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Financial Management Capabilities and Succession Success: The Moderating Role of Fintech

Ibrahim Albkhetan

Essex Business School

Mohammed Shamsul Karim

University of Essex

Kholoud Mohsen

University of Essex

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Abstract

The present study intends to investigate the influence of financial management capabilities (audit, fraud management, risk management working capital management) on the succession success of small family businesses. While this study induced the moderating mechanism of fintech.

A conceptual model with financial management capabilities (formative constructs), and succession success (reflective construct) was based on eight hypotheses. Primary data (n=329) were collected from successors designated as chairmen or managing directors in the small family business. The study used Partial Least Square Structural Equation Modelling (PLS-SEM) through Smart-PLS software version 3.3.2. First, the reliability and validity of the constructs were tested. In the next step bootstrapping to test the hypothesis was implemented.

Results revealed that audit, fraud management, risk management working capital management have a positive significant relationship with succession success. While fintech moderates the relationship between audit, risk management, and succession success.

The research contributed to the literature. First, the study filled a research gap by investigating the relationship between the financial management capabilities of the successor and succession success. This study filled the second gap by using the moderating mechanism of fintech between financial management capabilities and succession success. This study revealed that small family businesses that adopt financial technology in their business operations can improve their financial management capabilities and thus improve the likelihood of succession success.

Keywords: Financial management capabilities, Fintech, succession success, small family business, Smart-PLS

1. Introduction

Family Firm Institute (2016) survey report published that 70-95% of businesses globally are family businesses (FB). FBs contribute 70-90% towards global GDP and create 50-80% jobs in a year. Interestingly, family-owned businesses generate the majority of the world's wealth. The FBs demonstrate a 6.65% return on assets in the US and 8% in Europe and Chile (Poza & Daugherty, 2020). FBs in general and small family businesses (SFB), in particular, are vital contributors to the economy of any country. SFB transacts into the subsequent generation almost within 25 years (Bozer, Levin, & Santora, 2017). But the success rate of these SFBs transitions into subsequent generations is alarmingly low (Kelly, 2014). Worldwide statistics also support the argument pertaining to SFB's transition and revealed that "only 30% of SFB transact

to the second generation. While 15% among those surviving businesses transact into the third generation. More surprisingly, only less than 3% transact to the fourth generation" (Bierly & Chakrabarti, 1996; Breton-Miller, Miller, & Steier, 2004; Lobley, Baker, & Whitehead, 2010; Solomon et al., 2011; Vera & Dean, 2005; Ward, 2016). The FB researchers (Magasi, 2016; Mokhber et al., 2017) also pointed out that succession, which is linked with the ownership life cycle, is given insufficient attention by the business owners.

A successful generational transition into subsequent generations relies on the financial position and allocation of finances for the successful succession transition in the SFBs. The researchers' (Di Giuli, Caselli, & Gatti, 2011; Speckbacher & Wentges, 2012) indicated that SFBs possess inadequate financial management capabilities. In addition, Gallucci, Santulli, and De Rosa (2017) indicated that SFB finds the adoption of financial management capabilities rigorous. Erasmus Beyers and Ndou (2016) revealed that SFBs don't have access to financial management skills and services. Beck and Demircug-Kunt (2006) found that SFB reported facing higher financing obstacles that influence their performance. Financial obstacles faced by SFB lead it towards the mismanagement of working capital, low audit transparency, high fraudulent practices, and risk confrontation. Thus, the investigation of financial management capabilities is an important concern needed to be investigated in the SFB context for successful succession transition.

Moreover, Voordeckers, Le Breton-Miller, and Miller (2014) also highlighted further research pertaining to financial management capabilities in SFBs context. The existing research examined the overall effect of financial management capabilities on the growth and performance of the micro-enterprises (Emmanuel, 2016; Erambo, Mulwa, Aketch, Sangoro, & Muchibi, 2016; Maina, Kahando, & Maina, 2017). In addition, Wolmarans and Meintjes (2015) investigated the effect of profitability, working capital, asset & liability, and strategic management on the SME's success. Moreover, Kennedy, Tennent, and Gibson (2006) examined the income, expenses, annual turnover, and profits. While Karanović, Nikolić, and Karanović (2019) studied the cash flow methods and liquidity management for business success. However, no study has investigated the most vital and frequent financial management capabilities i.e., Working capital, fraud management, and risk management for the succession success of the FB and specifically SFB context. So, this study investigated the first research question: *Whether financial management capabilities adopted by the SFBs contribute to successful succession transition.*

Moreover, the researchers Sbarba and Marelli (2018) emphasized examining the relationship between financial management capabilities and SFB longevity for future research. This study considered the financial management capabilities ignored by the SFB leading towards their succession success. In addition, Teece (2018) pointed out the lack of theoretical lens used in SFB financial management capabilities and its transition into the subsequent generation by managing the assets and resources. This study frames a research question that the financial management capabilities of SFB

would help to transform the succession process by sensing its capabilities and seizing its resources. Secondly, various authors have shown that transferring SFB to subsequent generations brings in different handling capabilities than the previous generation (Austin, 2018; Seet & Graves, 2016). So, the study investigated the second research question *financial management capabilities influence the succession success of SFB differently across generations and uncovered generational differences*.

This study contributes to the literature in three ways. First, this study contributed to the literature by examining the direct relationship between the financial management capabilities of the successor and the succession success of the small family business. Second, this study induced the adoption of fintech through the moderating mechanism in small family business literature. It revealed that audit and risk management capability may increase the likelihood of succession success if they adopt fintech. Third, this study applied dynamic capability theory to explain the proposed model.

The structure of the remainder of this article is as follows. In the next section, we review the literature concerning financial management capabilities and succession success. The third section provided information about the sample and methodology adopted. The fourth section consisted of the presentation of the results, and the last section discusses the conclusion, limitations, and practical implementation.

2. Hypothesis Development

In this quantitative study, the researcher postulated that SFB could successfully transact to the subsequent generation by sensing, seizing, and transforming the financial management capabilities. We explained the financial management capability and succession success concept across generations through dynamic capability theory. Dynamic capabilities theory can be defined as the firm's capacity to deploy and coordinate resources to achieve the desired outcome (Teece, Pisano, & Shuen, 1997). Dynamic capability theory further helps to explain that, firms attain generational transition success through complex interaction by utilizing provided resources across each generation. The researchers' Eisenhardt and Martin (2000) explained dynamic capabilities as "organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve and die.". 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). Similarly, SFB 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 SFBs determines their potential to earn profits, cash flow maintenance, auditing transparency, Risk-taking tendency, and fraud detection. Thus, the higher the financial management capabilities greater can be the probability of SFB succession success across generations.

2.1. Audit

An audit is a formal examination of an organization's or individual's accounts or financial situation. The role of auditing in SFBs is vital (Niskanen, Karjalainen, &

Niskanen, 2010). This role is different due to the family and non-family business ownership structure as well. An obvious reason is that SFB's spending is to earn a good reputation rather than on the business's financial health diagnostics (Lambrecht & Naudts, 2008). Németh and Németh (2017) revealed that 60% of FBs had written strategic business plans. Madarasiné Szirmai and Németh (2019) pointed out that less than 60% of the FBs have accounting, controlling, and internal audit mechanisms. However, Al-Okaily and Naueihed (2019) raised concerns about the quality of internal audits performed by FBs. In addition, AlQadasi and Abidin (2018) also endorsed that businesses with ownership concentration are less likely to demand extensive auditing. The results revealed by Ratcliff (2018) indicate the existence of a non-biased internal audit system is pivotal for enterprise success. The researchers, Fooladi and Shukor (2012) also emphasized the audit quality and revealed that the higher the audit quality, the more lucratively a firm might perform. Contrarily, Warren and Smith (2015) pointed out that a business has to confront the grievous consequences by not using the auditing system. Such a situation may result in business closure or failure. Astonishingly, the literature on the auditing role in SFB is scarce. Links between audit and FB performance are discussed barely. Hence, the connection between audit and SFB succession is needed to be investigated. In addition, dynamic capability theory contributes to explaining that, SFB engaged in quality auditing may enhance the transparency of the business operations. An operational transparency may urge the employees to follow the rules and invest their ultimate capabilities for the SFB's success. High the audit quality, greater chances may arise the succession success due to the prevalence of structural and cultural alignment. Thus, the proposed hypothesis is;

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

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. Association of certified fraud examiners (ACFE) pointed out that small businesses with fewer than 100 employees excessively confront fraud. Moreover, ACFE's 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 SFB than the rest of the business categories. Another survey by the Institute of Internal Auditors revealed that only two percent of small businesses report fraud; however, 40% of small businesses are the victim (Hrncir & Metts, 2011). However, few small businesses try to handle the matter privately due to various reasons. Literature indicates inconsistent results. Like, Omokaro and Ikpere (2019) revealed that fraud management implementation doesn't significantly associate with organizational performance. Contrarily, Hussaini, Bakar, and Yusuf (2018) indicated a positive relationship between fraud management and bank performance. Kiprono and Ng'ang'a (2018) highlighted that fraud management practices have a significant positive

association with public institutions' financial performance. Furlan, Vasilecas, and Bajec (2011) linked fraud management with motor insurance businesses' performance. However, literature is scant regarding the relationship between fraud management and SFB's succession success. In addition, Fraud management is possible through the establishment of a secured system. Dynamic capability theory supports that SFB senses its need for fraud management through the best available technological possibilities. Higher fraud management sensitive SFB greater their tendency for interest in technological development in fraud management. Along with technological adoption, SFBs transform their culture and structure to follow the updated policies. A strong alignment between technology adoption and transformation of culture and structure to eradicate the fraud may result in that SFB's successful succession transition. Hence, this relationship arises a great chance of successful succession in small FB. So, the proposed hypothesis is;

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

2.3.Risk Management

Risk management is the process of identifying any potential threats that may occur during the investment process and doing anything possible to mitigate or eliminate those dangers (Kenton, 2019). Interestingly, Lipitz and Hauser (2016) revealed that one-third of the risk management plans of FBs cover risks for the family, not the business. Le Breton–Miller and Miller (2013) emphasize that SFB risks are managed differently from non-family businesses. The reason is SFBs experience fewer internal restrictions regarding controls on business activities. SFBs confront unique types of risks. These risks are related to the business's succession, governance, ownership, decision-making, and performance (Visser & van Scheers, 2018). However, Ratten (2015) explained that although FB is prepared to risk financial losses. They provoke a great risk of failure to maintain control (Gomez-Mejia, Cruz, & Imperatore, 2014); they still avoid managing family risks. In the SFBs, management and ownership are not separated (Senegović, Bublic, & Ćorić, 2015), creating yet another family risk, while a high level of ownership concentration fosters risk-taking (Nguyen & Shaw, 2011). Risk management infrastructure, policies, and processes may be in place. The SFBs can identify and assess both current and future risks. They map these risks into its risk appetite. More importantly, they bear the risk's consequences on SFB's capacity. Such practices may influence SFB's long-term survival and success (Strike, 2013). Risk management poses challenges to SFB's survival, as family members do not take action on risk. Family members find managing risk difficult (Daniell & McCullough, 2013); therefore, they prefer to avoid taking risky steps (Senegović et al., 2015). Effective risk management will help the SFBs to perform well and maintain sustainable growth (Visser & van Scheers, 2018). Visser and van Scheers (2018) mention that FB's most significant risks include succession issues. The succession issues most harm the family's reputation. Daniell and McCullough (2013) have shed light on unmanaged and misunderstood risks and how harmful they could be for the FB's succession. According to Daniell and McCullough, when risk is misunderstood,

actions will fail to evaluate the occurring problem, which eventually leads to the failure of FBs. FB failure due to lack of risk management may result in succession failure. However, Kim, Suresh, and Kocabasoglu-Hillmer (2013) pointed out that the impact of risk on the firms is unknown. Heimeriks, Schijven, and Gates (2012) revealed that firms with dynamic capabilities to manage risk positively influence post-acquisition financial performance. The researchers' Stadler, Helfat, and Verona (2013) provided evidence that the risk-sensing oil industry may become able to successfully produce valuable resources through dynamic financial capabilities. Thus, SFBs with risk sensing capabilities may transform their operations, policies, strategies, and cultures to become successful. Such SFBs manage the risk dynamically and may become able to transact from one generation to the subsequent generation. The proposed hypothesis is;

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

2.4. Working Capital Management

Working capital management enables firms to maintain adequate cash flow to meet their short-term operating cost and debt obligations (Tuovila, 2019). Financial officers have started to anticipate the importance of WCM for the FBs (Kieschnick, Laplante, & Moussawi, 2013). They agreed that WCM maximizes FB's value as firms devote their 40% of assets as current assets (Autukaite & Molay, 2011). Thus, such FBs attain high liquidity and profitability through proactive short-term financial decisions (Raheman & Nasr, 2007). Gill (2013) pointed out that WCM is an important predictor for the firm's performance, sustainability, and growth. In continuation with Gill's findings, Padachi (2006) also revealed that, greater the WCM capabilities higher the business's performance anticipation. The researchers' Mokhber et al. (2017) revealed that a business performing high is perceived to be successful in its succession phase. Moreover, the dynamic capability theory perspective explains that SFB sense their WCM capabilities and ponder about its development possibilities. A true evaluation and status of current assets, capability to pay off current liabilities, identification, and engagement of short-term investment opportunities may enhance the SFBs capabilities to attain progressive goals. However, SFB's transformation to attain its goals lead it toward more profitability and success. Thus, a successful and profitable business is more likely to transact into subsequent generations.

(H4): There exists a significant positive relationship between working capital management and the succession success of small family businesses.

2.5. The moderating effect of Fintech

The researchers believe that there is a strong moderating effect between digital technologies and financial success. The digital revolution has allowed companies to become more agile and efficient, which has resulted in improved financial performance and increased profitability (Alkaraan, Albitar, Hussainey, & Venkatesh, 2022). The audit process can be effectively managed by using fintech and cloud technologies. Audit firms that have adopted these technologies are more likely to achieve success in

the audit and become able to preserve their financial viability. Thus, they may achieve high performance and preserve the longevity of their family business.

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

The literature has examined the role of innovative technology in enhancing the efficacy of the fraud management (Mat Ridzuan, Said, Razali, Abdul Manan, & Sulaiman, 2022). In general, the studies conclude that technological innovations can mitigate the occurrence of fraud. However, the studies focus primarily on the potential for technological innovation to reduce the risk of fraud rather than enhancing the process of identifying and preventing it (Akartuna, Johnson, & Thornton, 2022). Thus, this study examines whether the implementation of a financial technology (fintech) platform can lead to a more effective and efficient method of fraud prevention and management in a family business and result in high performance and longevity.

(H6): Fintech moderates the relationship between fraud management and the succession success of the small family business.

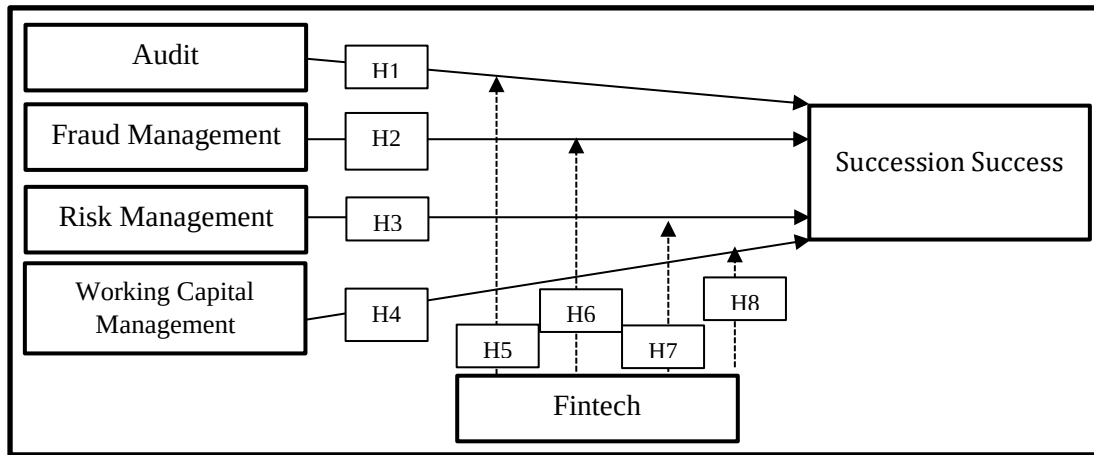
Literature on risk management and project success is rich and varied, but very little research has been done on the moderating effect of FinTech on risk management and family business success. The study claims that the financial innovations of FinTech can improve the performance of family firms by increasing transparency and creating new ways to manage risk (Gomber, Kauffman, Parker, & Weber, 2018). But how, fintech can improve the performance of family firms across generations by increasing transparency and creating new ways to manage risk is still unanswered. So, the proposed hypothesis

(H7): Fintech moderates the relationship between fraud management and the succession success of the small family business.

Previous studies have found that technology can help companies manage their working capital better by automating and digitizing traditional financial tasks. Recent research by (Patnaik & Baral, 2020) suggests that fintech can also help increase succession success in organizations. Working capital management in companies can help increase organizational success. In this paper, we argue that the increasing use of fintech in the business allows companies to modernize their working capital management practices, which can have a positive impact on a family firm's performance and subsequently succession success. So, the proposed hypothesis is

(H8): Fintech moderates the relationship between working capital management and the succession success of the small family business.

2.6. Conceptual Framework



3. Method

3.1. Participants and procedure

This study's survey was carried out using a pre-designed self-administered questionnaire based on financial management capabilities, succession success and fintech adoption. This study was conducted in three cities of Selangor state of Malaysia; Shah Alam, Subang Jaya and Petaling Jaya. These are the biggest revenue-generating cities and contain a large number of SFBs. The probability of SFB failure is high in this city due to rapid changing marketing trends and the entrance of ex-pat entrepreneurs having international exposure and heavy investment (Abdul Hamid, 2013). The list of SFBs was obtained from the Small Medium Enterprise Corporation (SME-Corp) Malaysia. We selected SFB 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 & Teoh, 2021) and (3) the business identifies itself as family-owned (Westhead & Cowling, 1998), and /or a single-family owns 50% or above shares (Chua, Chrisman, & Sharma, 1999). We chose to examine the retail sector because it accounts for 13.1% of Malaysia's GDP (Kamaruddin & Shamsudin, 2021), and focusing on a single sector would offer better insight into that sector without complexities. We targeted successors designated at key positions like; chairman or managing directors, and their SFBs belong to 2nd generation and onwards. We set this criterion because family businesses start losing grip on their longevity from the 2nd generation or onwards. Moreover, vision and rationality, which are based on the financial management capabilities of such key position-holding successors, can influence the succession process of SFBs.

The lack of an accurate and updated sampling frame led us to use a non-probability purposive sampling (Isaga, Masurel, & Van Montfort, 2015). A panel of three experts in the family business domain evaluated the content validity of the close-ended questionnaire. In June 2022, the questionnaire was delivered to the targeted

successors of SFBs through google forms. A total of 329 responses were received; a response rate of 39%. Participants ranged in age from 26 to 63, $M_{age} = 35.23$. Of these participants, 64.2 % belonged to 2nd generation, 29.5% to 3rd generation, and 6.3% to 4th generation. We found no SFB 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 their secondary school. we took several ex-ante steps to prevent common method bias. 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.

3.2. Measures and control variables

This study adopted scales to measure the constructs. Six-item succession success scale was developed by (Cabrera-Suárez & Martín-Santana, 2012) and treated as a formative construct. The audit scale was validated by Ojala, Niskanen, Collis, & Pajunen, 2014) and consisted of 10 items and was treated as a reflective construct. The fraud management scale was developed by Kabuye, Nkundabanyanga, Opiso, and Nakabuye (2017) and consisted of 8 items and was treated as a reflective construct. The risk management scale was developed by Subramaniam, Collier, Phang, & Burke. (2011) and consisted of 8 items. In addition, the working capital management scale was developed by (Németh & Sz, 2017) and consisted of 13 items. Each item of these constructs was recorded on a five-point Likert scale ranging from 1(strongly disagree) to 5(strongly agree).

4. Results

4.1. Measurement Model Analysis

The data were screened for outliers, and 2 participants were removed. The convergent validity of multi-item constructs (audit, fraud management, risk management, working capital management and fin-technology) 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 0.60 to 0.956. So, all the items of scale were within the range of reliability. Composite reliability and Cronbach's alpha value of all constructs were equal or higher than 0.7, which indicates the suitable range of reliability and validity of constructs (Nunnally and Bernstein, 1994). After determining reliability and convergent validity, predictive relevance, discriminant validity (HTMT) is the last to be assessed in table 3. According to Henseler, Hubona, and Ray (2016) the 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 1 [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	0.957
	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	0.954
	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	0.681
	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			
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 2 [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=Succession Success; WCM; working capital management

4.2. Empirical analysis and results

4.2.1. Structural equation modelling

To examine the hypothesized relationship between the constructs, Partial Least Structure Equation Modelling (PLS-SEM) was implemented by using Smart-PLS. The results (see table 3) showed that audit is positively related to succession success ($\beta = 0.093$, $t < 2.084$) and fraud management ($\beta = 0.234$, $t < 4.645$). Risk management has relationship with succession success ($\beta = 0.416$, $t < 7.650$). Working capital management has a positive significant relationship with succession success ($\beta = 0.200$, $t < 5.197$). Fin tech has a significant relationship with succession success ($\beta = -0.023$, ns) Hence, hypotheses H1a, H2a, H3a, and H5 are accepted, while H6, is rejected.

Table 3 [Boot Strapping- direct relationship]

Hypot hesis	Relationship	Coefficient	Std.Dev	t-value	R ²	f ²	VIF	Supported
H1a	AU → SS	0.093	0.045	2.084		0.044	2.761	Yes
H2a	FM → SS	0.234	0.050	4.645		0.108	3.353	Yes
H3a	RM → SS	0.416	0.054	7.650		0.083	2.098	Yes
H5	WCM → SS	0.200	0.038	5.197		0.035	8.179	Yes
H6	FT → SS	-0.023	0.047	0.488	0.779	0.007	3.397	NO

Note: n=329. AU=Audit; FM= Fraud management; FT=Fin-tech; RM=Risk management; SS=Succession Success; WCM; working capital management. D: Standard deviation; f²: 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.

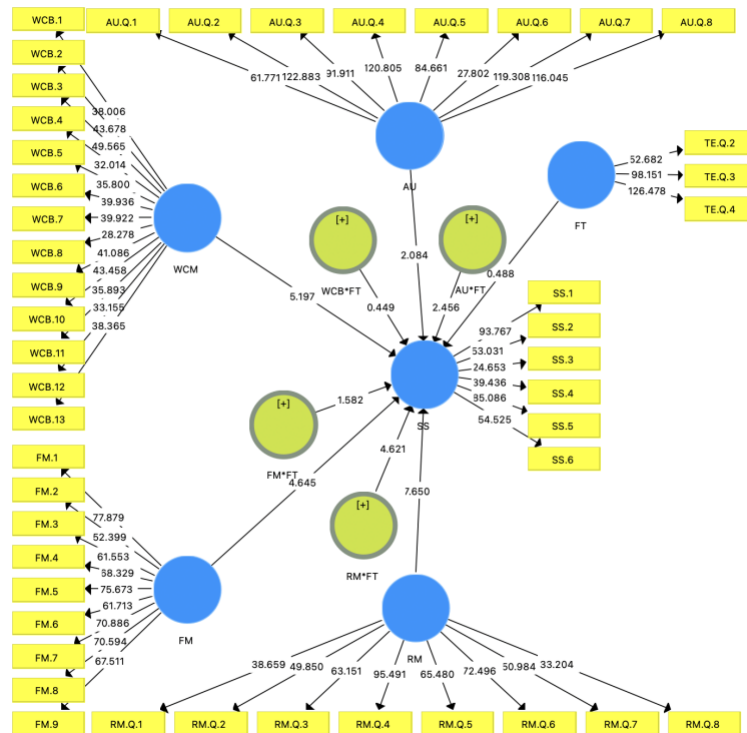
4.2.2. The moderation analysis

We used the bootstrapping bias-corrected confidence interval method in structural equation modelling (SEM) to evaluate our moderation effects (Preacher and Hayes, 2008; Strizhakova et al., 2011). The moderation effect is reported in Table 4. Regarding the moderation effects, the results show a significant moderating effect of fin-tech on audit and succession success ($\beta = 0.120$, $t < 2.456$), while fin-tech does not moderate the relationship between financial management and succession success ($\beta = -0.086$, $t > 1.582$). the fin-tech moderates the relationship between the risk-management and succession success ($\beta = 0.149$, $t < 4.621$), and fin-tech does not moderate the relationship between working capital management and succession success ($\beta = 0.061$, $t > 0.449$). So, H1b and H3b are accepted while H2b and H4b are rejected.

Table 4 [Boot Strapping- Moderation relationship]

Hypot hesis	Relationship	Coefficient	Std.Dev	t-value	Q ²	f ²	Supported
Fin-tech moderation							
H1b	AU*FT → SS	0.120	0.049	2.456		0.021	Yes
H2b	FM*FT → SS	-0.086	0.055	1.582		0.012	No
H3b	RM*FT → SS	0.149	0.032	4.621		0.041	Yes
H4b	WCB*FT → SS	0.061	0.036	0.449	0.511	0.001	No

Note: n=329. AU=Audit; FM= Fraud management; FT=Fin-tech; RM=Risk management; SS=Succession Success; WCM; working capital management



5. Discussion

This study investigated two research questions; 1) whether there is a direct relationship between a successor's financial management capabilities (Audit, risk management, fraud management, and working capital management) and the succession success of a small family business. 2) Whether the fin-tech moderates the relationship between mentioned exogenous and endogenous variables. The results revealed that Audit, risk management, fraud management, and working capital management have a significant positive association while fin-tech does not have a positive significant association with the succession success of the small family business. Fin-tech moderates the relationship between audit, risk management, and succession success, while, Fin-tech does not moderate the relationship of fraud management and working capital management with the succession success of small family businesses. This research now provides a more nuanced explanation for these findings.

A significant positive association between audit and succession success reveals that successors who prefer the audit of their small family business on regular basis get a clear picture of their transactions with their stakeholders. They get information on their family member's expenditures. They can get knowledge of flaws in their money transaction procedures. Thus, they can secure their money flows and strengthen the financial position of their business. In this way, when their money transaction matters are transparent, then the future investment may also be transparent, and it will preserve the longevity of the small family business.

A positive significant relationship between risk management and succession success shows that a successor who has the capabilities to calculate the risk associated with the opportunities may less likely to face heavy losses. They develop different plans, and strategies and choose the safest way to achieve the set goals to preserve the longevity of their small family business. Thus, risk-managing successors may transact their small family business into subsequent generations by minimizing the risks.

The fraud management has a positive relationship with the succession success of the small family business. This relationship reveals that, small family businesses confront fraud on frequent bases as they do not have well establish verification mechanism. However, if the successors of small family businesses manage fraud detection and management their profitability may increase and thus it will increase the likelihood of succession success.

Working capital management has a positive relationship with the succession success of small family businesses. We can deduce that successors who design strategies to ensure that, their small family business operates efficiently may become able to maintain the performance of their small family business. Such successors maintain a balance of current assets and optimize the cash flow of their business's day-to-day operations. In this way, they increase their financial transaction efficiency, earn profits and become able to preserve their small family business's longevity.

The results of fin-tech reveal that successors who induce the latest technology to manage the audit may take prompt action to find out transaction issues, or duplication of transactions. The successors can get help to take future decisions or choose the best investment options to earn more profits and it may increase the likelihood of succession success. In the same way, by using the fin-tech, they can manage the magnitude of future risk in terms of competitors, changes in market trends, and customer demand. So, based on the forecast of financial matters due to fin-tech successor may increase the likelihood of succession success. However, fin-tech is not likely to improve the fraud management and working capital management and subsequently succession success of the small family business.

6. *Practical Implications*

It is the first study, which is attracting small family businesses to pay attention to the financial management capabilities of the successor for a successful succession transition. This study highlighted that the small family business's attention toward the management of financial matters may arise a competitive advantage for small family businesses because a financially strong family business may take the bold initiative to hunt the opportunity. A successor who has the capabilities to manage the financial affairs can manage their business during the economic downturn and thus they can preserve the longevity of their small family business.

7. *Limitations and Future Research Directions*

This research has several limitations. The findings cannot be generalized to the entire population, as three cities in one state of Malaysia were selected. So, rest of the three states and their high-density cities should also be considered. We focused on male successors, so female successors should also be focused. A comparison study should be performed to investigate whether either son is more vibrant than the daughter's successor for a successful succession transition. This study was conducted in an Islamic and emerging country context. This study should be replicated in the non-Islamic and developed country contexts. The present study explained the moderating mechanism however, there is also a need to use the mediating mechanism.

8. *Conclusion*

The present study provided insight into the consideration of the successor's financial management capabilities an important role in a successful succession transition but the adoption of fintech in small family businesses may play an important role to enhance the longevity of small family businesses across generations.

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