepreneurial career or launching a successful start-up (Joseph et al., 2023). Thus, it has raised questions about how risk aversion matters in F-OSBs. Despite the widely researched relationship between risk aversion and financial performance and investment decision-making, a significant research gap remains in understanding how risk aversion affects small business performance (Ferreira et al., 2019). More importantly, the influence of an entrepreneur's risk-aversion propensity on F-OSB's cross-generational sustainability is still unaddressed despite the established relationship between risk-aversion and a business's financial performance (González L et al., 2021). Prospect theory helps explain how this relationship operates: higher risk is correlated with greater potential gains, while lower risk yields a diminished probability of gain. How does this manifest in succession contexts? Descendant entrepreneurs with high-risk perceptions may mold their decision-making behavior toward conservative approaches when confronting unexpected challenges. They tend to overestimate the risks and apply existing solutions rather than develop innovative approaches tailored to succession dynamics. In addition, a high-risk adverse descendant entrepreneur may be complacent or have an inadequate response to market realities, so they miss the best time to handle the most critical period mandatory for succession success in F-OSBs. This behavioural pattern explains why risk-averse successors might miss out on potential benefits during the succession transition. So, their cognitive bias toward risk avoidance directly undermines their ability to capitalise on opportunities that emerge during ownership transfer. Thus, replying to the theoretical support, the proposed hypothesis is:

(H4): Risk Aversion has a significant association with the perceived succession success of the F-OSB.

3.3.10. Financial Literacy

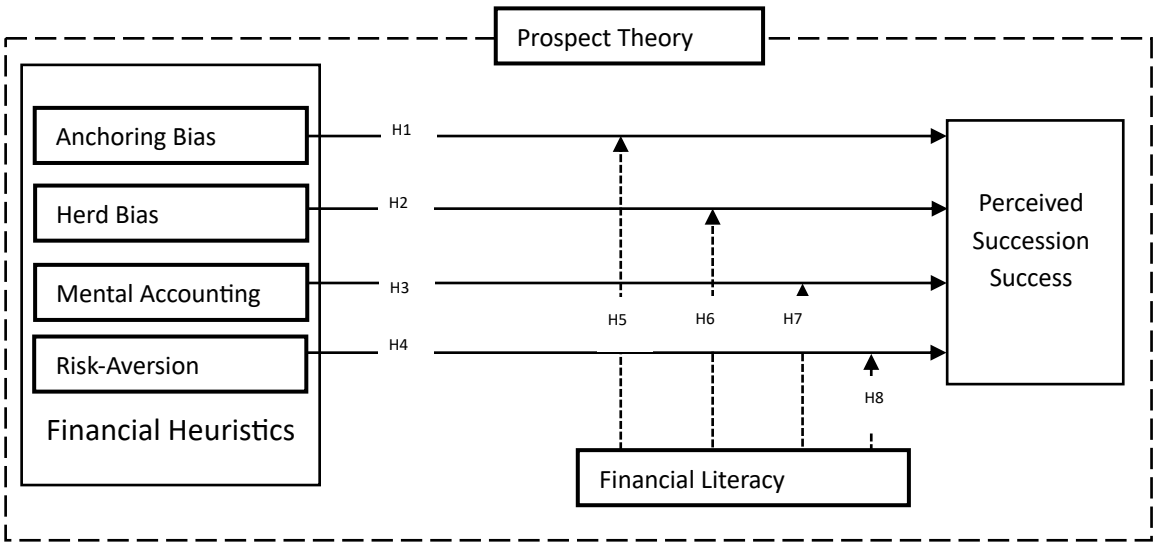
Financial literacy is the combination of awareness, knowledge, skills, attitude, and behavior that an entrepreneur or owner of micro, small, and medium-sized businesses should possess for effective financial decision-making to start, run, and ensure the sustainability and growth of the business (Babajide et al., 2023a). Financial literacy refers to an individual's ability to make informed financial decisions based on accurate and relevant information about financial instruments, markets, and investment opportunities (Jonsson et al., 2017). The concept of financial literacy is emerging in various contexts. For instance, Tuffour et al. (2022) examined the relationship between financial literacy and performance, uncovering a close connection between them. Arguing on financial literacy, Di Domenico et al. (2022) have affirmed that financial knowledge is worthless until it is reflected in performance. Financial literacy can significantly contribute to inducing action to make informed investment decisions and achieve high profits, as well as the longevity of the business. Entrepreneurs with substantial financial literacy make more informed decisions, rely less on their peer's information (i.e., low herd heuristics), and obtain expected outcomes (Oggero et al., 2020). The researchers van der Cruijsen et al. (2021) noticed that financial literacy is a reliable indicator of a person's financial performance in the USA and Netherlands. Furthermore, Shen et al. (2016) revealed that individuals with the necessary financial skills do not rely on readily available information (i.e., anchoring). Thus, they may have strong decision-making skills and pass through fewer financial conflicts. A bitter reality is that owners of SMEs with a low level of financial literacy tend to exaggerate their profitability or sales (mental accounting bias), which may result in a distorted perception of high performance (Molina-García et al., 2023). Entrepreneurs with financial knowledge may rationalise the risk propensity. Accurate risk anticipation, facilitated by financial literacy, enables entrepreneurs to take calculated risks and enhance their

profitability (Rachapaettayakom et al., 2020). A highly profitable and performing F-OSB is more likely to transact into subsequent generations (i.e., perceived succession success).

The prospect theory explains that financial heuristics influence an individual's investment decision and, subsequently, their performance. Outcome (i.e., profitability, performance) can be improved if the successor of F-OSB has information about trends and activities of competitors and stakeholders, which may lead to financial literacy as (Goyal and Kumar, 2021) suggested that financially literate individuals can make better decisions and maximise their returns. Similarly, descendants of entrepreneurs often lack an understanding of complex matters, such as succession, and may make poor decisions and allocate resources (Llados-Masllorens and Ruiz-Dotras, 2021). So, it can be deduced that financial literacy plays a buffer role, and reducing the effect of heuristics on complex decisions improves the outcomes (i.e., perceived succession success). Thus, the proposed hypotheses are:

(H5-H8): Financial literacy moderates the relationship between herding/anchoring/mental accounting/risk aversion bias and perceived succession success

3.4.CONCEPTUAL FRAMEWORK



3.5.METHODOLOGY

3.5.1. Participants and Procedure

This study employed a cross-sectional approach to collect primary data using a pre-designed, closed-ended questionnaire. This research instrument consisted of two parts. The first part reflects the descriptive information about the respondents, and the second part shows the items of constructs: anchoring bias, herd bias, mental accounting, risk aversion, financial literacy, and perceived succession success. This study focused on F-OSBs established in three states of Malaysia: Selangor, Penang, and Johor Bahru. We selected these states for the following reasons: 1. have a high concentration of F-OSBs; 2. represent different economic and cultural backgrounds; 3. high revenue generation states; 4. entrance of ex-pat entrepreneurs having international exposure and heavy investment (Abdul Hamid, 2013). The list of F-OSBs was obtained from Small Medium Enterprise Corporation (SME-Corp) Malaysia. The F-OSBs were sported out from the list based on the following criteria: 1) the business is at least 5 years old; 2) the number of employees should be between 5-30; 3) annual turnover should be between RM 300,000- RM 3 Million (Lim and Teoh, 2021); 4) two or more than two family members are actively involved in the management and decision-making process of the business; 5) business identifies itself as a F-OSB; 6) and/or a single-family owns 50% or above shares (Chua et al., 1999).

After finalising the list of F-OSBs, the criteria for selecting respondents were decided. The selection criteria for respondents included the following: 1) the respondent should be designated as chairperson or managing director of the F-OSB; 2) have joined the family business at least two years ago; 3) willing to participate and provide accurate information; 4) participant belongs to the second generation or above. We set such criteria because the respondent should have sufficient knowledge about the financial matters, vision, and rationalities involved in making the financial decisions in their F-OSBs.

This study employed a purposive sampling technique to collect the data from the respondent successors of F-OSBs (Isaga et al., 2015). We distributed 512 questionnaires in Selangor, Penang, and Johor Bahru states. This study employed WhatsApp and Email methods to collect the primary data. The number of questionnaires received within 6 weeks was 439. So, the response rate was 52%. We must discard a few questionnaires for the following reasons: 23 due to incomplete responses, 13 respondents have less than 2 years of experience, and 8 respondents belong to the 1st generation. So, we discarded 44 questionnaires. The remaining sample size was N = 457, which was used for data analysis. We also found no significant differences between the respondents and non-respondents from the results of our ANOVA and Mann-Whitney U tests, indicating that the non-response bias in our study is trivial.

This study employed marker variables to overcome the common method biases, 'attitude towards colour blue.' We found no correlation between the under-observation constructs and the marker variable. So, no common method biases were observed. The personal information of the respondent's descendant entrepreneurs shows that their average age is 36 years old, with a standard deviation of 12 years. The respondents belong to different generations. A greater number of respondents belong to the second (57%) and third generations (32%), fourth generation (7%) and beyond (4%). In addition, 42% of respondents were Chinese, 32% were Malay, 16% Indian, and 10% from other nationalities. 14.1% had a postgraduate degree, 45.1% had an undergraduate degree, 22.3% had a high school education, and 18.5% had an education up to secondary school level.

3.5.2. Measurement

3.5.2.1. Perceived Succession Success

The constructs were measured using five-point Likert scales in this study. The six-item perceived succession success scale was validated by (Cabrera-Suárez and Martín-Santana, 2012). This scale was treated as a formative construct. The items of perceived succession

success scale are: “relationship with suppliers, customers, financial institutions, etc., have not been damaged by the change of management”; “the expectations for the future of the firm are favourable”; “the firm has improved its strength and competitive position since I have been working in it”; “the working atmosphere and employee satisfaction have improved”; “the family is satisfied with the evolution of the firm”; “I am satisfied professionally with the evolution of the succession process.”

3.5.2.2. Anchoring Bias

The three-item anchoring bias scale was adopted from (Babajide and Adetiloye, 2012). This construct was treated as a reflective measurement. This scale was previously used by women entrepreneurs managing small and medium-sized enterprises (Iram et al., 2023b). The items of anchoring bias scale are: “I rely on my previous experiences in the business for my next business decision”, “I forecast the changes in business in the future based on the recent business decisions” and “the high profitability ratio is the main motivating factor for investment as an entrepreneur”. This scale was measured on a 5-point Likert scale ranging from ‘Not at all’ to ‘Always’.

3.5.2.3. Herding Bias

The herding bias scale consisted of five items and was developed by (Kengatharan and Kengatharan, 2014). These items of herding bias are; “Other entrepreneurs’ decisions of the stock volume have an impact on my business decisions”, “Other entrepreneurs’ decisions of buying and selling have an impact on my business decisions”, “I react quickly to the changes of other entrepreneurs’ decisions and follow their reactions in my business decisions”, “I rely on my previous experiences in the market for my next investment” and “I forecast the changes in investment plans in the future based on the recent market conditions”. The herding bias construct was measured on a 5-point Likert scale ranging from ‘Not at all’ to ‘Always’.

3.5.2.4. Mental Accounting

The construct of mental accounting consisted of 4 items and was developed by (Nevins, 2004). This construct was measured on a 5-point Likert scale ranging from 'Not at all' to 'Always'. This scale has been validated in the context of the women entrepreneur (Iram et al., 2023c). This study adopted this scale, and items of mental accounting are: "I tend to treat each element of my business investment portfolio separately", "I ignore the connection between business investment possibilities", "I use to manage risk goal-by-goal basis to maintain different business investment account", "I am willing to spend more money on investments in my business".

3.5.2.5. Risk Aversion

The risk aversion construct consisted of 6 items. We adopted this scale developed by Colquitt, Scott, Judge, and Shaw (2006) and further validated by Iram et al. (2023). This construct was measured on a 5-point Likert scale ranging from 'Not at all' to 'Always'. The items of the risk-aversion scale are "I enjoy being reckless", "I take risks", "I seek danger", "I seek adventure", "I would never go hang-gliding", and "I would never make a high-risk investment."

3.5.2.6. Financial Literacy

The financial literacy scale mediated between financial heuristics and perceived succession success. This construct consisted of 5 items and was measured using a 5-point Likert scale ranging from 'Not at all' to 'Always'. This scale was developed by (Mandell and Klein, 2009) and validated in the context of F-OSBS by (Ahmad et al., 2023c). The items of financial literacy are in this family businesses, "members are Knowledgeable about financial risks", "members are knowledgeable about costs associated with products/services", "members can easily compute interest rates", "members can easily understand simple financial terms", "members have knowledge of key features of products/services".

3.6.RESULTS

3.6.1. Measurement Model Analysis

The convergent validity of multi-item constructs (anchoring bias, herd biases, mental accounting, risk aversion, and financial literacy) was assessed by the loading and significant level of each item of its respective constructs. The factor loading of items of each construct (see Table 1) was between 0.713 and 0.943. Therefore, all the items on the scale were within the reliability range. Composite reliability and Cronbach's alpha value of all constructs were equal to or higher than 0.7, which indicates a suitable range of reliability and validity of constructs (Nunnally and Bernstein, 1994).

Table 3:1Reliability and Validity of Constructs

		Convergent Validity				Internal consistency	Reliability
		Outer loading	t-value	Indicator reliability	AVE	Composite reliability	Cronbach's α
Constructs	Indicators	>0.7	>2	>0.5	>0.5	>0.7	>0.7
Anchoring Bias	AB.1	0.923	104.610	0.000	0.755	0.901	0.831
	AB.2	0.941	120.404	0.000			
	AB.3	0.728	23.200	0.000			
Herd Biases	HB.1	0.729	27.947	0.000	0.606	0.860	0.786
	HB.2	0.830	49.916	0.000			
	HB.3	0.722	25.486	0.000			
	HB.4	0.826	49.076	0.000			
Mental Accounting	MA.1	0.904	85.331	0.000	0.805	0.924	0.919
	MA.2	0.907	82.010	0.000			
	MA.3	0.906	92.695	0.000			
	MA.4	0.826	63.051	0.000			
Risk Aversion	RA.1	0.739	19.934	0.000	0.532	0.888	0.853
	RA.2	0.715	27.143	0.000			
	RA.3	0.780	27.745	0.000			
	RA.4	0.711	37.774	0.000			
	RA.5	0.754	27.199	0.000			
	RA.6	0.698	29.732	0.000			
Financial Literacy	FL.1	0.613	2.187	0.000	0.567	0.799	0.967
	FL.2	---	--	--			
	FL.3	0.776	3.171	0.000			
	FL.4	---	--	--			
	FL.5	0.884	4.019	0.000			

Perceived Succession success	PSS.1	0.946	145.685	0.000	0.760	0.941	0.935
	PSS.2	0.912	79.609	0.000			
	PSS.3	0.877	47.599	0.000			
	PSS.4	0.694	18.947	0.000			
	PSS.5	0.917	77.812	0.000			
	PSS.6	0.862	36.073	0.000			

Source: Author's own calculation-

After determining reliability and convergent validity, predictive relevance and discriminant validity (HTMT) are the last to be assessed in Table 2. According to Henseler et al. (2016), the HTMT's threshold value is suggested to be 0.90. The path model with an HTMT value of 0.85 is presumed to be more distinguished (Henseler et al., 2016). Each construct's HTMT values were within the acceptable range.

Table 3:2 Discriminant Validity

Constructs	AB	FL	HB	MA	PSS	RA
AB						
FL	0.037					
HB	0.531	0.100				
MA	0.598	0.054	0.487			
PSS	0.644	0.074	0.656	0.539		
RA	0.770	0.176	0.552	0.588	0.449	

Note: n=457. AB=Anchoring Bias; HB= Herd Bias; MA=Mental Accounting; RA=Risk Aversion; PSS= Perceived Succession Success: FL; Financial Literacy

3.6.2. Structural Equation Modelling

SmartPLS was used to implement Partial Least Squares Structural Equation Modeling (PLS-SEM) to test the hypothesized relationship between variables. The results (see Table 3) revealed anchoring bias ($\beta = 0.350$, $p=0.000$, $t < 7.016$), herd bias ($\beta = 0.412$, $p=0.000$, $t < 8.398$), mental accounting ($\beta = 0.192$, $p=0.000$, $t < 5.259$) has a positive while, risk aversion ($\beta = -0.161$, $p=0.035$, $t < 2.619$) has a negative significant relationship with perceived succession success. Hence, hypotheses H1, H2, H3 and H4 are accepted.

Table 3:3 Bootstrapping- Direct Relationship

Hypothesis	Relationship	Coefficient	Std.Dev	t-value	P -value	R^2	f^2	VIF	Supported
H1	AB → PSS	0.350	0.050	7.016	0.000		0.112	3.721	Yes
H2	HB → PSS	0.412	0.049	8.398	0.000		0.227	1.323	Yes
H3	MA → PSS	0.192	0.036	5.259	0.001		0.045	2.391	Yes
H4	RA →PSS	-0.161	0.084	2. 619	0.035	0.516	0.027	3.173	Yes

Note: n=457. AB=Anchoring Bias; HB= Herd Bias; MA=Mental Accounting; RA=Risk Aversion; PSS= Perceived Succession Success: D: Standard deviation; f^2: effect size, (small=0.02), (medium=0.15) and (Large= 0.35); VIF: Inner model variance inflation factors. Significance, standard deviations. Only total effects are shown.
Source: Author's own calculation.

3.6.3. The Moderation Analysis

A bootstrapped bias-corrected confidence interval technique was applied in structural equation modelling (SEM) to analyse the moderation effects (Preacher and Hayes, 2008; Strizhakova et al., 2011). Table 4 illustrates the moderating effect of financial literacy on the relationship between financial heuristics and perceived succession success. The results show that financial literacy does not moderate ($\beta = 0.033$, $p = 0.687$, $t < 0.403$) between anchor heuristics and perceived success. While the relationship between herd bias and perceived succession success is moderated ($\beta = 0.214$, $p=0.000$, $t < 4.169$) by financial literacy, the relationship between mental accounting and perceived succession success ($\beta = 0.012$, $p=0.777$, $t < 0.283$) is not moderated by financial literacy. However, financial literacy has a negative and significant moderating effect on the relationship between risk aversion ($\beta = -0.228$, $p = 0.012$, $t < 2.500$) and perceived succession success. So, H5 and H7 are rejected, while H6 and H8 are accepted.

Table 3:4 Bootstrapping- Moderation Relationship

Hypothesis	Relationship	Coefficient	Std.Dev	t-value	P-value	f^2	BULL	LL	Q^2	Supported
	Financial Literacy moderation									
H5	AB*FL → PSS	0.026	0.081	0.343	0.687	0.003	-0.123	0.241		NO
H6	HB*FL →PSS	0.195	0.051	3.919	0.000	0.052	0.010	0.219		YES
H7	MA*FL →SS	-0.015	0.041	0.343	0.777	0.001	-0.064	0.098		NO
H8	RA*FL →SS	-0.222	0.091	2.588	0.012	0.047	-0.384	-0.011	0.487	YES

Note: n=457. AB=Anchoring Bias; HB= Herd Bias; MA=Mental Accounting; RA=Risk Aversion; PSS= Perceived Succession Success: FL; Financial Literacy

3.6.4. Predictive Relevance

According to Cohen (2013b), a Q2 result of 0.02 indicates small predictive relevance, 0.15 medium, and 0.35 large. Table 7 shows that perceived succession success (0.618) has a large predictive relevance. So, the model demonstrates high predictive relevance. RMSE (0.714) and MAE (0.532) are error metrics showing prediction accuracy for perceived succession success. Lower values indicate better model fit. These moderate values suggest the model captures succession dynamics reasonably well but has some prediction limitations, meaning family business succession success can be partially predicted but remains influenced by unmeasured factors beyond the model's variables.

Table 3:5 Predictive Relevance

Endogenous variables	RMSE	MAE	Q^2 Predict
Perceived succession success	0.714	0.532	0.618

Source: Author's own calculation

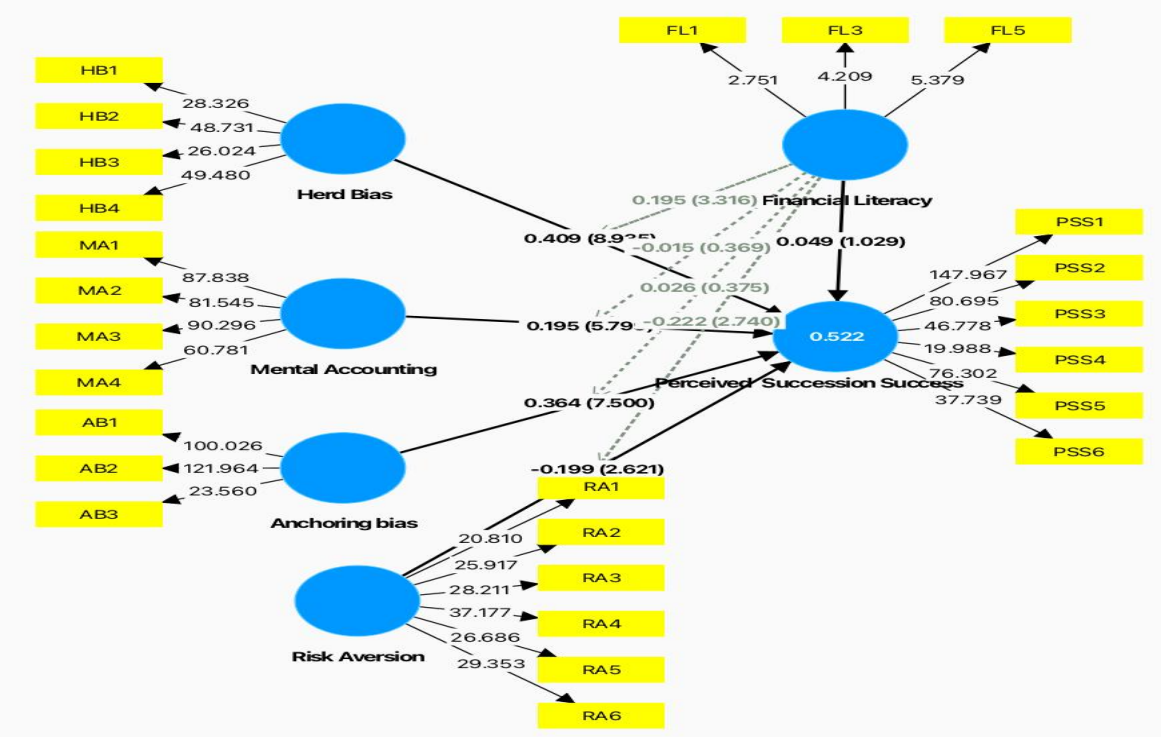


Figure 3.1 Empirical Model Financial Heuristics and Succession Success

The figure 3.1. shows the direct relationship between financial heuristics (anchoring biases, herd biases, risk aversion, mental accounting) and perceived succession success. In addition, this figure shows the moderating effect of financial literacy between the financial heuristics and perceived succession success.

3.7.DISCUSSION

This study proposed two research questions to fill the research gap and address the low survival rate of F-OSBs. The first research question is: Do financial heuristics (anchoring bias, herd bias, mental accounting, and risk aversion) improve the perceived succession success of F-OSB? The second research question is: Does financial literacy moderate the relationship between financial heuristics and perceived succession success? The results of the first research question revealed that anchoring bias, herd bias, and mental accounting have a positive, while risk aversion has a negative relationship with perceived succession success. The results of the moderating effect of financial literacy reveal that the relationship between financial heuristics (anchoring bias and mental accounting) and perceived succession success is not moderated by financial literacy. While financial literacy positively moderates the relationship between herd bias and perceived succession success. However, financial literacy moderates negatively the relationship between risk aversion and perceived succession success.

The results of hypothesis H1 reveal that the anchoring heuristic has a positive relationship with perceived succession success. (H1= Accepted). This result is also supported by Iram et al. (2023a), who found that anchoring bias in women entrepreneurs improves decision-making outcomes. Moreover, Greco et al. (2021) discovered that entrepreneurs utilizing anchoring heuristics demonstrated greater consistency in strategic decisions during transitional periods, contributing to organizational stability, and Zhou et al. (2024) suggested that anchoring to proven family business practices creates a cognitive foundation that supports intergenerational knowledge transfer. So, relying on the literature, anchoring biases prevailing among descendant

entrepreneurs can increase the probability of succession success. The lens of prospect theory enlightens that descendants of entrepreneurs who tend to anchor their decisions on initial information or reference points can make prudent judgments and decisions that preserve the longevity of the F-OSB. Moreover, the anchoring bias may indicate the descendant entrepreneur's strong attachment to past decisions or beliefs, which can benefit succession planning for F-OSBs.

The findings of hypothesis H2 reveal that the herd heuristic of descendant entrepreneurs has a positive relationship with the perceived succession success (H2 = Accepted). The results of H2 are consistent with the findings of Groza et al. (2020), who revealed that female entrepreneurs have herd behaviour and tend to make decisions based on the actions of others in their social network. This also aligns with (Zhang et al., 2025), who found that this mimetic tendency intensifies during succession planning, as descendant entrepreneurs seek operational templates from peer networks to compensate for perceived inexperience and validate their decision-making approach to stakeholders. The prospect theory lens reveals that descendant entrepreneurs of F-OSBs may engage in herd behaviour to reduce uncertainty during the succession transition phase. Therefore, they make decisions based on the actions and experiences of other family businesses to transact their business and mitigate potential risks associated with succession.

Moreover, H3 revealed that mental accounting positively correlates with perceived succession success. (H3= Accepted). These findings are aligned with (Cao et al., 2021), who found that individuals who engage in mental accounting tend to achieve high investment performance. This aligns with Adiputra et al.'s (2024) observation that mental accounting enables entrepreneurs to make more nuanced resource allocation decisions by categorising financial resources according to their intended purposes, enhancing performance outcomes in complex business transitions. The prospect theory helps to explain that descendant

entrepreneurs engaged in mental accounting assign different values and priorities to the different financial resources to achieve sustainable performance, particularly operating in a domain of gain framing, which encourages them to maintain strategic resource preservation. Such descendant entrepreneurs allocate resources strategically and maximise their return on investment to ensure the success of their F-OSBs across generations, creating psychological compartments that insulate core business assets from riskier ventures and ensuring critical succession-related investments remain protected even during periods of business volatility (Iwu et al., 2024).

The findings of H4 show that risk aversion has a negative association with the perceived succession success of F-OSBs. (H4= Accepted). Gimenez-Jimenez et al. (2022) also support the finding that risk aversion is negatively associated with the performance of SMEs, while Li et al. (2022) found that excessive risk aversion among successor entrepreneurs significantly undermines innovation capacity and strategic flexibility necessary for long-term viability. The prospect theory highlights that risk-averse successors fear making bold and rational decisions as they systematically overweight potential losses relative to equivalent gains when evaluating uncertain outcomes (Cox Jr. et al., 2018). Risk-averse successors are conservative and cautious due to their sensitivity towards losses rather than gains. Therefore, F-OSB's successors exhibit risk aversion, which may preserve previous generations' wealth and assets but simultaneously create organisational rigidity that hampers adaptability in dynamic market environments (North, 2020). Due to these reasons, they miss out on potential growth opportunities, which may ultimately decrease their chances of survival across generations.

Hypothesis H5 reveals that financial literacy does not moderate the relationship between anchoring heuristics and the perceived succession success of F-OSBs. (H5= Rejected). This finding aligns with previous research by Smith et al., who revealed that entrepreneurs with limited financial knowledge may rely more on anchoring heuristics, leading to poor financial

decision-making. Humphrey et al. (2021) further demonstrate that cognitive attachment to initial reference points often overrides rational financial analysis, particularly in emotionally charged family business contexts where historical precedents carry significant psychological weight. The prospect theory lens helps explain that F-OSB's descendant entrepreneurs may anchor their decisions and expectations to past performance or existing norms rather than using the available financial information. In addition, descendants of entrepreneurs have a strong affection for their family business and may prioritize maintaining their legacy and tradition over financial considerations. This emotional prioritization of non-financial outcomes often creates what (Hasan, 2024) terms "succession blindspots," where family sentiment systematically overwhelms financial literacy in decision frameworks regardless of the successor's financial education level. Therefore, descendant Entrepreneurs are less likely to depend on their financial knowledge and more likely to rely on anchoring heuristics when making decisions regarding the succession of their family-owned small businesses

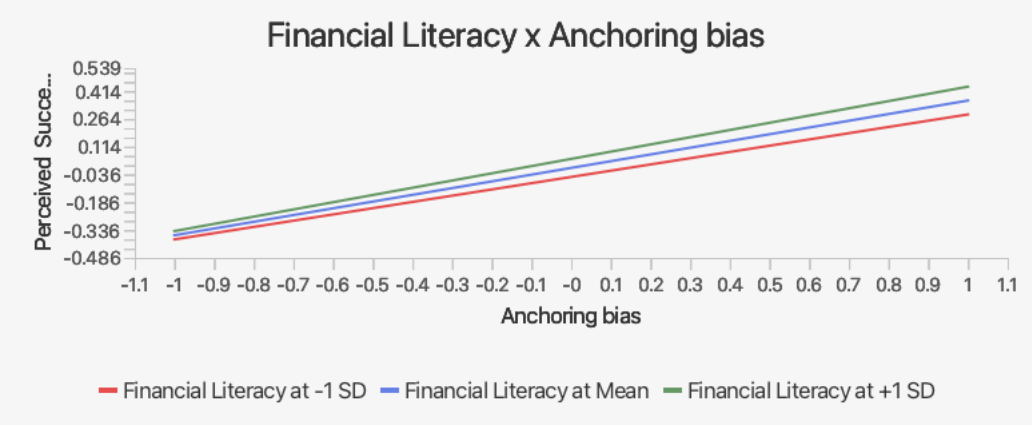


Figure 3.2 Financial Literacy Moderation Between Anchoring Bias and Perceived Succession Success

The outcomes of H6 show that financial literacy moderates the relationship between herd heuristics and the perceived succession success of F-OSBs. So, (H6= Accepted). Panja (2023) also supports these findings and reveals that female entrepreneurs having the necessary skills and knowledge are susceptible to the influence of herd heuristics in decision-making. This

aligns with Irjayanti and Lord (2024), who demonstrated that even financially literate business owners often rely on collective wisdom when facing complex succession decisions, particularly in culturally collectivist business environments where peer influence significantly shapes strategic choices. The lens of prospective theory further explains that descendant entrepreneurs of F-OSBs, having financial literacy, are influenced by herd heuristics in their decision-making process, which can impact the perceived success of succession in F-OSBs. Specifically, prospect theory illuminates how these entrepreneurs, despite their financial knowledge, evaluate potential succession outcomes relative to reference points established by peer businesses, leading them to overweight decisions that conform to industry norms and underweight independently derived solutions—a cognitive pattern that persists even when financial literacy would suggest alternative approaches.

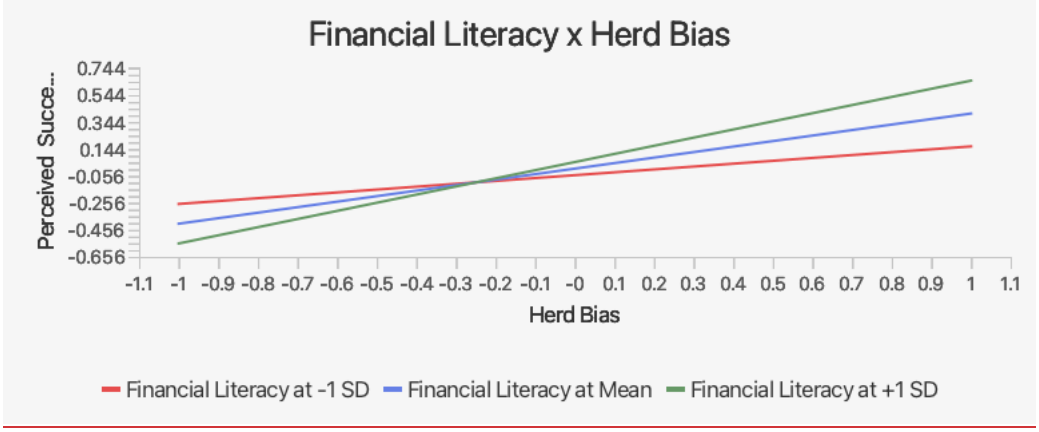


Figure 3.3 Financial Literacy Moderation Herd Bias, and Perceived succession success

The findings of H7 indicate that financial literacy does not moderate the relationship between mental accounting and perceived succession success. (H7=Rejected). These findings are consistent with prior research, such as (Mahapatra and Mishra, 2020b), which found that financial training and analytical skills do not significantly impact an individual's tendency to engage in mental accounting and make decisions based on separate accounts for different financial goals. Relying on the prospect theory, it can be deduced that successors with high financial literacy may still fall victim to the mental accounting heuristic, which operates on the

principle of loss aversion. Descendant entrepreneurs make decisions based on the perception of potential losses and gains rather than objective outcomes in their F-OSBs. Therefore, even if successors possess high financial literacy, they may still be influenced by the mental accounting heuristic due to its strong conscientiousness towards decision-making and bias toward protecting losses during the succession phase.

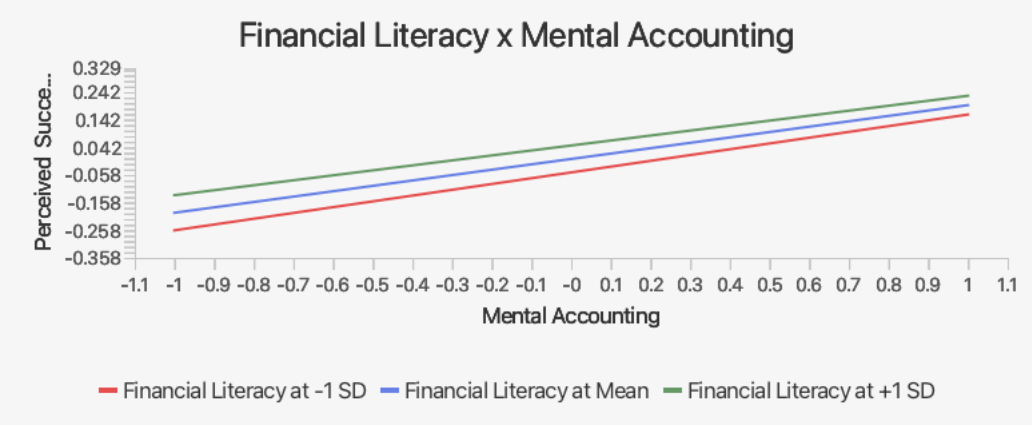


Figure 3.4Financial Literacy Moderation Between Mental Accounting and Perceived succession success

The results of H8 reveal that financial literacy moderates negatively between risk aversion and perceived succession success. (H4b= Accepted). Riepe et al. (2020) also support the findings, revealing that entrepreneurs with higher financial literacy are less risk averse. They are willing to take calculated risks to start a new business or hunt for opportunities to preserve their performance. The prospect theory enlightens descendant entrepreneurs with higher financial literacy tend to be less risk-averse because financial education can shape the attitudes and decisions of descendant entrepreneurs. This implies that they are more inclined to take calculated risks to initiate a new business or explore opportunities to enhance the performance of their F-OSBs across generations.

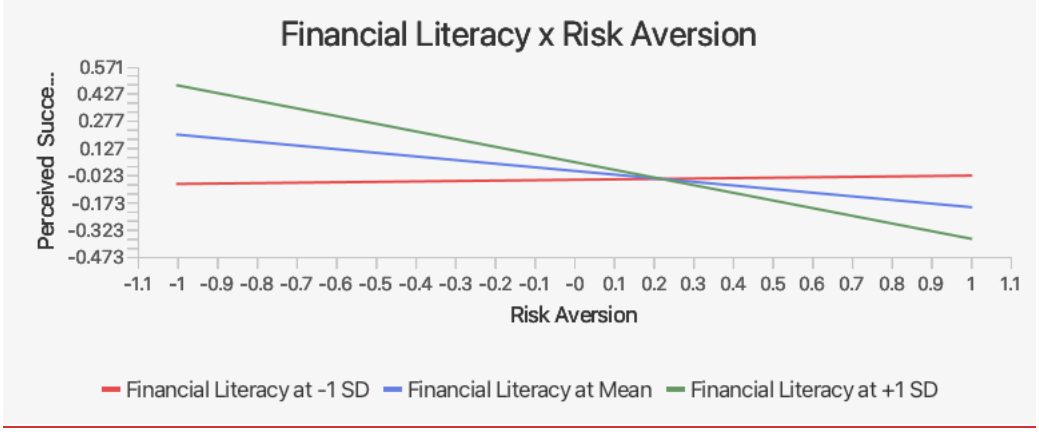


Figure 3.5 Financial Literacy Moderation Between Risk Aversion and Perceived Succession Success

3.7.1. Theoretical Implications

This study has several theoretical implications. First, it empirically tested the direct relationship between the successor's financial heuristics (anchoring bias, herd bias, mental accounting, and risk aversion) and perceived succession success, addressing a critical blind spot in succession research identified by Ahmad et al. (2023b). Previous studies have focused on the role of objective financial factors, such as capital structure (Ullah et al., 2020), cost of capital (Schoenmaker and Schramade, 2023), and financial performance (Deng et al., 2020). The literature has neglected the cognitive dimensions of descendant entrepreneurs' financial decision-making. This study bridges this gap by demonstrating how subjective cognitive processes fundamentally shape succession outcomes, challenging the rational actor assumptions that have dominated succession literature (Schepker et al., 2018).

Second, this significantly advances theoretical knowledge by introducing financial literacy as a moderating mechanism between financial heuristics and the succession of F-OSBs. Previous studies have focused on entrepreneurs' financial heuristics and financial literacy about general business performance (Pitthan and De Witte, 2024) or isolated decision-making scenarios (Zaman et al., 2025) but failed to connect these elements to intergenerational sustainability. Our findings address (Cucchiarini et al., 2024) call for research into succession-specific cognitive mechanisms by providing a nuanced understanding of how descendant

entrepreneurs' financial literacy levels critically determine their ability to recognize and mitigate potentially harmful heuristic-based decisions during succession phases. This represents a fundamental shift from previous theoretical models that treated succession planning as primarily structural rather than cognitive (Hartono et al., 2023).

Third, this study expanded the application of prospect theory in the context of F-OSBs, addressing what González L et al. (2021) described as a significant theoretical gap in understanding family business decision-making frameworks. Researchers have applied prospect theory in various domains, such as investment decision-making (Ladrón de Guevara Cortés et al., 2023), risk-taking (Trichilli et al., 2021) and consumer behaviour (Van de Kaa, 2010); our research demonstrates its explanatory power for succession dynamics in F-OSBs. By revealing how loss aversion and reference point dependence specifically manifest during ownership transitions, our findings provide a theoretical foundation for understanding why financially literate successors can better navigate the psychological complexities of succession, thereby filling what (Obianuju et al., 2021) identified as a critical gap in the literature regarding psychological mechanisms underlying succession success.

3.7.2. Practical Implications

The present study also has several practical implications for F-OSBs and policymakers. The members of F-OSBs should recognize the financial heuristics and make informed decisions to achieve sustainable performance. Descendant entrepreneurs should align their succession strategies to achieve longevity. In addition, they should minimize the risks associated with biased decision-making and promote a smooth transition of ownership and management within F-OSBs. In addition, an increase in financial literacy and the provision of financial education programs for the descendants of entrepreneurs and predecessors can enable them to understand the negative aspects of financial heuristics and deal with complex succession challenges. Policymakers should develop policies to bring transparency,

accountability, and professional governance within F-OSBs, which can mitigate the risk of biased decision-making during the succession process. Policymakers should develop a supportive ecosystem for F-OSBs, which includes access to financial resources, facilitating knowledge sharing, networking opportunities, and mentorship programs. Such platforms can help F-OSBs overcome succession challenges and increase their chances of success and continuity across generations.

3.7.3. Limitations and Future Research

This study also has a few limitations similar to other studies. 1) This study focused only on F-OSBs where, as Dettori and Floris (2023) demonstrate, succession dynamics operate through more formalized governance structures that potentially attenuate heuristic influences. 2) There are a few other financial heuristics, but this study only considered four, overlooking other cognitive biases such as confirmation bias and overconfidence. 3) The present study used only one moderating mechanism to test the boundary condition between financial heuristics and succession success of F-OSBs (Dawson, 2014) argues that multiple moderating factors often interact synergistically in complex succession contexts, suggesting our single-moderator approach may oversimplify these relationships. 4) this study was conducted in an emerging economy, 'Malaysia, which has limited cross-cultural validity.'

Given the limitations, this study suggests several future research directions: 1) researchers should consider medium to large-scale family firms to test whether our findings scale across organizational complexity levels; 2) they should also compare manufacturing firms with service firms to identify sector-specific patterns in financial heuristic effects; 3) the role of other financial heuristics, such as confirmation bias, availability bias, and overconfidence bias, should be examined for successful succession transitions; 4) additional potential moderators, including fintech adoption, artificial intelligence literacy, and other financial factors that (Liu et al., 2023) suggest may increasingly shape succession outcomes in digitalized business

environments; 5) The results of this study should be replicated in the context of developing countries like Pakistan, Bangladesh, Iran and developed countries like China, USA or UK to test the robustness of findings across varied institutional frameworks; 6) A comparative study between developed and developing countries should also be performed to identify how economic development stages moderate the relationships established in our model. Such extensions would address what (Salas-Paramo and Escandon, 2025) identify as critical gaps in understanding how financial cognition shapes intergenerational business sustainability across diverse contexts.

3.7.4. Conclusion

This study investigated the effect of four financial heuristics—anchoring bias, herd bias, mental accounting, and risk aversion—on the perceived succession success of F-OSBs. In addition, it also investigated the moderating role of financial literacy. The findings revealed that anchoring bias, herd bias, and mental accounting positively influence the succession success of F-OSBs. However, the risk aversion of descendant entrepreneurs has an adverse effect, which indicates that overly cautious financial behaviour can hinder effective decision-making and delay critical succession processes. Additionally, financial literacy moderated the relationship positively between herd bias and succession success and negatively between risk aversion and succession success, underscoring its significance, which may shape the outcomes of cognitive biases. However, no moderating effects were found between financial literacy and anchoring bias or mental accounting, revealing nuanced variations in how financial literacy interacts with specific heuristics during succession planning. In conclusion, F-OSBs should foster financial literacy among current and next-generation leaders to reduce cognitive biases hindering succession success. Specifically, financial literacy training can help mitigate the adverse effects of risk aversion and enhance the ability to leverage herd behaviour constructively.

4. CHAPTER 4: PASSING THE TORCH: HOW FINANCIAL SOCIALIZATION, FINANCIAL LITERACY, AND FINTECH USAGE INFLUENCE FAMILY BUSINESS TRANSITION UNDER RISK AVERSION

4.1.ABSTRACT

This study examines how financial literacy and fintech usage mediate the relationship between financial socialisation and perceived succession success while also considering the moderating role of risk aversion. The primary data was collected from 457 chairpersons or managing directors of F-OSBs using a purposive sampling technique. This study employed Partial Least Structure Equation Modelling (PLS-SEM) using Smart-PLS 4.0. This study found that financial literacy and fintech usage are the bridges that increase the role of financial socialisation for the successful succession transition of F-OSBs. Moreover, this study revealed that descendants who are averse to high risks tend to improve their financial literacy, increasing the likelihood of succession success. However, risk-averse descendants of F-OSBs are not inclined to use financial technologies, which may result in succession failure. The study integrated financial knowledge and modern technology to facilitate succession transition in F-OSBs. It provides valuable insight for F-OSBs to develop succession strategies based on the risk profile of their descendant entrepreneurs and ensure effective succession outcomes.

4.2.INTRODUCTION

F-OSB faces challenges during generational transitions, impacting families' livelihoods, legacies, and the country's economic growth (Ahmad et al., 2018b). This generation transition (i.e., succession) process repeats approximately every 25 years until families disassociate from their business (e.g., shut it down or sell it out) (Monticelli et al., 2020). Global statistics indicate that more than 70% of family businesses do not survive into the second generation, and almost 90% fail to make it to the third (Ahmad et al., 2023b). In addition, Rumanko et al. (2021) also endorsed that the survival rate of F-OSBs is very low. Despite the importance of succession,

family business literature is still unable to answer why few F-OSBs successfully transit into the next generation while others fail.

F-OSB is owned and governed by one generation up to twenty-four years. Family members of that specific generation make constructive or destructive decisions based on their knowledge and capabilities, which may influence the longevity of F-OSBs (Conz et al., 2023). Zhao and Zhang (2020) revealed that some family members believe in sharing financial knowledge and practices (financial socialisation) in their family business, while others do not due to the gap in financial knowledge and generation level. In addition, Massis et al. (2016) pointed out that a lack of financial preparedness and inadequate transfer of financial competencies between generations leave successors ill-equipped to manage financial complexities during and after the succession process.

In the current literature, researchers have emphasised leadership training and proposed a few structural changes to plan the succession phase. However, researchers have largely overlooked the role of financial socialisation—the systematic transfer of financial knowledge, skills, and behaviours from generation to generation in F-OSBs (Shim et al., 2010). Investigating financial socialisation is fundamental in the domain of F-OSBs because the management of resources builds descendant entrepreneurs' capabilities so that they can be adaptive to changing market conditions and make sound financial decisions crucial for the business's survival.

Limited financial understanding may arouse heuristics and cognitive biases that can skew rational decision-making processes, leading to accumulated debts and other financial mistakes (Baulkaran and Jain, 2024). Despite the gravity of the problem and vitality of financial socialization, there is a significant gap in the literature on how financial socialization mitigates

succession-related failures or enhances the likelihood of success; this critical gap leads to our first research question:

R.Q.1: Does financial socialization increase the likelihood of succession success?

Theoretical models suggest that financial literacy influences the socialisation processes within a business, aiding managers in handling financial aspects and improving profitability (Rahmawati et al., 2023). In addition, Kumar et al. (2023) revealed that financial socialisation forms the basis of financial literacy, which allows leaders to make competent and informed decisions, thereby enhancing the long-term viability and growth of the enterprise. Entrepreneurs with poor financial literacy are less likely to critically analyse, adapt, and innovate upon established financial practices, potentially reducing the firm's productivity (Hossain, 2020). As noted by (Lusardi and Mitchell, 2014), financial literacy is a pivotal competency that enables individuals to make informed financial decisions, adapt to complex economic environments, and navigate uncertainties during the succession process. In the context of F-OSBs, where informal financial practices often dominate, the gap between financial socialisation and the application of financial knowledge can lead to poor succession outcomes, jeopardising the business's longevity. Despite its critical role, limited research has explored how financial literacy formalises the financial socialisation of F-OSB and achieves sustainable performance or increased longevity.

The convergence of technology and finance, for instance, online banking, mobile payments, and financial management software, enables easier access to and use of financial services and streamlines business operations (van Zanden, 2023). Incorporating financial tools during financial socialisation would enhance leaders' ability to manage established financial practices and adopt modern, tech-driven methodologies required for optimal performance. Aloulou et al. (2024) revealed that fintech technologies have the potential to positively impact financial inclusion for various stakeholders, leading to increased efficiency, reduced costs, and

generation of competitive advantage. Yadav and Banerji (2024) emphasised that traditional methods of financial socialisation may be insufficient in today's rapidly evolving digital economy, where technological advancements such as fintech are reshaping financial practices. Fintech usage has the potential to bridge the generational gap in financial socialisation by providing innovative tools for real-time financial management, enhanced transparency, and data-driven decision-making (Annu and Tripathi, 2024).

Despite this potential, a critical gap exists in understanding whether fintech can mediate the relationship between financial socialisation and perceived succession success in F-OSBs. This gap is particularly problematic for F-OSBs, as succession success depends not only on practical financial training but also on the ability of descendant entrepreneurs to adapt to modern financial technologies. In addition, the literature cannot answer how fintech usage is integrated into financial socialisation frameworks and contributes to the sustainable continuity of F-OSBs across generations. This leads to the second research question:

R.Q.2: Does a) financial literacy and b) fintech usage mediate between the financial socialisation and perceived succession success of F-OSB?

Entrepreneurs with high financial literacy could be more equipped to identify and exploit financial opportunities. However, their predisposition towards risk aversion may dampen their inclination to take the necessary risks for the business's growth and innovation (Kasoga, 2021). While they understand financial concepts and can effectively use financial technologies, their risk-averse nature might lead to overly cautious strategies that could limit the business's ability to capitalize on new market opportunities or adopt cutting-edge technologies that could drive it forward (Abdallah et al., 2024). Bammens et al. (2022) revealed that risk aversion poses a critical problem, as it influences how family business owners perceive and respond to uncertainties, often prioritizing loss avoidance over potential gains. This reluctance to take calculated risks can lead to missed opportunities for innovation, diversification, and strategic

growth, essential for long-term sustainability and successful generational transitions (Hossain et al., 2024). While financial literacy enhances decision-making by better understanding financial concepts and strategies, its effectiveness can be undermined by deeply ingrained risk-averse behaviour (Mort et al., 2023). Despite this, limited research explores how risk aversion interacts with financial literacy to influence perceived succession success in F-OSBs, leaving a critical gap in understanding how these factors shape succession outcomes.

Fintech usage can streamline operations and open up new avenues for growth. Still, if entrepreneurs are risk-averse, they may underutilise these tools, failing to achieve their full potential benefits of digital financial innovations (Boratyńska, 2019). Tang et al. (2020) revealed that an individual's risk aversion attitude could influence the effectiveness of fintech usage by making them possessive to safeguard their current assets despite expanding or embracing change, which is requisite for leadership transition. Fintech adoption has enhanced efficiency, transparency, and business decision-making (Soni et al., 2022). However, literature shows limitations on how risk-averse behaviour impacts the extent to which F-OSBs leverage fintech to improve succession success. Ferilli et al. (2024) emphasise the direct impacts of fintech on the firm's longevity and performance. However, researchers have overlooked the influence of risk aversion on the successful implementation of fintech in F-OSBs, where decision-making is closely linked to emotional and generational factors, frequently leading to hesitance in adopting new technologies. This gap leads to the fifth research question, which is:

R.Q.3: Does risk aversion moderate the relationship between a) financial literacy and b) fintech usage and the perceived succession success of F-OSBs?

This study filled a few research gaps in the family business literature. It investigated the direct and indirect effects of financial socialisation, financial literacy, and fintech usage on perceived succession success in F-OSBs. Moreover, it enriched family business literature on how the risk aversion of descendants of entrepreneurs influenced financial literacy and fintech

usage capability of F-OSBs and subsequently perceived succession success. In addition, this study integrated the role of financial knowledge and modern technology in the succession transition in F-OSBs. This study highlighted the role of risk aversion among financial factors and perceived succession success. The study also offers valuable insight for F-OSBs to develop succession strategies based on the risk profile of their descendant entrepreneurs and ensure effective succession outcomes (Ahmad et al., 2024a).

4.3.LITERATURE REVIEW

4.3.1. Financial Socialisation

Financial socialisation refers to acquiring the financial knowledge and skills necessary to make informed decisions and achieve positive financial outcomes (Pak et al., 2023). It also includes discussing financial matters among family members to streamline business operations. Financial socialisation involves teaching the younger generations about budgeting, cash flow management, and investment strategies (Ameliawati and Setiyani, 2018). Financial socialisation has been previously studied to increase youth's financial literacy and financial decision-making abilities. Furthermore, Shim et al. (2015) linked financial socialisation with family systems theory and explained how family processes impact financial behaviours and outcomes. In addition, LeBaron and Kelley (2021b) researchers have linked financial socialisation with the life course perspective. They examined how life experiences and transitions shape individuals' financial behaviours and attitudes. Xian et al. (2021) highlighted the need for further empirical studies to investigate how financial socialization influences the successor's readiness to assume leadership roles, financial decision-making, and, ultimately, the success of business transitions across generations.

4.3.2. Financial Socialisation and Perceived Succession Success

Financial socialisation in family businesses involves passing down financial values, attitudes, and behaviours to retain financial acumen within a family lineage. Renaldo et al.

(2020) revealed that transferring financial knowledge is crucial for maintaining and improving the firm's financial health over time and across generations. Entrepreneurs learn and internalise financial norms, attitudes, and behaviours from their peers and immediate friends (Sampene et al., 2023). How entrepreneurs are financially socialised affects their readiness for leadership and sound financial decision-making (Jiang et al., 2023). Gafoor et al. (2024) found that adequate financial socialisation leads to the development of practical skills such as budgeting, investing, and financial planning, which have been identified as key contributors to the financial well-being of a business. Financial socialisation within families is broad, discussing financial matters through family formation, parenting, and couple relationships, all of which indirectly shape the financial skills and increase the financial decision-making competencies of the successor to lead the business successfully (Suyanto et al., 2021). In addition, financial socialisation theory supports that adequate financial socialisation within the family teaches their descendant entrepreneur about financial management and polishes their investment skills to keep the financial health of their F-OSB. A financially stable family business is more likely to successfully transition to the next generation. The review of literature and theory support leads to the hypothesis:

H1: Financial socialization has a positive relationship with perceived succession success.

4.3.3. Financial Literacy

Financial literacy involves effectively managing money, budgeting, and making sound investment decisions by understanding financial principles (Raut, 2020). Scholarships have highlighted the importance of financial literacy in changing individuals' investment behaviour (Chong et al., 2021). Financial literacy is a key contributor to financial well-being and security (Bilal and Zulfiqar, 2016). Individuals with high financial literacy are prudent in saving practices, actively participating in the stock market, and developing better retirement planning strategies. Few researchers have explored financial literacy and found that financially literate

individuals are proficient in debt management, credit choices, and financial services usage (Lusardi, 2019). Li and Qian (2020) revealed that entrepreneurs who have financial literacy make calculated financial decisions and avoid financial pitfalls. Buchdadi et al. (2020) found that financial literacy contributes to achieving financial stability, access to growth capital, and effective management of business finances. Financial literacy is crucial for individuals and entrepreneurs to make informed financial decisions and effectively manage their personal and business finances.

4.3.4. Financial Literacy and Perceived Succession Success

Financial literacy plays a vital role in the success of small and medium-sized enterprise (SME) owners and managers, equipping them with strategic financial decision-making capabilities (Abdallah et al., 2024a). Financial literacy provides entrepreneurs the knowledge to apply financial strategies that enhance the firm's profitability and sustainability (Seraj et al., 2022). When descendant entrepreneurs possess strong financial knowledge, they proactively identify opportunities, manage risks, and respond with agility to changing market conditions Anoke et al. (2022). In addition, the operational pathway is further clarified as financial literacy enables the effective utilisation of financial information for strategic target-setting, forecasting, and budget allocation, creating the structured planning environment required to attain positive outcomes Pribadi et al. (2020). Entrepreneurs who know financial products and services can attain high operational efficiency and stronger financial performance, which directly translates to enhanced business longevity (Anwar and Shah, 2021). This causal chain demonstrates why financial literacy is a critical success factor and how it explicitly enables the intergenerational knowledge transfer and financial stability required for a successful succession transition. So, the deduced hypothesis is:

H4: Financial literacy has a positive relationship with perceived succession success.

4.3.5. Financial Literacy Mediation

Entrepreneurs who have learned financial norms and behaviours can positively influence the management and growth of their firm (Al-Hashimy et al., 2022). Individuals with high financial literacy can save better, control their budget, and have financial knowledge, which helps to increase the firm's performance (Yakob et al., 2021). Employees with high financial knowledge and skills made effective decisions and attained high growth (Tuffour et al., 2022). It enables employees to make effective decisions and plan for future growth. Moreover, Babajide et al. (2023b) show that an entrepreneur's financial literacy can positively impact their business operations and financial practices, resulting in improved overall business performance. In addition, financial socialisation theory suggests that teaching financial knowledge within the family lays the foundation for financial literacy. Financial literacy is a critical factor affecting individuals' financial resources in personal and business contexts. Having a broader understanding of financial concepts and the confidence to apply such financial knowledge effectively improves the quality of strategic financial decisions, which ensures the longevity of F-OSB across generations. This comprehensive financial acumen allows descendant entrepreneurs to navigate the complex intersection of family dynamics and business operations during critical succession periods, mitigating the emotional biases that often derail intergenerational transfers (Kurniawan, 2024). Therefore, it can be argued that financially literate successors develop sophisticated capital allocation strategies that balance short-term family needs with long-term business sustainability, thereby creating resilient organisational structures capable of withstanding succession-related turbulence. So, based on literature and theory, the deduced hypothesis is:

H2: Financial literacy mediates between financial socialization and perceived succession success.

4.3.6. Fintech Usage

Fintech usage refers to new technology that improves and automates the delivery and use of financial services (Awotunde et al., 2021). Fintech contributes to streamlining processes, operations, and financial markets and improving the firm's financial capabilities. Usage of fintech helps to access credit options to meet the financial needs of businesses. Digital wallets and mobile payment apps have reduced the need for cash and improved transaction speed, improving SMEs' cash flow management (Darma and Noviana, 2020). Moreira-Santos et al. (2022) also pointed out that fintech usage extends SMEs' ability to manage risk and insurance. Tian and Shao (2023) provided insight into how technology used by insurance companies helps SMEs find more appropriate and cheaper insurance products to mitigate the financial risks they face. Firms that use fintech are inclined to modernize their operations and thus improve financial management (Siddik et al., 2023). However, the benefits of fintech usage in family businesses depend on effective intergenerational communication and strategy alignment. The family business literature points out the need for incumbent leaders to embrace technology and actively educate their successors about its strategic potential and ability to shape a shared vision that integrates technological advancement with the business's legacy and longevity across generations (Nave et al., 2022).

4.3.7. Fintech Usage and Perceived Succession Success

Integrating financial technology improves efficiency, reduces costs, and enhances customer satisfaction. Moreover, Jarvis and Han (2021) revealed that fintech innovations like online lending platforms and financial management software streamline financial operations, improving accuracy and positively impacting a firm's financial health. Menberu (2024) revealed that the strategic application of technology and advanced financial knowledge can optimise their financial resources, minimise investment risks, and ultimately improve their bottom line.

Furthermore, Mikalef et al. (2019) revealed that big data and financial analytics allow for more informed business decisions and improve the firm's long-term performance. Such technology facilitates access to funding via emerging fintech lending platforms rather than traditional banks and improves SMEs' performance. Literature suggests that the impact of fintech varies by sector and regulatory environment. Autio et al. (2021) pointed out that the successful adoption of fintech to improve a firm's performance heavily depends on the ability of the firm to align its business model with technological capabilities. Such alignment harnesses the influence of fintech usage on the performance of a firm's operation. A firm yielding high performance is more likely to transact into subsequent generations. So, the deduced hypothesis is:

H5: Fintech usage has a positive relationship with perceived succession success.

4.3.8. Fintech Use Mediation

Fintech applications integrate financial services with cutting-edge technology to provide users with innovative and convenient ways to manage their finances (Taherdoost, 2023). Fintech usage driven by financial AI tools revolutionises how businesses deal with money matters. In addition, financial socialisation theory also supports the mediating mechanism by explaining that financially literate entrepreneurs develop interpretive frameworks for evaluating technological tools that align with family financial values, enabling them to select and implement appropriate fintech solutions that bridge generational gaps in financial management (April et al., 2024). In addition (AlSuwaidi and Mertzanis, 2024) tried to explain how the mediation mechanism of fintech usage unfolds follows a sequential path. Based on their arguments financial literacy first enhances entrepreneurs' capacity to discern value-aligned fintech applications then facilitates effective implementation through improved comprehension of technological financial processes Hamid et al. (2024). Then, this process ultimately translates to achieving succession success through systematised financial practices

(Rahayu et al., 2023). (Gudmunson and Danes, 2011). financial socialisation model supports the explanation of the mediating mechanism of this study by serving as the foundation that knowledge acquisition (financial literacy) transforms into practice adoption (fintech use), which culminates in outcome achievement (succession success), establishing the theoretical foundation for fintech's mediating role between financial literacy and perceived succession success. Thus, based on the literature, the deduced hypothesis is:

H3: Fintech usage mediates between financial socialization and perceived succession success.

4.3.9. Risk Aversion

Financial risk aversion refers to a person's careful mindset toward financial uncertainty and potential losses. It entails the risk an investor can accept while making investment decisions (Ahmed et al., 2022), where risk-averse people require adequate protection for the assumed risk. Descendant entrepreneurs who exhibit high-risk aversion are more inclined to avoid making bold and rational decisions due to limited exposure from their predecessors (Ahmad et al., 2023e). Family financial socialisation theory suggests that predecessors teach their descendant entrepreneurs about financial matters but fails to explain how they should train their descendants to deal with economic and financial challenges and maintain their F-OSB performance (LeBaron and Kelley, 2021a). Thus, this study provides a more nuanced understanding of risk aversion within intergenerational business contexts.

Modern portfolio theory proposed by Markowitz (2010) established that a trade-off between risk and return drives investors' portfolio allocation choices. This is because investors possess varying levels of learning and knowledge, resulting in diverse risk appetites (Adielyani and Mawardi, 2020). Low-risk-averse investors seek high returns, while high-risk-averse investors settle for low returns. Dahmene et al. (2021) highlighted risk aversion's theoretical and empirical importance and demonstrated that more risk-averse investors maintain smaller amounts of volatile assets in their portfolios. Understanding risk-averse individuals' financial

behaviour is crucial because their financial cognitive abilities significantly influence the formulation and execution of financial plans (Jain et al., 2023). Luo et al. (2023) found that small businesses consistently implement a poor financial management plan, which results in poor performance and greater volatility compared to large-scale businesses. However, the literature fails to address how F-OSB's risk aversion influences their longevity across generations.

Risk aversion significantly shapes financial literacy development in descendant entrepreneurs through distinct causal mechanisms Zhou et al. (2022). This is because financial literacy serves as a psychological safety net, allowing risk-averse individuals to make decisions more confidently despite their cautious predisposition. This manifests through deliberate knowledge-seeking behaviours—risk-averse entrepreneurs actively pursue financial education, engage financial advisors, and implement structured financial planning processes that enhance their literacy over time. This relationship creates a compensatory effect where risk aversion, rather than limiting development, actually catalyses financial literacy acquisition as entrepreneurs seek to reduce perceived vulnerability through enhanced financial competence (Palmié et al., 2020). SMEs may face difficulties overcoming financing constraints and achieving sustainable growth without adopting and utilising fintech.

In the context of a family-owned business, the family financial socialisation theory suggests that the risk-averse attitudes of descendant entrepreneurs can be transmitted from generation to generation. However, the explanation of the theory about how risk aversion may influence both financial literacy and the tendency to adopt financial technology and the decision-making of descendant entrepreneurs in F-OSB needs attention. Moreover, risk-averse entrepreneurs have demonstrated greater reluctance to embrace fintech innovations, hindering their ability to effectively manage cash flow, streamline payment processes, and access new funding avenues (Akhtar, 2024). This occurs because perceived technological uncertainties and implementation

risks trigger avoidance responses in risk-averse individuals, creating adoption barriers despite potential benefits. The financial culture fostered in the environment of F-OSB typically dictates how future entrepreneurs assess risks, make financial decisions, and adopt financial technologies, potentially leading to more conservative business strategies that favour stability over high-risk opportunities; ultimately, the performance and growth trajectory of the F-OSB across generations.

H7: Risk aversion moderates between financial literacy and perceived succession success
H8: Risk aversion moderates between fintech usage and perceived succession success

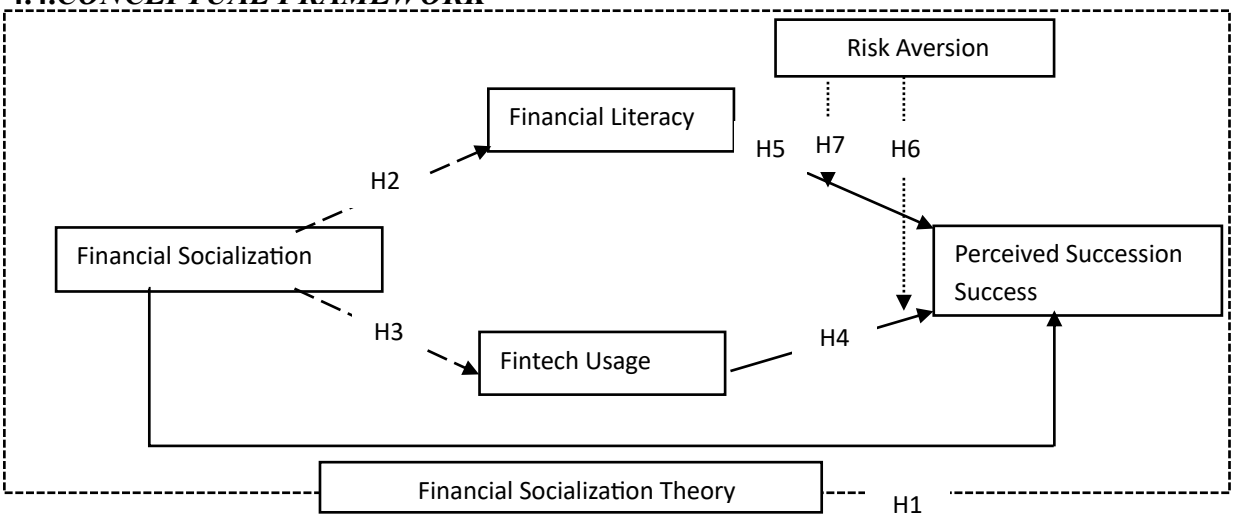
4.3.10. Theoretical Framework

Financial socialisation theory refers to how individuals acquire theoretical knowledge of finance matters and learn attitudes and behaviours affecting their financial behaviour (Sabri et al., 2021). Financial socialisation theory provides a framework to understand how family members, i.e., descendant entrepreneurs, acquire financial knowledge from their peers, internalise it in their business context, and thus, their attitudes and behaviours develop through this socialisation process. Financial socialisation theory explains how financial literacy transmits from generation to generation and shapes how future leaders can manage and grow their F-OSBs (Gudmunson and Danes, 2011).

Descendant entrepreneurs grasp financial knowledge and skills through observation, discussion, imitation, and direct instruction from their parents. Financial socialisation activities shape the financial behaviours of descendant entrepreneurs to deal with the financial matters and investments of F-OSBs vigilantly, promoting financial well-being and resulting in the business's longevity (Andriani et al., 2023). Descendent entrepreneurs who understand financial concepts (financial literacy) can apply that financial knowledge to make calculated moves for the prosperity of F-OSBs. In addition, technological advancement and the rise of fintech usage have diversified the financial management patterns in their F-OSB (Gomber et

al., 2018). Such diversification leads to the development of more efficient and effective financial management strategies within F-OSBs, which improves the portability, performance, and, subsequently, the likelihood of succession success. Risk-averse entrepreneurs tend to avoid and minimise risk. Descendant entrepreneurs with high levels of risk aversion are more cautious and conservative in adopting fintech tools and applying their financial knowledge to get positive outcomes (Chang and Wang, 2023). Entrepreneurs with financial knowledge can attain high precision in decision-making (Iram et al., 2022) and flawless financial planning (Setiawan et al., 2022). Moreover, Madinga et al. (2022) revealed that women with high socialisation can ensure their business's financial stability and attain high business growth. However, whether the financial socialisation of descendants of entrepreneurs increases the longevity of F-OSBs across generations (succession success) needs investigation (Capolupo et al., 2023). Danladi et al. (2023) found that risk-averse individuals are less likely to adopt fintech, invest in growth strategies, or explore innovative solutions to achieve sustainable growth. However, individuals with financial literacy are inclined to use financial tools to enhance their financial management (Stolper and Walter, 2017). The literature indicates a research gap in whether risk-aversion characteristics of descendant entrepreneur influence their ability to improve financial literacy and use fintech tools, and how such mechanisms influence sustainable growth across generations.

4.4.*CONCEPTUAL FRAMEWORK*



4.5.METHODOLOGY

4.5.1. Participants and Procedure

This study used a cross-sectional research design to collect primary data through a closed-ended questionnaire. It consisted of two sections: the first gathered demographic information about descendant entrepreneurs, such as gender, job title, education level, and generation. The second section assessed constructs related to financial socialisation, financial literacy, fintech usage, risk aversion, and perceived succession success of F-OSBs. Data was collected from Selangor, Penang, and Johor Bahru due to their high concentration of family businesses, diverse cultures, significant revenue generation, and a substantial presence of expatriate entrepreneurs with international experience. This study focused on F-OSBs with the following criteria:

I) At least five years old.

II) Annual turnover between RM 300,000 and RM 3 million.

III) Two or more actively involved family members.

IV) A single family holds 50% or more of the shares (Chua et al., 1999). The criteria for selecting the 'descendant entrepreneur' respondents included:

I) holding a chairman or managing director position,

II) having at least three years of experience in their F-OSB,

III) belonging to the second generation or beyond,

IV) Involvement in volunteer activities.

This study used purposive sampling to gather data from these respondents, who possess valuable experience and knowledge that may contribute to the successful succession of F-OSBs. We distributed 600 questionnaires to descendant entrepreneurs of F-OSB, with 200 sent to each state via WhatsApp and email. After six weeks, we received 413 completed responses,

yielding a 68% response rate. We discarded 33 questionnaires: 12 were incomplete, 6 respondents had less than 3 years of experience, and 15 were first-generation entrepreneurs. Thus, 457questionnaires were used for data analysis. ANOVA and Mann-Whitney U tests revealed no significant differences between response and non-response biases (Basly and Saunier, 2020).

Common method bias refers to the systematic error introduced in research when data from multiple variables are collected from the same source, typically through self-report measures (Cooper et al., 2020). Therefore, this study used the marker variable' attitude towards colour blue 'to test the potential common method bias. However, no correlation was found between the marker and observed variables. This indicates no prevalence of common method biases. This study's respondents' personal information included their gender, designation (chairman or managing director), education level, and generation level. The demographic information of the respondents is presented in Table 1.

4.5.2. Measurement

The constructs were measured using five-point Likert scales ranging from strongly disagree to agree strongly. The six-item Perceived Succession Success Scale was validated by Cabrera-Suárez and Martín-Santana (2012). The risk aversion is a 6-item scale. Colquitt et al. (2006) developed this scale and further validated it by (Iram et al., 2023). This construct was measured on a 5-point Likert scale ranging from ‘Not at all’ to ‘Always’. Financial literacy is a 5-item construct, measured by using a 5-point Likert scale ranging from ‘Not at all’ to ‘Always’. This scale was developed by (Mandell and Klein, 2009) and has been validated in the context of F-OSBS by (Ahmad et al., 2023c). The fintech usage construct comprised four items developed by (Irimia-Diéguez et al., 2023). This construct was measured on a 5-point Likert scale ranging from ‘Not at all’ to ‘Always’. Financial socialisation consisted of five dimensions: stressing on saving (5 items), openness on family finances (6 items), instructing on money management (9

items), expecting financial independence (9 items), and family financial distress (3 items). This scale was developed by (Vosylis and Erentaitė, 2020). The detailed items of each construct are provided in Annexure A.

4.6.RESULTS

4.6.1. Measurement Model Analysis

A model consisted of inner and outer measurements. The outer measurement is analysed by checking convergent validity, composite reliability, and discriminant validity. At the same time, inner measurement is tested by bootstrapping. The convergent validity analysis ensures that the outer measurement items are correlated with their respective constructs. The convergent validity of multi-dimensional and item constructs (financial socialisation, financial literacy, fintech usage, risk aversion, and perceived succession success) was assessed by factor loading and the significance level of each item of the constructs. The factor loading of items of each construct (See Table 1) is found between 0419 and 0.898. In addition, composite reliability and Cronbach alpha's values are above the 0.7 threshold, and the AVE value is above 0.5. This study tested the discriminant validity of the construct to examine whether the constructs are distinct from each other. According to Henseler et al. (2016), the HTMT's threshold value is suggested to be 0.90. The path model, which indicates an HTMT value of 0.85, is presumed to be more distinguished (Henseler et al., 2016). The HTMT values for each construct were within the acceptable range. These findings provide strong support for the validity and reliability of the measurement model, affirming its suitability for further analysis and interpretation.

Table 4:1Discriminant Validity

Constructs	FS	FL	FU	RA	PSS
FS					
FL	0.753				
FU	0.710	0.775			
RA	0.621	0.826	0.882		
PSS	0.681	0.785	0.734	0.722	

Note(s): FS= Financial Socialization; FL= Financial Literacy; PSS=Perceived Succession Success; FU=Fintech Usage; RA= Risk Aversion

Source: Author's own calculation

4.6.2. Structural Equation Modelling

Bootstrapping tests the inner measurement by understanding the relationships and significance of the paths (direct, mediating, and moderating) between constructs. This study used Smart-PLS to implement Partial Least Structure Equation Modelling (PLS-SEM). The results (Table 3) show that financial socialisations (β = 0.275, p = 0.000, t < 7.875), financial literacy (β = 0.310, p = 0.000, t < 6.833), and fintech usage (β = 0.246, p = 0.000, t < 5.549) have a positive relationship with the perceived succession success. So, H1, H4 and H5 are accepted. In addition, the mediating path reveals that financial literacy (β = 0.143, p=0.000, t < 4.977) and fintech usage (β = 0.132, p=0.000, t <= 5.373) mediate between financial socialisation and perceived succession success. So, H2 and H3 are accepted. Moreover, the moderating path reveals that risk aversion strengthens (β = 0.369, p=0.000, t < 9.097.) the relationship between financial literacy and perceived succession success while risk aversion negatively moderates (β = 0.153, p=0.000, t < 4.001) the relationship between fintech usage and perceived succession success. So, H6 and H7 were also accepted.

Table 4:2 Bootstrapping Analysis

Hypothesis	Path	Co-efficient	T-value	P-value	Decision	BCI-LL	BCI-UL
H1	FS→PSS	0.275	7.875	0.000	Accepted	0.209	0.344
H4	FL→PSS	0.310	6.833	0.000	Accepted	0.216	0.399
H5	FU→PSS	0.246	5.549	0.000	Accepted	0.158	0.333
H2	FS→FL→PSS	0.143	4.977	0.000	Accepted	0.088	0.201
H3	FS→ FU → PSS	0.132	5.373	0.000	Accepted	0.093	0.182
H6	RA*FL®PSS	0.369	9.097	0.000	Accepted	0.281	0.437
H7	RA*FU®PSS	-0.153	4.001	0.000	Accepted	-0.233	-0.075
F^2	0.444	R^2	0.508				

Note(s): FS= Financial Socialization; FL= Financial Literacy; PSS=Perceived Succession Success; FU=Fintech Usage; RA= Risk Aversion
Source: Author's own calculation

4.6.3. Predictive relevance

According to Cohen (2013b), a Q2 result of 0.02 indicates small, 0.15 medium, and 0.35 considerable predictive relevance. Table 7 shows that perceived succession success, financial

literacy and fintech usage (0.618) have a large predictive relevance. So, the model demonstrates high predictive relevance. RMSE (0.714) and MAE (0.532) are error metrics showing prediction accuracy for perceived succession success. Lower values indicate better model fit. These moderate values suggest the model captures succession dynamics reasonably well but have some prediction limitations, meaning family business succession success can be partially predicted but remains influenced by unmeasured factors beyond the model's variables.

Table 3.5 Predictive Relevance

Endogenous variables	RMSE	MAE	Q^2 Predict
Perceived succession success	0.714	0.532	0.618
Financial Literacy	0.432	0.325	0.598
Fintech Usage	0.619	0.411	0.439

Source: Author's own calculation

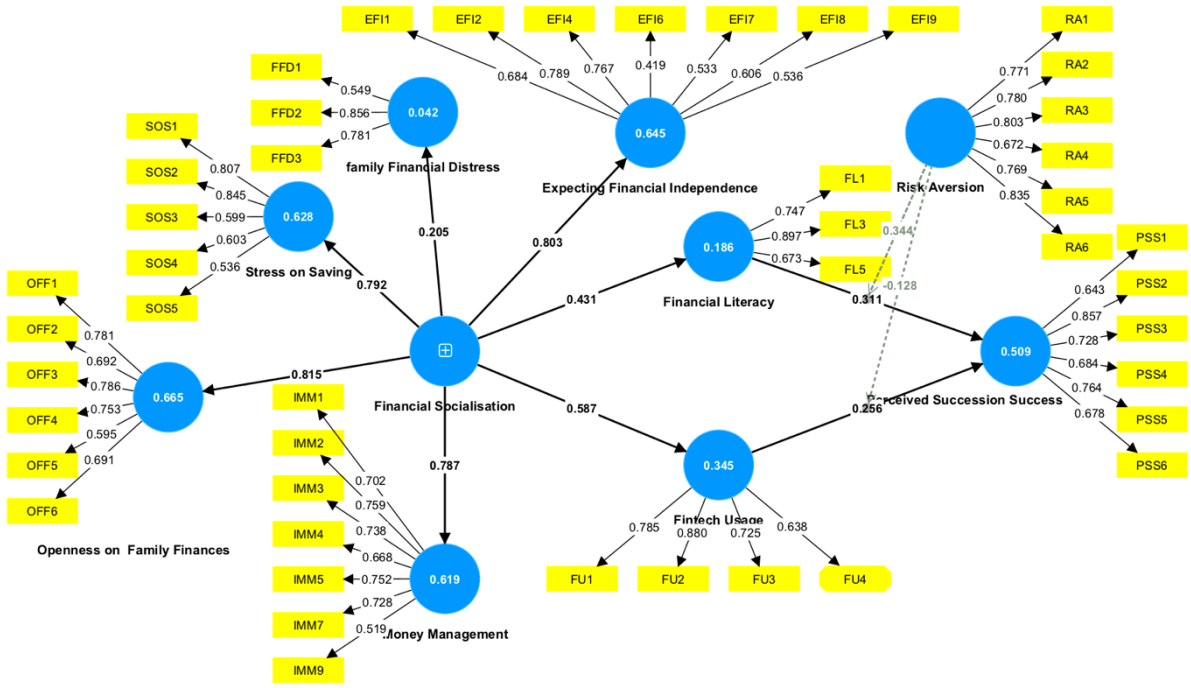


Figure 4.1 Statistical Model Financial Socialisation and Perceived Succession Success

Direct Figure 4.1. shows the effect of financial socialisation on perceived succession success through the mediating role of financial literacy and fintech usage. In addition, this figure shows the moderating effect of risk aversion between financial literacy and fintech usage.

4.7.DISCUSSION

This study proposed three path analyses: direct, mediating, and moderating.

4.7.1. Direct Path

The direct path analysed the impact of financial socialisation, financial literacy, and fintech usage on the perceived succession success of F-OSB. The results of H1 indicate a positive relationship between financial socialization and the perceived success of succession in F-OSBs, leading to the acceptance of H1; this finding warrants further scrutiny. Legenzova and Leckė (2024) suggest that adequate financial socialisation leads to the development of practical skills such as budgeting, investing, and financial planning, which are considered key contributors to financial well-being. Their study fails to account for the potentially dysfunctional financial behaviours that may also be transmitted through family socialisation processes. Financial socialisation theory provides insight that descendant entrepreneurs who have received financial training from their families possess the financial skills that help them handle complex matters, such as succession. However, this perspective overlooks how entrenched family financial biases and outdated practices might impede succession when business environments rapidly evolve. Moreover, while financial socialisation may assist the next generations in maintaining financial stability, managing their assets wisely, and making strategic decisions to ensure their survival across generations, this assumption presupposes that the socialising generation possesses sound financial knowledge to transmit—a problematic assumption given documented financial literacy deficiencies among SME owners (Liu et al., 2021) and the potential for intergenerational perpetuation of flawed financial heuristics that undermine rather than enhance succession outcomes.

H4 indicates that financial literacy positively correlates with perceived succession success, so H4 is accepted. While Anoke et al. (2022) also supported these findings by demonstrating that SME operators with a firm grasp of their financial concepts and tools can hunt

opportunities proactively, the financial socialisation theory provides critical nuance to this relationship. This theory of financial socialisation emphasises that family members belonging to F-OSBs develop their financial behaviours through their parents and siblings about money management and investment strategies (Suyanto et al., 2021a). However, this process is inherently uneven varying significantly based on the financial competence of preceding generations and complicated by family dynamics that may distort knowledge transmission (Weststrate et al., 2024). The financial attitudes formed during early socialisation create deep-rooted cognitive frameworks that can resist later professional financial education (Tanggamani et al., 2024), suggesting that descendant entrepreneurs' financial literacy may be qualitatively different from traditional measures—more intuitive and experience-based rather than analytical and comprehensive.

Well-informed financial decisions foster a smooth transition, ensuring business continuity and growth and enhancing the successors' confidence and perception of success in managing the family business (Andriani et al., 2023). Nevertheless, the financial socialisation framework reveals that perceived success may not always translate to actual success due to subjective perceptions influenced by established family narratives (Fan and Park, 2024). Thus, it can be argued that family-driven financial education can contribute to preparing effective future leadership and sustainable growth of F-OSB across generations. This process requires deliberate structuring and supplementation with formal financial education to overcome inherent limitations in knowledge transfer, particularly in areas where founding generations lack expertise or where family dynamics impede effective sharing.

The results of H5 reveal that using fintech positively correlates with perceived succession success. Therefore, H5 is accepted. Song and Appiah-Otoo (2022) also support this result and reveal that companies that utilise fintech can increase their operational efficiency, reduce costs, enhance customer experiences, and gain access to new markets, ultimately resulting in

improved overall performance. The lens of financial socialisation theory provides insight into the heritage of financial wisdom passed between generations for F-OSBs who use modern financial tools and practices. (Kaur and Singh, 2024) argue that financial socialisation encompasses knowledge transfer and the transmission of values, attitudes, and behaviours regarding financial management. This perspective explains why successful F-OSB transitions increasingly depend on creating "hybrid financial socialisation"—where families develop mechanisms to preserve valuable traditional financial wisdom while embracing technological innovation. Successive leaders who utilise fintech to stay relevant and gain a competitive edge but also integrate these new approaches within the family's established financial value system, thereby ensuring a smooth and progressive generational transition.

4.7.2. Mediating Path

The mediating path analysis included two hypotheses, namely H2 and H3. The result of H2 reveals that financial literacy mediates the relationship between financial socialisation and perceived succession success. So, H2 is accepted. Babajide et al. (2023b) also agree with the study, which revealed that an entrepreneur's financial literacy can positively impact their business operations and financial practices, resulting in improved overall business performance. The theory of financial socialisation suggests that descendant entrepreneurs learn their financial beliefs, habits, and skills primarily through their family, which heavily influences an individual's financial literacy. A good understanding of finance is crucial for successful succession in F-OSBs (Ge and Campopiano, 2021). When predecessors teach and demonstrate effective financial management, future descendant entrepreneurs learn and adopt these practices. Thus, it gives them the necessary knowledge and skills to maintain and expand their F-OSB. This continuous financial education within the family unit fosters preparedness among the next generation for financial challenges of leadership, enhancing the prospects of successful business succession.

The results of H3 show that fintech usage mediates between financial socialisation and perceived succession success. These findings align with Hamid et al. (2024), who found that firms benefit from the intrinsic efficiency offered by fintech and the strategic and informed application of these tools by financially literate management. Financial socialisation theory suggests that family interaction and experience sharing establish financial norms and practices. This includes the incorporation of fintech solutions to modernise and expand the financial repertoire of F-OSBs. This technological embrace enables businesses to adapt to digital trends, streamline financial operations, and make critical decisions more efficiently, which is essential for the F-OSBs. When F-OSB incorporates financial technology into its traditional financial management practices, it lays the groundwork for future generations to effectively use these tools and ensure the business's continued success and longevity across generations.

4.7.3. Moderating Path

Hypothesis H6 and H7 are about the moderating effect of risk aversion. The results of H6 indicate that risk aversion positively moderates the relationship between financial literacy and perceived succession success. So, H6 is accepted. The lens of financial socialisation theory enlightens that families instil risk tolerance alongside financial knowledge. In families where risk aversion is a dominant trait, it may encourage more conservative financial management that prioritises the preservation of the performance of F-OSB over adopting riskier growth initiatives. Risk aversion may limit the exploitation of new opportunities that are crucial for expansion and innovation in the long term (Heider et al., 2022). Descendant entrepreneurs with risk-averse characteristics may apply their financial knowledge more rationally by developing strategies to minimise risk and stabilise their F-OSBs. Such careful and calculated move due to the support of family financial socialisation, financial literacy, and risk aversion enhances the likelihood of succession success of F-OSBs.

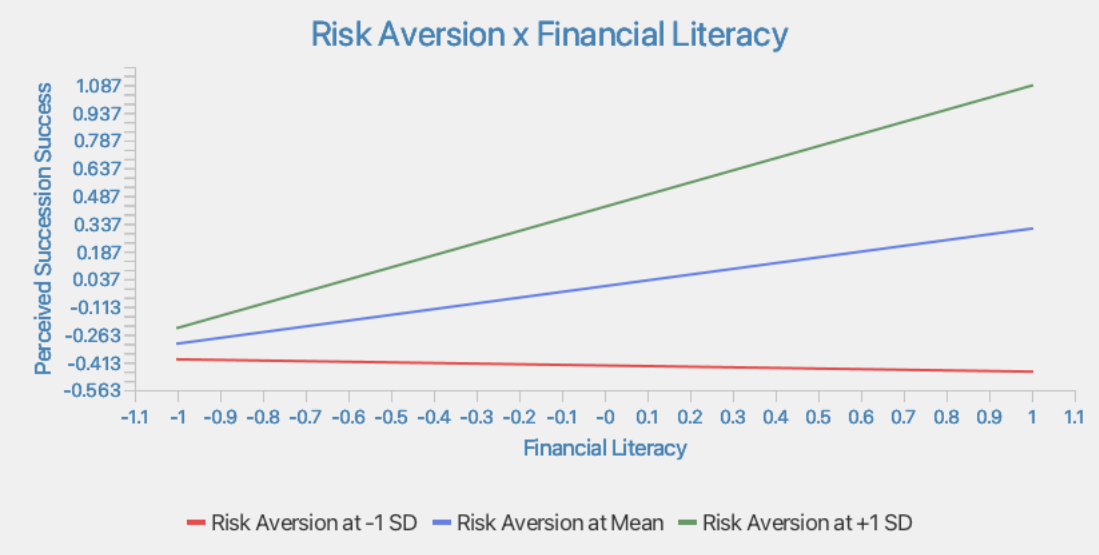


Figure 4.2Risk Aversion Moderation between Financial Literacy and Perceived Succession Success

The findings of H8 indicated that the impact of fintech usage on F-OSB's succession success is weakened by risk aversion. Thus, H8 is accepted. According to financial socialisation theory, the risk-averse culture of F-OSB discourages descendants of entrepreneurs from adopting new fintech solutions as they are perceived as unfamiliar and risky. Predecessors perceived adopting technological change as a threat to their control and authority (Zapata-Cantu et al., 2023). Moreover, risk-averse descendants of entrepreneurs, moulded by the cautious environment of their family, may resist adopting financial technologies despite their benefits, preventing them from achieving financial efficiency and making precise decisions. This resistance to adopting financial technologies stems from a deep-seated preference for traditional methods, which are perceived as less risky. As a result, risk aversion undermines the positive impact of fintech usage on business succession. Thus, such a cautious approach to using fintech decreases operational efficiency and business expansion, which may result in losing competitive advantage and failure of succession.

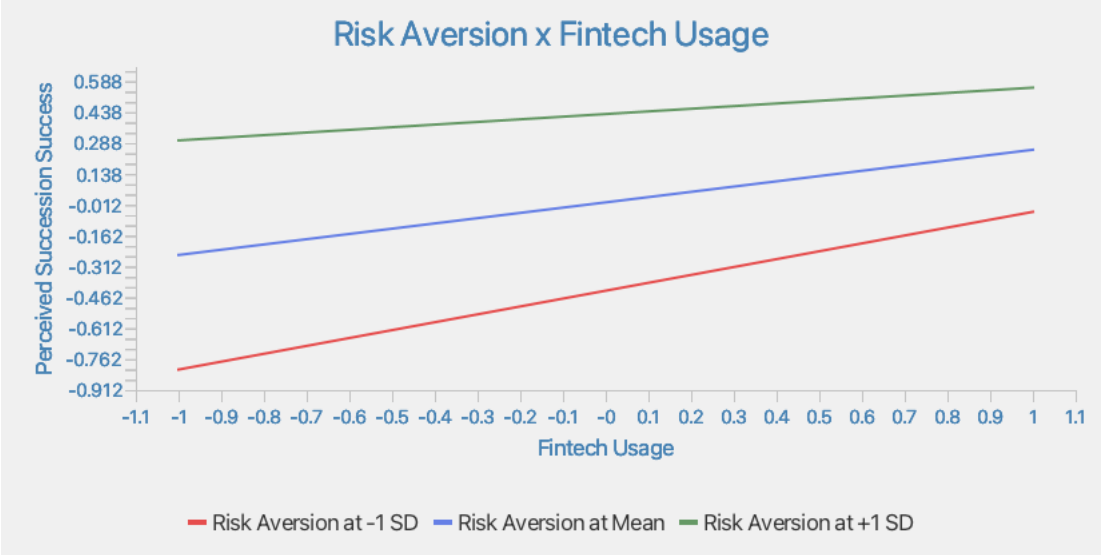


Figure 4.3 Risk Aversion Moderation between Fintech Usage and Perceived Perceived succession success

4.7.4. Theoretical Implications

This study has substantial theoretical implications for family business literature and financial socialisation theory. Previous studies investigated tangible financial management aspects like capital structure, cost of capital, and overall firm's financial performance. However, this study attended the call of (Ibouder et al., 2022) and enriched the literature by explaining how financial socialisation can enhance the longevity of F-OSBs across generations. Second, strategic use of fintech tools and financial literacy strengthen the financial values and behaviours of the descendant entrepreneurs, which results in the high likelihood of succession success of F-OSBs. This in-depth exploration of financial socialisation reveals that descendants of entrepreneurs should not only inherit financial habits but also expand on this foundation with formal financial education and innovative financial technologies. The findings of this study expand family business literature by illustrating how the interplay of inherited financial socialisation, financial education, and technological adoption can shape and strengthen the trajectory of family firms across generations. This study indicated that attention to financial literacy and fintech adoption are not only pivotal to succession planning, but their effectiveness is also contingent upon the risk-taking aptitude of descendant entrepreneurs. The addition of

risk aversion helps to reevaluate how different levels of risk attitude can limit or increase the likelihood of succession success. Moreover, this study expanded the financial socialisation theory by using risk aversion as a moderator. It provided insight into how financial socialisation in an F-OSB can reduce the negativity of risk aversion and how descendent entrepreneurs take advantage of their financial literacy and financial technology.

4.7.5. Practical Implications

The present study has practical implications for policymakers and F-OSBs. Policymakers should take the initiative to develop frameworks and give incentives to F-OSBs to improve their level of financial literacy. They should establish a technical support system to assist F-OSBs in implementing fintech to enhance the quality of decision-making and performance. F-OSBs should given subsidies or provide tax benefits to encourage the F-OSBs to adopt fintech. Policymakers should conduct training programs that enhance digital financial competencies. Such programs may also integrate financial knowledge into family-inherited financial practices. Such efforts would strengthen the sustainability and competitiveness of F-OSBs in the current era of digitalisation.

F-OSBs should take proactive measures to adopt fintech and increase financial literacy to improve the likelihood of succession success. They should also develop a learning culture that encourages potential successors and employees to be adaptive to new technological trends (Kim et al., 2022). Through embedding financial literacy and fintech tools into their core operations, family businesses can aid in creating a seamless transition for the next generation of leaders (Belgacem et al., 2024). In addition, they ensure that they are well-equipped to sustain and grow the family enterprise in a rapidly evolving financial landscape. Predecessors need to assess the risk-taking attitudes of their descendant entrepreneurs and match them with new technologies and financial concepts to inform decision-making and increase the survival of F-OSBs across generations.

4.7.6. Limitations and Future Research Directions

The present study has several limitations similar to those of other studies. 1) First, our cross-sectional research design with data collected simultaneously increases vulnerability to common method bias (Podsakoff et al., 2021). 2) The present study has a generalisability issue because it considers only F-OSBs in three states, as F-OSBs operate within culturally embedded financial systems that vary significantly across regions (Brundin & Languilaire, 2023). Wang and Redding (2022) demonstrated that financial socialisation practices in F-OSBs are deeply influenced by regional cultural norms, suggesting that our findings may not transfer to F-OSBs in regions with different family structures or financial traditions. 3) only financial socialisation was considered, providing a valuable but inherently partial perspective. Thus, it overlooks how other theoretical frameworks like stewardship or socioemotional wealth theory might reveal complementary or contradictory explanatory mechanisms for succession outcomes (Miller et al., 2023).

By anticipating the limitations, there are few future research directions that researchers may consider enriching this area of study. 1) researchers should consider longitudinal research design and collect the data at different points in time; 2) The study's model ought to be replicated in other Malaysian states, allowing practical application on the F-OSBs in Malaysia; 3) researchers should focus on entrepreneurial aspects like entrepreneurial swagger, black entrepreneurship, making processes, and conflict-resolution strategies, which Richards (2023) demonstrated significantly moderate financial socialization outcomes; 4) future research should be performed by introducing other moderators and mediators, including industry dynamics, digital infrastructure, education level, economic conditions, and regulatory environments, which would provide a more comprehensive understanding of the complex ecosystem factors that King et al. (2022) identified as essential contextual variables shaping succession trajectories in F-OSBs.

4.7.7. Conclusion

This study investigated the direct, mediating, and moderating relationships between financial socialisation, financial literacy, fintech usage, and perceived succession success in FOSBs using PLS-SEM. The findings revealed that financial socialisation, financial literacy, and fintech usage all positively influence perceived succession success, highlighting their importance in fostering smooth generational transitions. Furthermore, financial literacy and fintech usage were found to mediate the relationship between financial socialisation and succession success, demonstrating their critical roles as mechanisms that enhance the impact of financial socialisation. Additionally, the study identified that risk aversion has contrasting moderating effects: it strengthens the relationship between financial literacy and succession success, emphasising the role of cautious yet informed decision-making, while negatively moderating the relationship between fintech usage and succession success, suggesting that excessive risk aversion can hinder the adoption and benefits of fintech. This study provided valuable insight into perceived succession success in F-OSBs through the nexus of financial socialisation, financial literacy, and fintech adoption. The study revealed that a strong foundation of financial concepts, financial socialisation, and adoption of fintech tools increase the perceived succession success of F-OSBs. Moreover, by addressing the risk-averse attitude, descendants of entrepreneurs can take advantage of financial literacy and fintech usage, which increase the likelihood of succession success. Conclusively, the framework proposed in this study provides a backbone for the survival of F-OSBs across generations.

CHAPTER 5: CONCLUSION

5.1.INTRODUCTION

The conclusions of this thesis are discussed in this chapter. A summary of the entire research procedure and results is presented in Section 5.2. The contributions of this thesis are outlined in section 5.3 to articulate this thesis's contribution to the existing literature, along with the practical and policy-level contributions. The limitations of this thesis are explained in section 5.4, and avenues for future research are articulated in section 5.5. The overall conclusion is summarised in section 5.6. This thesis took the initiative to investigate the effect of various financial perspectives on the sustainable transition of F-OSBs from one generation to subsequent generations (i.e., succession success). Chapter 2 of this thesis investigates the influence of financial management capabilities: audit, fraud management, risk management, and working capital management on the perceived succession success of F-OSBs. In addition, fintech usage was also used as a moderator to gain insight into whether F-OSBs can increase the influence of financial management practices on perceived succession success if they adopt fintech to handle financial matters. In addition, this chapter used generation level, education level, and gender as control variables to account for their effect on the aforementioned mechanism. Chapter 3 of this thesis investigated the influence of financial heuristics: anchoring bias, herd bias, mental accounting, and risk aversion on the perceived succession success of F-OSBs. By doing so, this study contributed to family business literature, which discusses how financial heuristics increase or decrease the likelihood of succession success in F-OSBs.

Additionally, this study examined the moderating role of financial literacy. This study revealed how F-OSBS can manage the financial heuristics of successors by increasing their financial literacy and subsequently improving the likelihood of succession success through prospect theory. Chapter 4 of this thesis investigated the influence of financial socialisation on the perceived succession success of F-OSBs to understand whether the survival rate of F-OSBs

across generations can be enhanced if successors have financial socialisation. Furthermore, this study employed financial literacy and fintech usage as mediators to connect financial socialisation with the perceived succession success of family-owned small businesses (F-OSBs). It aims to explore whether incorporating financial literacy and fintech usage can enhance financial socialisation, consequently boosting the perceived succession success of F-OSBs. Furthermore, this study utilised the most significant factor among family members, 'risk aversion', as a moderating variable. This study highlighted that F-OSBs, despite having financial literacy and fintech usage, can be influenced by the successors' risk aversion, potentially resulting in succession failure. Additionally, the findings of this study elucidate financial socialisation theory, thereby extending its application to the context of F-OSBs. Thus, these studies significantly contributed to the theories and family business literature.

5.2.RESEARCH SUMMARY

5.2.1. Financial Management Capabilities and Perceived succession success: The Moderating Role of fintech Usage

This research provided insight into the financial management capabilities for successful succession in F-OSBs. These focused financial capabilities included audit, fraud, risk, and working capital management. Previous studies have examined the role of financial management practices in the sustainable performance of SMEs (Chisiri and Manzini, 2021). Few studies have examined the succession matters of family businesses from a broader perspective. For instance, (Oury Bailo et al., 2023) focused on leadership skills, governance structures, family dynamics, interpersonal relationships, and accounting conservatism for the succession process. However, scholars have not considered exploring the role of financial management capabilities in achieving the succession transition of F-OSBs across generations. This study offers a targeted approach by examining these components and how they interact with fintech, thus bridging the gap between finance and family business succession literature. In addition, this study added an essential element, ‘fintech usage’, as a moderating construct in

the relationship discussed above. The novelty of using fintech is evident, as this study highlighted how its usage can strengthen financial management capabilities and reduce the negative influence of family on decision-making, thereby facilitating successful succession transitions across generations.

The study adopted a quantitative approach, collecting primary data from designated successors in F-OSBs. This study used Partial Least Square Structural Equation Modelling (PLS-SEM) to analyse the data and test the hypotheses. PLS-SEM is an appropriate technique for this study as it can handle complex models with latent variables, multiple relationships with moderating effects, and limited sample sizes. The results indicated that financial management capabilities, particularly audit, fraud, risk, and working capital management, positively and significantly correlate with perceived succession success. Interestingly, the study found that fintech usage enhances the positive influence of audit and risk management capabilities on perceived succession success. Still, it does not improve fraud management and working capital management capabilities to achieve successful succession. The insignificant moderating effect of fintech on fraud and working capital management could be attributed to technological or adoption barriers specific to established values, practices, resistance to change, and resource constraints in family businesses.

This study significantly contributed to both theoretical and practical implications. Theoretically, it extended the family business succession literature and dynamic capability view theory by introducing financial management capabilities as a critical determinant of successful succession. In addition, this study expanded the dynamic capability theory by discussing the boundary conditions and mechanisms by which fintech usage can strengthen the relationship between financial capabilities and perceived succession success. From a practical perspective, this study provided valuable insights for F-OSB owners and successors to focus on developing specific financial management competencies and leverage fintech to enhance

the likelihood of successful succession. Policymakers should urge the F-OSBs to invest in developing robust financial management systems and integrating fintech to strengthen audit and risk management, thereby ensuring a smooth succession process and long-term survival of the business.

5.2.2. Understanding Succession Dynamics: Financial Heuristics, Literacy, and Longevity in Family-Owned Small Businesses

Chapter 3 examines the roles of financial heuristics, anchoring bias, herd behavior, mental accounting, risk aversion, and financial literacy in the perceived success of succession in family-owned small businesses. Specifically, this study attempts to fill a first research gap by investigating the direct relationships between financial heuristics and perceived succession success. It also examines the moderating role of financial literacy in this relationship between financial heuristics and perceived succession success, thereby filling a second research gap that was overlooked in prior studies. In addition, this study expanded the prospect theory, which is common in finance but a novel contribution by explaining in the context of family business literature. Ahmad et al. (2023a) examined the effect of financial heuristics on individual investors' investment decisions and firm performance. This study examines how successors' financial heuristics influence the transition of F-OSBs across generations, with a focus on the relationship between heuristics and financial literacy to understand the boundary conditions that affect entrepreneurial decision-making.

This study used a cross-sectional approach to collect the primary data using a pre-designed closed-ended questionnaire. This study focused on F-OSBs established in three states of Malaysia: Selangor, Penang, and Johor Bahru. We selected these states for the following reasons: 1. have a high concentration of F-OSBs; 2. represent different economic and cultural backgrounds; 3. high revenue generation states; 4. entrance of ex-pat entrepreneurs having international exposure and heavy investment. The list of F-OSBs was obtained from Small Medium Enterprise Corporation (SME-Corp) Malaysia. The F-OSBs were sported out from

the list based on the following criteria: 1) the business is at least 5 years old; 2) the number of employees should be between 5-30; 3) annual turnover should be between RM 300,000- RM 3 Million; 4) two or more than two family members are actively involved in the management and decision-making process of the business; 5) business identifies itself as a F-OSB; 6) and/or a single-family owns 50% or above shares (Ahmad et al., 2023b).

After finalising the F-OSB list, we defined selection criteria for respondents: 1) designated as chairman or managing director; 2) at least two years in the family business; 3) willing to provide accurate information; 4) part of the second generation or higher. These criteria ensure that the respondent possesses adequate knowledge of financial matters and decision-making in their F-OSBs. Specifically, a sample of 457 descendants of entrepreneurs designated as chairmen or managing directors in their F-OSBs was selected using purposive sampling techniques. This raises concerns about the generalisability of the findings. Additionally, reliance on self-reported data and a cross-sectional design limit establish causality. However, using Smart-PLS and structural equation modelling (SEM) strengthens the analysis, addressing some study design limitations.

5.2.3. Financial Heuristics, Literacy, and Succession Success in F-OSBs

This study revealed that financial heuristics, anchoring bias, herd bias, and mental accounting have a positive influence on positively influenced succession success, while risk aversion has a negative impact. So, it can be derived that overconfident successors who exhibit herding behaviour and anchoring bias and mentally account for their resources are more likely to achieve better succession outcomes in their family businesses. Conversely, the risk aversion of successors hinders the succession transition of F-OSBs. These results are consistent with the work of (Weixiang et al., 2022a), which demonstrated that cognitive biases could occasionally aid in decision-making during uncertain situations, reinforcing the use of Prospect Theory in this scenario. This study shed light on the moderating role of financial literacy. The results

revealed that financial literacy moderates the relationship between herd behaviour and risk aversion with perceived succession success. Specifically, higher financial literacy weakens herd behaviour's positive impact and strengthens risk aversion's negative impact on perceived succession success. At the same time, mental accounting and anchoring bias remain significant predictors of succession success, regardless of the level of financial literacy. So, the results of this study highlight the complexity of managing financial heuristics and biases by improving the financial literacy of successor leaders during transition to ensure a successful family business succession.

5.2.4. Passing the torch: How financial socialization, financial literacy, and fintech influence family business transition under risk aversion

Chapter 4 of this thesis provides a novel examination of financial socialisation, financial literacy, fintech usage, and risk aversion as key determinants of successful succession in family-owned small businesses. This study addressed a research gap by investigating the direct relationship between financial socialisation and perceived succession success. In addition, this study examined another novelty: financial literacy and modern technology as mediating factors that bridge financial socialisation with perceived succession success. This approach helps address a significant gap in the family business literature, which often overlooks how financial knowledge transfer and technological adaptation collectively shape the success of succession planning in F-OSBs. The study has filled another gap by elucidating how financial knowledge and technological tools can be strategically utilised based on the risk aversion (high or low) of F-OSBs' successors. By considering risk aversion as a moderating factor, this study uncovers the varying impacts of financial literacy and fintech usage on perceived succession success based on the risk profile of the successor generation.

The present study employed a cross-sectional research design to collect the primary data at one point in time by using a close-ended questionnaire. The data was collected from three Malaysian states: Selangor, Penang, and Johor Bahru. These states were chosen for I) a high

concentration of family businesses, II) diverse geographical locations and cultures, III) significant revenue generation, and IV) a strong presence of ex-pat entrepreneurs with international experience and investments. Criteria for targeting F-OSBs included: I) at least 5 years old, II) annual turnover between RM 300,000 and RM 3 million, III) involvement of two or more family members, and IV) a single family holding 50% or more shares (Chua, Chrisman, & Sharma, 1999) for 'descendant entrepreneurs,' criteria included: I) holding a chairman or managing director position, II) engagement in their F-OSB for at least three years, III) being part of the 2nd generation or beyond, and IV) voluntary participation. This study used purposive sampling to collect data from target respondents because they have sufficient experience and knowledge about their performance and activities, which may lead to the perceived succession success of F-OSB. The final sample size used in this study to analyse the data was 457. ANOVA and Mann-Whitney U tests were applied to test the difference between response and non-response biases. This study analysed the data and tested the hypotheses using Partial Least Squares-Structural Equation Modelling with Smart PLS 4.0 software. This study applied the bootstrapping technique to test the statistical significance of the mediation and moderation effects and ensured the rigour and robustness of the research findings.

5.2.5. Financial Socialisation, Literacy, Fintech, and Risk in Succession

The results of this study found that financial socialisation positively influences perceived succession success in F-OSBs. This result is consistent with (Tinh, 2023), who revealed that financial management and knowledge transfer facilitate succession transition. In addition, this study revealed that financial literacy and fintech usage mediate between financial socialisation and perceived succession success and highlighted their critical role as tools for effective succession planning in F-OSBs. This study explained that successors with high financial literacy and strong fintech usage capabilities can make informed and rational decisions, which increases the likelihood of succession success. The result of the moderating role of risk aversion

reveals that risk aversion increases the effect of financial literacy on perceived succession success. Meanwhile, risk aversion decreases the impact of fintech usage on the success of F-OSBs in succession. This indicates that risk-averse individuals may leverage their financial knowledge but resist adopting fintech solutions, potentially hindering succession outcomes. This nuanced understanding emphasises the need for tailored succession strategies that align financial and technological approaches with the risk profiles of descendants to ensure long-term sustainability and performance of F-OSBs.

5.3. THEORETICAL CONTRIBUTION

The theoretical implications section of this thesis discusses three financial behavioural factors influencing the generational succession transitions of F-OSBs. The first aspect enhances the family business literature by shedding light on how financial management capabilities affect perceived succession success in these enterprises. While earlier studies concentrated on family dynamics, governance, and successor characteristics, the significance of financial management capabilities in this context has often been overlooked (Maharajh et al., 2024). This study's results demonstrate that proficient financial management capabilities are crucial for the successful succession of F-OSBs. Additionally, this research addresses a gap in family business literature by exploring the moderating effect of Fintech on the relationship between financial management capabilities and perceived succession success. Some scholars have highlighted that incorporating technology into family businesses can significantly influence their performance and sustainability (Affran et al., 2024).

Despite existing research, the influence of fintech on the connection between financial management skills and perceived succession success remains limited. By investigating fintech as a moderating factor, this study deepens scholars' insights and enriches the literature on how adopting financial technology can empower F-OSBs to manage their finances more efficiently and boost their succession success prospects. Furthermore, this research contributes to dynamic

capability theory by highlighting how fintech moderates the relationship between financial management capabilities and perceived succession success within family businesses. By applying this theory to financial management in F-OSBs, the study stresses the importance of ongoing learning and adaptation to maintain competitiveness amidst technological advancements and evolving market conditions.

The second financial behavioural aspect examines how successors' financial heuristics—such as anchoring bias, herd bias, mental accounting, and risk aversion—affect perceived succession success. Earlier research primarily addressed objective financial factors, including capital structure, cost of capital, and financial performance, about perceived succession success (Rao et al., 2007). However, the financial heuristics of descendant entrepreneurs have often been overlooked. This study adds to the literature by presenting financial literacy as a moderating factor between financial heuristics and the succession of F-OSBs. Prior research has primarily concentrated on the relationship between entrepreneurs' financial heuristics and financial literacy with business performance or decision-making (Abdin et al., 2017). Therefore, this study addresses a research gap, offering a deeper understanding of how high financial literacy among descendant entrepreneurs can help mitigate the adverse effects of financial heuristics on perceived succession success. Additionally, this research broadens the use of prospect theory within the context of F-OSBs. While prospect theory has been explored in various fields, including investment decision-making, risk-taking, and consumer behaviour, its application in F-OSB succession remains limited. This study sheds light on how financial heuristics and financial literacy influence succession success in family-owned businesses F-OSBs.

The third aspect of financial behaviour addresses the importance of financial socialisation in the successful succession of F-OSBs. Maseda et al. (2022) have focused on concrete financial management elements such as capital structure, cost of capital, and overall financial

performance; this study responds to the call for deeper inquiry, enhancing the literature by demonstrating how financial socialisation can contribute to the sustainability of F-OSBs across generations. Furthermore, the strategic utilisation of fintech tools alongside strong financial literacy enhances the financial values and behaviours of successor entrepreneurs, leading to greater perceived success in F-OSB succession. This thorough examination of financial socialisation reveals that successor entrepreneurs should inherit financial habits and cultivate their skills through formal financial education and the adoption of innovative financial technologies (Sikka and Bhayana, 2024). The results of this research broaden the understanding of family businesses by illustrating how the combination of inherited financial socialisation, education, and technology can influence and fortify the longevity of family firms through generations.

This study revealed that attention to financial literacy and fintech adoption is crucial for succession planning, yet their success also depends on the risk-taking ability of successor entrepreneurs. Incorporating risk aversion allows for a revaluation of how varying risk attitudes can either limit or enhance succession success. Additionally, the research broadened the financial socialisation theory by introducing risk aversion as a moderator. It demonstrated how financial socialisation within an F-OSB can mitigate the adverse effects of risk aversion, enabling successor entrepreneurs to leverage their financial literacy and technology effectively. As a result, this study presents new theoretical insights that enrich our understanding of the intricate financial behavioural dynamics involved in the succession of F-OSBs.

5.4.PRACTICAL CONTRIBUTION

This thesis offers practical implications for F-OSBs across three key areas: 1) financial management capabilities, 2) financial heuristics, and 3) financial socialisation. The first area focuses on enhancing financial management capabilities. It highlights the need for F-OSBs to prioritise strengthening their audit systems. A well-established audit process can empower F-

OSBs to create strategies for mitigating risks and seizing growth opportunities while providing crucial information for informed decision-making during the succession process. Furthermore, F-OSBs should implement a solid fraud management system to enhance financial stability and reputation, facilitating a smooth leadership transition. This ensures that successors inherit a transparent financial environment, fostering trust and contributing to long-term stability and growth. Additionally, F-OSBS need to anticipate, assess, and mitigate risks proactively. By utilising internal and external knowledge resources, F-OSBs can better understand risk factors and transform challenges into opportunities, ensuring the longevity of their businesses across generations. Maintaining sufficient liquidity is also crucial for meeting short-term obligations, especially during succession periods when financial stability is vital (Owusu et al., 2024). Effectively managing working capital allows F-OSBs to sustain operations, attract potential successors, and support long-term business growth. Finally, F-OSBs should organise fintech training programs to equip their successors with the tools for improved financial management, transparency, and decision-making. This technological adaptation, combined with the foundational financial knowledge passed down through generations, can significantly enhance the success of succession transitions across generations success).

The second aspect pertains to financial heuristics. F-OSBs must prepare their successors to identify the potential effects of financial heuristics and create strategies to counteract their influence on performance and sustainability. For example, successors should reflect on their business's historical performance and established norms (anchoring bias), which aids F-OSBs in making sound financial choices to enhance their sustainability. Likewise, successors ought to learn from and replicate the successes of other thriving family businesses (herd bias) to reduce uncertainty during transitions and apply mental accounting wisely to allocate resources effectively for better returns (Cho, 2024). Furthermore, they should work to lessen the risks tied to biased decision-making and facilitate a seamless ownership and management transition

within F-OSBs. Additionally, boosting financial literacy and offering financial education programs for descendant entrepreneurs and predecessors can empower them to comprehend the downsides of financial heuristics and navigate complex succession challenges. The third aspect is related to financial socialisation. F-OSBs should take proactive measures to adopt fintech and increase financial literacy to improve the likelihood of succession success. They should also develop a learning culture that encourages potential successors and employees to be adaptive to new technological trends (Kim et al., 2022). Through embedding financial literacy and fintech tools into their core operations, family businesses can aid in creating a seamless transition for the next generation of leaders (Belgacem et al., 2024). In addition, they ensure that they are well-equipped to sustain and grow the family enterprise in a rapidly evolving financial landscape. Predecessors need to assess the risk-taking attitudes of their descendant entrepreneurs and match them with new technologies and financial concepts to inform decision-making and increase the survival of F-OSBs across generations.

5.5.POLICY LEVEL CONTRIBUTION

Policymakers should focus on offering training and support for financial management skills, encouraging the uptake of fintech solutions, and establishing a conducive regulatory environment for F-OSBs to utilise digital financial services. This training can enhance the financial management abilities of both F-OSB predecessors and their successors, thereby increasing the chances of successful succession. Moreover, policymakers must prioritise eliminating obstacles that prevent successors from acquiring technological and innovative skills. Adequate funding and resources should be allocated for financial education initiatives to boost financial literacy and management skills, especially for F-OSB successors. These programs could empower successors to manage their finances effectively through technology, allowing them to transition their businesses to future generations successfully.

Policymakers should establish policies that promote transparency, accountability, and professional governance within F-OSBs to mitigate the risk of biased decision-making during the succession process. They should create a supportive ecosystem for F-OSBs, including access to financial resources, knowledge sharing, networking opportunities, and mentorship programs. These platforms can help F-OSBs overcome succession challenges, enhancing their chances of success and continuity across generations.

Policymakers need to take the initiative in developing frameworks and providing incentives for F-OSBs to enhance their financial literacy. A technical support system should be established to assist F-OSBs in implementing fintech, thereby enhancing the quality of decision-making and performance. F-OSBs should receive subsidies or tax benefits to encourage the adoption of fintech. Additionally, policymakers should conduct training programs aimed at enhancing digital financial competencies. These programs could also integrate financial knowledge into family-inherited financial practices. Such efforts would strengthen the sustainability and competitiveness of F-OSBs in the current era of digitalisation.

5.6. THESIS LIMITATIONS AND FUTURE RESEARCH

Like any research, this thesis has limitations and suggestions for future studies. Data were gathered from only four cities in Malaysia, making it impossible to generalize the results to the entire population. Future research should include data from other cities with a high concentration of F-OSBs. Additionally, while the current research emphasises male successors, attention should also be given to female successors. Comparative studies are necessary to examine if sons outperform daughters in achieving successful succession transitions. This study focused on an Islamic, emerging country context, and it would be beneficial to replicate the research in non-Islamic, developed countries such as China, the USA, and the UK. Furthermore, future iterations should apply this model to medium and large family businesses.

The current research highlights how fintech usage can influence specific mechanisms. However, variables such as artificial intelligence use and the 'Not Invented Here Syndrome' also warrant investigation as potential moderating factors. Moreover, this study did not consider any mediating mechanisms; future research should examine the effects of mediators like financial socialisation, strategic congruence, and agility. Finally, this research employed a cross-sectional design, but a longitudinal approach would be more effective for future studies.

This study considered only four financial heuristics. However, there is a need to investigate the impact of additional financial heuristics, such as confirmation bias, availability bias, and overconfidence bias, on the perceived success of succession. The study utilised financial literacy as one moderating factor, but other elements could be examined as potential moderators, including fintech adoption, artificial intelligence literacy, and various cultural aspects. In this thesis, primary data was collected at a single point, which may lead to common method biases. Therefore, a longitudinal research design should be implemented to gain evolving insights into fintech, financial literacy, and stages of succession across generations. This research concentrated on the financial socialisation of descendants entrepreneurs regarding the perceived success of F-OSBs in succession. However, scholarship should emphasise psychological elements such as leadership styles, decision-making processes, and conflict-resolution strategies relevant to the succession transition of F-OSBs across generations. Additionally, future research should introduce other moderators and mediators, including industry dynamics, digital infrastructure, education levels, economic conditions, and regulatory environments, to enhance the succession of F-OSBs.

5.7.CONCLUSION

This study makes a significant contribution to the family business literature by revealing the critical role of financial management capabilities, financial heuristics, financial

socialization, financial literacy, and fintech usage in driving successful succession transitions in F-OSBs. Specifically, it underscores how key financial management capabilities—such as audit, fraud, risk, and working capital management—serve as essential pillars for succession success. Supported by dynamic capability theory, these capabilities are shown to actively shape the succession process by providing insights, mitigating challenges, and ensuring sustainable operations during generational transitions. While prior studies primarily focused on governance structures, leadership, and family dynamics for F-OSB longevity, this research uniquely places financial management capabilities at the forefront of succession planning, addressing a critical gap in the literature.

Furthermore, this study introduces fintech usage as a transformative moderating mechanism, demonstrating how it amplifies the positive effects of audit and risk management on perceived succession success. By streamlining processes and enhancing decision-making efficiency, fintech emerges as a critical enabler for modernising traditional F-OSBs. However, the findings also highlight that fintech usage does not significantly influence the impact of fraud and working capital management due to resistance to change and entrenched family practices within F-OSBs. This research provides a nuanced perspective by linking financial management capabilities with fintech adoption, illustrating how it reduces the negative influence of family dynamics on decision-making and fosters smoother, more effective succession transitions across generations. Ultimately, it calls for greater integration of financial and technological strategies to ensure family businesses' long-term sustainability and competitiveness.

This study provides compelling insights into the critical role of financial heuristics, financial literacy, and socialization in shaping succession success within F-OSBs. Employing a cross-sectional approach that captures Malaysian states' diverse economic and cultural contexts delves into heuristics such as anchoring bias, herd behaviour, mental accounting, and

risk aversion. The findings firmly establish that while anchoring bias, herd behaviour, and mental accounting positively influence succession success, risk aversion emerges as a significant barrier. Grounded in prospect theory, the study highlights how cognitive biases can serve as valuable tools for decision-making under uncertainty, particularly in family business transitions. Furthermore, the research underscores the pivotal role of financial literacy in moderating the effects of herd behaviour and risk aversion, reinforcing the transformative potential of financial education for successors.

This study also advances the discourse on effective succession planning by integrating financial socialisation, fintech, and financial literacy into the analysis. It reveals that while risk aversion enhances the positive impact of financial literacy on succession success, it simultaneously diminishes the effectiveness of fintech usage, signalling a critical tension between traditional financial knowledge and technological adaptation. This nuanced finding highlights the challenges faced by successors with high financial literacy but resistance to adopting fintech solutions, which could hinder seamless succession transitions. The study calls for tailored succession strategies that align financial and technological capabilities with the successors' risk profiles, ensuring successful generational transitions and the long-term sustainability and performance of F-OSBs in an evolving economic landscape.

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Annexure-1 Questionnaire

Part 1

Respondent's Personal Information	
PI1	Have you participated in this study voluntarily?
PI2	What is your geneder?
PI3	What is you designation in your family business?
PI4	What is your education level?
PI5	From which generation level you belong?
PI6	Since how long you have been involved in your family business?

Part 2

Perceived Succession Success (Cabrera-Suárez and Martín-Santana, 2012)	
PSS1	Relationship with suppliers, customers, financial institutions, etc., have not been damaged by the change of management
PSS2	The expectations for the future of the firm are favourable
PSS3	The firm has improved its strength and competitive position since I have been working in it
PSS4	The working atmosphere and employee satisfaction have improved
PSS5	The family is satisfied with the evolution of the firm
PSS6	I am satisfied professionally with the evolution of the succession process

Financial Socialization (Vosylis and Erentaitė, 2020)	
My Parents……	
Stressing on Savings	
SOS1	used to say that I should save money and put some aside for a rainy day.
SOS2	used to teach me that I should keep saving money for a rainy day.
SOS3	used to teach me that I should put some money aside for something unexpected.
SOS4	used to say that I should have a place where I could put some money aside for an emergency.
SOS5	used to talk a lot about saving.
Openness on Family Finances	
OFF1	used to speak openly about their financial situation.
OFF2	would let me know what their salary was.
OFF3	would tell me where they spend their money and how much.
OFF4	would let me know that we were facing a difficult financial situation and that we would have to "tighten our belts."
OFF5	used to talk to me about the loans they had.
OFF6	avoided talking with me about money.
Instructing on Money Management	
IMM1	helped me plan my daily allowance.
IMM2	used to tell me where to invest money in order to get a return.
IMM3	tried to include me in decisions concerning family finances.
IMM4	helped me to save money.
IMM5	used to invite me to examine invoices, income and expenditure balances, and so on.
IMM6	taught me how to use debit or credit cards properly.
IMM7	used to teach me that I should save up money by reasonably managing my daily allowance
IMM8	used to say that I should listen to them more when it comes to managing money.
IMM9	encouraged me to reflect more on what I do with my money.

Expecting Financial Independence

EFI1	kept telling me that one day I will have to become more financially independent from them.
EFI2	used to tell me that I should provide for myself.
EFI3	often reminded me that I should deal with my financial issues on my own.
EFI4	encouraged me to solve financial problems on my own.
EFI5	used to repeat that I should never be in debt to anyone.
EFI6	used to tell that I should manage my money better to avoid borrowing.
EFI7	used to tell me that borrowing money is a bad thing to do.
EFI8	used to say that I should manage my money to not go over my budget.
EFI9	used to tell me about other people's financial failures.

Family Financial Distress

FFD1	often used to be in debt to other people.
FFD2	were often worried about money.
FFD3	used to quarrel because one of them was overspending.

Risk Aversion (Colquitt et al., 2006)

RA1	I enjoy being reckless
RA2	I take risks
RA3	I seek danger
RA4	I seek adventure
RA5	I would never go hang-gliding
RA6	I would never make a high risk investment

Fintech Usage (Irimia-Diéguez et al., 2023)

FU1	We tend to use Fintech Services frequently
FU2	We spend a lot of time analysing Fintech Services
FU3	I get involved with Fintech Services
FU4	I will recommend using Fintech Services

Financial Literacy (Iram et al., 2023c)

FL1	I have knowledge about financial risk
FL2	I have knowledge about costs associated with financial products/services
FL3	In this organization, members can easily compute interest rates
FL4	I can easily understand the simple financial terms"
FL5	I have knowledge about the key features of financial products/services