

## Inheritance Risk Management Towards the Sustainability of Global Family Businesses in Malaysia

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### ABSTRACT

This study investigates the impact of Family Governance and Inheritance Risk Management on the Sustainability of Family Businesses in Malaysia. Drawing on Socioemotional Wealth and Stewardship Theory, the research examines how governance structures and inheritance planning contribute to the long-term viability of family-owned enterprises. A quantitative, cross-sectional design was adopted, using survey data collected from 186 Malaysian family firms across manufacturing, services, and trade sectors. Data were analyzed using SPSS 29 and Partial Least Squares Structural Equation Modeling (PLS-SEM) in SmartPLS 4. The results reveal that both Family Governance and Inheritance Risk Management have significant positive effects on Family Business Sustainability ( $\beta = 0.461$  and  $\beta = 0.435$ ,  $p < 0.001$ ), jointly explaining 91.1% of the variance in sustainability outcomes. These findings confirm that formal governance mechanisms enhance transparency, reduce risk, and align generational goals, while structured inheritance management strengthens continuity and intergenerational harmony. The study extends existing literature by integrating governance and inheritance as interdependent drivers of sustainability and by providing empirical evidence from an emerging economy perspective. The implications highlight the need for professionalized governance, proactive succession planning, and culturally attuned inheritance frameworks to ensure the resilience of Malaysian family businesses.

**Keywords:** Stewardship Theory, Socioemotional Wealth, Succession Planning, Malaysia, PLS-SEM

### INTRODUCTION

Family businesses represent one of the most influential and enduring forms of enterprise globally, contributing significantly to employment, innovation, and economic growth (Astrachan & Pieper, 2021). In Malaysia, family-owned enterprises account for a substantial portion of the private sector and play a central role in supporting national development and industrial diversification (Ahmad & Omar, 2019). However, despite their economic importance, family businesses are notoriously vulnerable to governance weaknesses and succession challenges, with a large proportion failing to survive beyond the second generation (Chrisman, Chua, & Sharma, 2018). The increasing complexity of ownership structures, generational transitions, and market pressures has intensified the need for effective governance and inheritance management mechanisms to ensure long-term sustainability. The sustainability of family enterprises extends beyond financial success; it encompasses the preservation of family legacy, social harmony, and environmental responsibility across generations (Sharma & Nordqvist, 2020; Zahra, 2021). Unlike non-family firms, family businesses are driven by both economic and socioemotional objectives, the desire to protect family identity, continuity, and reputation (Sharma & Nordqvist, 2020). Therefore, Family

Business Sustainability depends on the ability to balance profitability with stewardship, ethical leadership, and intergenerational alignment (Ramli, Hassan, & Zulkifli, 2020). Achieving this balance requires robust Family Governance (FG) frameworks and proactive Inheritance Risk Management (IRM) practices that can institutionalize accountability and continuity.

Family Governance (FG) refers to the formal and informal systems that guide family participation, decision-making, and control in a business context (Dyer, 2018). Effective governance mechanisms (such as family councils, constitutions, and advisory boards) create clear boundaries between family and managerial roles, reduce conflict, and enhance transparency (Astrachan & Pieper, 2021). Research in Malaysia has shown that governance quality positively influences firm performance and resilience (Ling et al., 2023; Ramli et al., 2020). However, many Malaysian family businesses continue to rely heavily on informal governance structures based on kinship and trust (Ahmad & Omar, 2019), leaving them vulnerable to succession disputes and strategic misalignment. This governance informality reflects a key limitation in current practice that threatens long-term sustainability, particularly as businesses transition to multi-generational ownership.

Inheritance Risk Management (IRM), often operationalized through succession planning, addresses the uncertainty associated with intergenerational leadership transfer (Alkaabi & Saeed, 2019; Lee et al., 2021). It encompasses identifying, assessing, and mitigating risks that could disrupt ownership continuity or management effectiveness. Studies emphasize that effective IRM improves leadership preparedness, ownership clarity, and family harmony (Pang et al., 2023; Mwansa & Serumaga-Zake, 2023). Yet, in the Malaysian context, succession planning often remains informal and reactive, driven more by tradition than structured policy (Ahmad & Omar, 2019). This gap between awareness and implementation of inheritance planning represents a critical vulnerability that can erode the longevity of Malaysian family enterprises.

Although extensive literature has examined family firm governance and succession separately, few studies have explored their combined influence on sustainability; particularly in emerging economy contexts such as Malaysia. Prior international research has demonstrated that governance systems improve decision-making and accountability (Pu et al., 2022), while succession planning enhances continuity and intergenerational cohesion (Li et al., 2024). However, the empirical evidence integrating both governance and inheritance risk management as complementary predictors of sustainability remains limited (Wiesz et al., 2025). Furthermore, Malaysian studies have primarily focused on small samples or qualitative approaches, leaving a gap for quantitative, model-based investigations that test these relationships empirically.

This research addresses that gap by empirically examining how Family Governance and Inheritance Risk Management jointly influence the Sustainability of Family Businesses in Malaysia. It aims to determine whether formal governance structures and proactive inheritance strategies significantly contribute to the economic, social, and environmental sustainability of family firms. By integrating Socioemotional Wealth (SEW) Theory (Sharma & Nordqvist, 2020) and Stewardship Theory (Chrisman et al., 2018), this study provides a theoretical and empirical framework for understanding how governance and inheritance mechanisms institutionalize family values, mitigate risks, and ensure intergenerational continuity.

In doing so, this paper offers several significant contributions. Theoretically, it bridges two previously distinct areas of family business research (governance and inheritance) into a unified sustainability model, thereby extending the application of SEW and stewardship perspectives to the Malaysian context. Empirically, it provides robust statistical evidence from 186 family enterprises, filling a notable void in quantitative research on governance and succession in Southeast Asian family firms. Practically, the findings will guide policymakers and family business leaders in designing integrated governance and inheritance systems that strengthen long-term sustainability, ethical stewardship, and economic resilience in Malaysia.

## LITERATURE REVIEW

Recent interdisciplinary research across the Middle East and Southeast Asia underscores the growing importance of governance, innovation, and adaptive management in sustaining organizational performance across sectors. For example, Abdallah Qahman et al. (2025) demonstrated how technology-enabled systems can enhance adaptability and resilience in conflict-affected educational institutions, highlighting the transformative role of structured management frameworks. Similarly, Al-Qasbi (2024) emphasized that effective digital governance and strategic alignment are crucial for institutions navigating technological disruption, an observation that parallels the governance challenges faced by family enterprises in ensuring continuity. In the context of economic and policy environments, Al-Taani et al. (2025) and Falaha (2024) identified governance and regulatory structures as decisive factors shaping organizational success, financial resilience, and strategic sustainability—insights that reinforce the link between structured management and long-term viability. Complementary studies by Lootah (2024) and Ibrahim and Ali (2025) further highlight how digital transformation, automation, and financial transparency reshape decision-making and risk management, underscoring the necessity of adaptive governance across

industries. From a social and developmental perspective, Al-Momani (2024) and Hazaimah (2025) illustrated how leadership, education, and human capital development influence sustainable outcomes within communities, suggesting that organizational sustainability extends beyond economic factors to encompass ethical and human dimensions. Collectively, these studies affirm that structured governance, innovation, and risk management are central to organizational sustainability; a premise that underpins the current study's focus on Family Governance and Inheritance Risk Management as key drivers of Family Business Sustainability in Malaysia.

This section synthesizes the three interrelated strands (Family Business Sustainability, Inheritance Risk Management, and Family Governance) by drawing on relevant references. The aim is to articulate how governance and succession-related practices shape the long-term viability of family firms, with emphasis on Malaysia where relevant, while also drawing from broader international insights that illuminate generalizable mechanisms.

### **Family Business Sustainability**

Family Business Sustainability (FBSus) refers to the long-term ability of family-owned enterprises to sustain economic viability, preserve social cohesion, and uphold environmental responsibility across generations. Unlike non-family firms, family businesses are driven by dual objectives (financial and socio-emotional) where economic goals coexist with the desire to preserve family legacy, identity, and values (Sharma & Nordqvist, 2020; Zahra, 2021). This multidimensional orientation means that sustainability in family enterprises extends beyond financial performance to encompass intergenerational continuity, governance effectiveness, and social and environmental stewardship. Sustainability in family firms encompasses enduring value creation, resilient performance, and continuity across generations. A growing body of governance-focused work treats sustainability as an outcome of how family firms configure governance structures, strategic processes, and social fabrics across the family–firm system. Systematic reviews of governance in family firms establish that governance configurations (boards with family representation, constitutions, and formal governance rules) provide scaffolding for sustained value creation and risk management, thereby supporting long-run viability (Pu et al., 2022). This perspective is echoed by research showing that formal governance mechanisms help align family values with business strategy, mitigate conflict, and foster continuity, all of which are central to sustainability (Groot et al., 2022; Barbera et al., 2022).

Empirical work within Malaysia reinforces the link between governance characteristics and sustainable performance. For example, Malaysia-based studies document that family governance structures (such as family boards and governance mechanisms) are associated with improved performance signals and more robust risk oversight, which are proximate indicators of sustainability in family-controlled enterprises (Ling et al., 2023; Abdullah et al., 2022). The presence of family governance features (e.g., family directors, governance indices) is associated with outcomes that contribute to resilience and ongoing viability in Malaysian family firms (Ling et al., 2023; Abdullah et al., 2022). Moreover, governance-focused studies in Malaysia show that formal governance configurations can constrain risk-taking, supporting stable performance, a hallmark of sustainable behavior in family businesses (Mohammad et al., 2022; Rahman et al., 2023).

Broader global evidence complements the Malaysia-specific findings. For instance, research on family governance demonstrates that governance mechanisms influence firm performance and create pathways to competitive advantage through better alignment of family and business systems (Groot et al., 2022; Barbera et al., 2022). A cross-country analysis emphasizes the heterogeneity in governance configurations and their performance implications, underscoring that the specific governance mix matters for sustainability outcomes depending on family dynamics and contextual factors (Arteaga & Basco, 2023). Taken together, the literature converges on a robust claim: Family Governance, operationalized through boards with family representation, family councils, and formal constitutions, has a significant positive effect on the sustainability of family firms by enhancing governance quality, reducing risk exposure, and strengthening the strategic alignment of family and business goals (Pu et al., 2022; , Groot et al., 2022; , Barbera et al., 2022), (Arteaga & Basco, 2023).

From a multidimensional perspective, sustainability in family firms incorporates economic, social, environmental, and governance dimensions (Ramli, Hassan, & Zulkifli, 2020). Economically, sustainability entails maintaining profitability, reinvesting capital, and ensuring competitive continuity over successive generations (Saleh, 2020). The social dimension emphasizes employee welfare, family harmony, and community engagement as mechanisms for building trust and long-term reputation (Ahmad & Omar, 2019). Environmental sustainability relates to ecological responsibility and adherence to environmental regulations (Nordin, Salleh, & Ahmad, 2021). Governance sustainability focuses on transparent decision-making, professionalized management, and the establishment of robust succession structures to mitigate conflict and support continuity (Dyer, 2018).

Empirical evidence demonstrates that sustainable family businesses outperform their counterparts during economic crises due to their long-term orientation and prudent risk management practices (Astrachan & Pieper, 2021). However, the literature also reveals persistent weaknesses in governance and succession planning, particularly among small and medium-sized enterprises (SMEs) in developing contexts (Chrisman, Chua, & Sharma, 2018). Many of these firms operate under informal structures heavily dependent on the founder's

authority, which limits institutionalization and hinders strategic continuity (Lee, Ramli, & Yusoff, 2021). Such reliance on informal governance diminishes the firm's ability to balance financial and familial priorities, leaving it vulnerable to leadership crises and generational transitions.

In Malaysia, family businesses constitute a major component of the national economy, contributing substantially to employment and GDP (Ahmad & Omar, 2019). Despite their economic importance, numerous Malaysian family firms struggle with governance quality, inadequate leadership transition mechanisms, and the absence of systematic sustainability strategies (Ramli et al., 2020). The lack of structured inheritance planning and formal governance mechanisms often leads to management disputes, reduced innovation, and declining intergenerational engagement (Lee et al., 2021). Scholars emphasize that the sustainability of Malaysian family firms depends largely on their capacity to institutionalize governance frameworks and manage inheritance-related risks effectively (Astrachan & Pieper, 2021; Zahra, 2021). Formal governance systems, coupled with transparent succession plans, help balance financial performance with intergenerational stewardship and stakeholder accountability. As a result, the integration of governance and inheritance risk management is increasingly viewed as a cornerstone of long-term sustainability for Malaysian family enterprises. Critically, the literature identifies a research gap in empirically linking governance mechanisms and IRM to sustainability outcomes in the Malaysian context. While international studies have established that structured governance and deliberate succession planning enhance firm resilience and longevity, the transferability of these findings to Malaysian SMEs remains underexplored. Consequently, scholars advocate for context-specific models that reflect Malaysia's cultural, religious, and regulatory environment to better understand how governance and inheritance interact to sustain family businesses over time. Thus, sustainable family businesses embody a holistic approach that unites profitability, governance integrity, social welfare, and environmental consciousness. Yet, in Malaysia, where informal governance and ad hoc succession remain prevalent, there is a pressing need for institutionalized governance and inheritance risk management practices to secure intergenerational survival. This underscores the necessity of investigating the mechanisms through which governance and inheritance planning jointly shape family business sustainability in emerging-market settings such as Malaysia.

### Family Governance

Family Governance (FG) refers to the formal and informal mechanisms that regulate the relationships, decision-making, and responsibilities of family members involved in a business (Dyer, 2018). These mechanisms include family councils, constitutions, shareholder agreements, and succession policies, which collectively align family interests with business objectives and ensure effective management continuity (Ramli, Hassan, & Zulkifli, 2020). Strong governance structures create clear boundaries between family and business roles, reduce internal conflicts, and promote transparency; elements that are critical to the longevity and sustainability of family firms (Astrachan & Pieper, 2021). Scholars widely regard family governance as the foundation for effective leadership transition and inheritance management (Zahra, 2021). By institutionalizing accountability frameworks and establishing communication systems, governance structures support succession planning and foster intergenerational trust (Chrisman, Chua, & Sharma, 2018). In the Malaysian context, where close family ties and cultural traditions often blur the boundary between family and business, formal governance mechanisms are particularly vital. They help to preserve trust, mitigate conflict, and maintain strategic coherence within the family enterprise (Ahmad & Omar, 2019).

Empirical evidence consistently links governance mechanisms in Malaysian family firms to improved performance, resilience, and sustainability. For instance, Ling, Tan, and Omar (2023) found that family governance structures (including family boards, constitutions, and formal decision-making frameworks) positively influence firm performance and continuity, serving as key indicators of long-term sustainability. Similarly, corporate governance practices, such as the presence of effective audit committees, have significant implications for risk management. In Malaysian manufacturing family firms, the configuration of audit committees constrains excessive risk-taking and strengthens internal control systems, thereby enhancing governance quality and sustainability outcomes (Mohammad, Salleh, & Hamid, 2022). This body of evidence confirms that governance operates not merely as a compliance mechanism but as a strategic driver of sustainable performance in family-controlled enterprises. Beyond Malaysia, scholars highlight that family governance comprises both formal and informal structures (ranging from family meetings and councils to constitutions and ownership agreements) that shape the long-term behavior of family firms. Recent systematic reviews emphasize that governance instruments align family values with business strategy, promote consistent decision-making, and facilitate orderly transitions across generations (Pu, Jiang, & Song, 2022; Groot, Kellermanns, & Kellermanns, 2022). For example, cross-country studies show that the adoption of family constitutions leads to greater strategic coherence, professionalized management, and improved resilience, all of which underpin firm continuity (Wiesz, König, & Kellermanns, 2025).

The interplay between internal and external governance mechanisms also influences sustainability outcomes. In Malaysia, internal governance features (such as family boards and charters) interact with external oversight mechanisms like audit committees and independent directors to shape firm resilience and performance (Rahman, Zainuddin, & Mohd, 2023). Similar patterns are evident in international studies: Arteaga and Basco (2023) found that governance configurations vary across contexts but consistently affect sustainability by fostering accountability and reducing agency conflicts. These findings reinforce that family governance quality (rather than family control alone) is a key determinant of long-term business viability (Ling et al., 2023; Mohammad et al., 2022).

In Malaysia, governance and succession are closely intertwined. Pang, Wong, and Liew (2023) demonstrated that well-structured governance arrangements (such as communication protocols, shareholder agreements, and formal governance rules) mediate stewardship transitions across generations while preserving firm value and ensuring continuity. Their findings suggest that robust governance facilitates orderly leadership succession and strategic alignment, both essential for sustainability. At a policy level, Malaysian government initiatives aimed at enhancing innovation, governance, and integration into global markets complement family-level governance practices, fostering an ecosystem conducive to sustainable growth (Mostafiz, Hoque, & Rahman, 2024). Furthermore, strategic planning mechanisms and advisory structures have been shown to enhance adaptability and long-term survival among family enterprises (Qing, Zhang, & Zhou, 2023).

Collectively, these studies converge on the argument that robust family governance—comprising family boards, constitutions, councils, and audit oversight—enhances sustainability by aligning family and business objectives and reinforcing risk management and strategic planning processes (Ling et al., 2023; Groot et al., 2022; Wieszt et al., 2025; Pu et al., 2022). Empirical evidence also suggests that the presence of governance indices and family-directed boards in Malaysia correlates with improved performance and reduced risk exposure, reinforcing the governance–sustainability link (Abdullah, Rahman, & Noor, 2022).

From a critical perspective, scholars highlight that governance in Malaysian family firms often remains partially institutionalized, with limited formalization compared to Western models. While cultural cohesion can act as an informal governance mechanism, excessive reliance on familial trust can weaken transparency and accountability (Dyer, 2018; Ahmad & Omar, 2019). Consequently, there is a growing consensus that institutionalizing governance through formal charters, strategic planning, and independent oversight can bridge the gap between traditional family practices and modern sustainability expectations.

In synthesis, the literature demonstrates that Family Governance and Inheritance Risk Management (IRM) are not isolated constructs but complementary elements of an integrated system that drives sustainability. Malaysian evidence shows that governance quality (reflected in family boards, constitutions, and audit oversight) is positively associated with firm performance, risk reduction, and continuity (Ling et al., 2023; Mohammad et al., 2022; Abdullah et al., 2022). Moreover, succession planning and formal governance instruments, such as family constitutions, strengthen coherence during generational transitions (Pang et al., 2023; Wieszt et al., 2025). Thus, governance is both a structural and strategic enabler of sustainability, providing a stable framework through which inheritance and leadership transitions can occur smoothly.

### **Inheritance Risk Management**

IRM refers to the deliberate and systematic management of risks associated with intergenerational transitions in family firms; encompassing ownership transfer, leadership succession, and control continuity (Alkaabi & Saeed, 2019). In contrast to conventional risk management, IRM focuses on succession-specific uncertainties that threaten governance stability and long-term business viability. It integrates succession planning, estate management, and governance design to mitigate potential disruptions arising from leadership changes or ownership disputes (Ramli, Hassan, & Zulkifli, 2020).

Lee, Ramli, and Yusoff (2021) conceptualize IRM as comprising five key dimensions: (1) *Balance*; the maintenance of equilibrium between family values and business priorities; (2) *Succession Planning*; the systematic preparation of next-generation leaders; (3) *Family Control*; ensuring coherence and stability of ownership and authority; (4) *Respectful Leadership*; promoting trust, communication, and legitimacy across generations. Each dimension mitigates distinct inheritance-related risks, and (5) *Endowment*; the securing and transfer of tangible and intangible assets;

Empirical evidence suggests that families implementing structured inheritance management systems experience smoother transitions, reduced conflicts, and enhanced sustainability, whereas the absence of such mechanisms often leads to ownership fragmentation, leadership vacuums, and eventual business failure (Chrisman et al., 2018; Astrachan & Pieper, 2021).

In the Malaysian context, inheritance risk management is increasingly recognized as a determinant of governance integrity, transparency, and long-term sustainability. Pang, Wong, and Liew (2023) demonstrated that well-designed succession practices (emphasizing communication, documentation, and transparency) promote governance coherence and strengthen intergenerational continuity. Their findings underscore the interdependence

between governance and inheritance management, showing that formal succession structures reduce the risks of conflict and strategic misalignment. González and Herrero-Chacón (2025) similarly argue that well-planned successions maintain strategic focus and stakeholder confidence, both critical for sustainability in family enterprises.

Complementary studies reinforce that succession planning operates as a governance mechanism that enhances continuity and resilience. For instance, Wieszt, König, and Kellermanns (2025) found that formal family constitutions, which often codify succession and leadership transition rules, reduce ambiguity and improve strategic clarity during transitions. This perspective positions IRM not only as a risk mitigation process but also as a strategic governance tool that secures sustainability across generations. Likewise, Groot, Kellermanns, and Kellermanns (2022) suggest that the interaction between family governance and succession planning strengthens social capital and shared identity; both essential components of resilience and continuity in family firms.

International evidence corroborates these findings across different cultural contexts. In South Africa, Mwansa and Serumaga-Zake (2023) observed that structured leadership succession planning enhances performance and long-term survival in family-owned firms. Similarly, Li, Chen, and Zhou (2024) found that inadequate succession planning in Chinese family firms leads to leadership gaps and strategic drift, undermining sustainability. In Nigeria, Dekom, Bello, and Sani (2024) reported that formal succession mechanisms foster continuity and resilience, while in Indonesia, Darsana and Mananda (2023) highlighted that succession planning rooted in family communication and stakeholder alignment strengthens sustainable performance. Qing et al. (2023) further demonstrated that advisory-based governance frameworks support effective ownership and leadership transitions, contributing to strategic coherence and sustainability. Despite global attention, IRM research remains underdeveloped and fragmented, often treated as a component of governance rather than an integrated risk-based framework (Alkaabi & Saeed, 2019; Zahra, 2021). Many models, such as the *Sustainable Inheritance (INHERIT) Framework*, propose that effective inheritance management depends on balancing financial and socio-emotional objectives through structured governance and value alignment (Lee et al., 2021; Ramli et al., 2020). However, most of these models are conceptual and lack empirical validation, particularly in developing markets. Quantitative evidence linking IRM dimensions (such as endowment or respectful leadership) to sustainability remains scarce, highlighting the need for robust, context-specific testing (Sharma & Nordqvist, 2020).

In Malaysia, existing literature addresses related but indirect themes such as digital transformation, innovation strategies, and family culture, yet systematic IRM frameworks are rarely explored (Saleh, 2020; Nordin, Salleh, & Ahmad, 2021). Malaysian family SMEs, in particular, often rely on informal estate practices and unwritten succession traditions, leading to vulnerabilities in leadership continuity and capital management (Ahmad & Omar, 2019). These challenges are further complicated by cultural and religious factors influencing inheritance, especially under Islamic law. Studies on Islamic endowment instruments (such as *waqf*) suggest potential for managing inheritance-related risks and preserving family wealth, but their integration into corporate governance remains limited (Ismail & Abdullah, 2020; Khalid, 2021).

Critically, one of the main research gaps in the IRM literature concerns measurement and operationalization. Current studies lack standardized instruments for quantifying IRM constructs such as balance between family and business interests, or the quality of respectful leadership during succession (Sharma & Nordqvist, 2020). Furthermore, most IRM research relies on qualitative case studies, limiting generalizability. There is a growing call for empirical models using quantitative approaches (such as structural equation modeling) to test IRM as a mediator between governance quality and sustainability outcomes (Lee et al., 2021).

Synthesizing the literature, it becomes clear that inheritance risk management serves as a vital link between governance and sustainability. By embedding succession planning within broader governance systems, family firms can institutionalize knowledge transfer, preserve family cohesion, and ensure strategic stability. Malaysian evidence aligns with cross-country findings showing that IRM strengthens governance coherence, intergenerational trust, and sustainable performance (Pang et al., 2023; Mwansa & Serumaga-Zake, 2023; Li et al., 2024; Dekom et al., 2024; Darsana & Mananda, 2023; Qing et al., 2023). As Zahra (2021) argues, integrating inheritance risk management with family governance offers a holistic sustainability model, bridging financial, ethical, and emotional dimensions of family ownership. Thus, IRM is both a governance function and a sustainability enabler. It mitigates the risks of succession failure, ensures leadership legitimacy, and reinforces intergenerational continuity. Yet, despite its theoretical and practical importance, IRM remains under-theorized and empirically underexplored in Malaysia. Addressing this gap by operationalizing IRM dimensions—such as endowment, balance, succession planning, family control, and respectful leadership—can provide a stronger foundation for sustaining Malaysian family businesses across generations.

## Hypothesis Development

The review of prior literature highlights that FG and IRM are critical determinants of FBSus. Both mechanisms address the intergenerational challenges that threaten continuity, control, and performance in family enterprises (Zahra, 2021; Ramli, Hassan, & Zulkifli, 2020). Family Governance provides the structural framework for decision-making and accountability, while IRM ensures strategic preparedness for ownership and leadership transitions. Together, they strengthen the firm's resilience, align family and business objectives, and support long-term sustainability (Astrachan & Pieper, 2021; Lee, Ramli, & Yusoff, 2021).

### *Family Governance and Family Business Sustainability*

Family Governance (FG) comprises the formal and informal structures through which family members regulate their roles, responsibilities, and influence in the business (Dyer, 2018). These structures include family councils, constitutions, boards, and ownership agreements that formalize communication, reduce conflict, and institutionalize accountability (Ramli et al., 2020). Effective governance ensures strategic alignment and long-term orientation; both key to achieving sustainability in family firms (Sharma & Nordqvist, 2020).

Empirical studies show that well-governed family firms exhibit superior performance, lower risk exposure, and stronger intergenerational continuity. For instance, Ling, Tan, and Omar (2023) found that Malaysian family businesses with family-directed boards and governance indices report higher sustainability outcomes, confirming the link between governance quality and firm resilience. Likewise, Mohammad, Salleh, and Hamid (2022) observed that audit committee oversight and board transparency strengthen governance quality, promoting risk mitigation and sustainability in Malaysian manufacturing family firms.

Globally, research supports similar conclusions. Pu, Jiang, and Song (2022) demonstrate that family governance mechanisms enhance firm adaptability and long-term orientation, while Wieszt, König, and Kellermanns (2025) show that formal family constitutions institutionalize strategic planning and promote generational continuity. These findings collectively support the theoretical assertion that robust governance structures facilitate the integration of economic, social, and environmental dimensions of sustainability in family firms (Astrachan & Pieper, 2021). Accordingly, based on both empirical and conceptual evidence, the following hypothesis is proposed:

*H1: Family Governance has a significant positive effect on Family Business Sustainability in Malaysia.*

### *Inheritance Risk Management and Family Business Sustainability*

Inheritance Risk Management (IRM) refers to the systematic management of succession-related risks that threaten ownership, leadership, and control during intergenerational transitions (Alkaabi & Saeed, 2019). It encompasses proactive planning for leadership development, ownership transfer, and estate management to ensure continuity and organizational stability (Chrisman, Chua, & Sharma, 2018). The literature identifies five key dimensions of IRM (endowment, balance, succession planning, family control, and respectful leadership) which collectively reduce intergenerational disruption and promote sustainability (Lee et al., 2021). IRM directly supports sustainability by securing governance coherence, strategic continuity, and stakeholder trust. Pang, Wong, and Liew (2023) provide Malaysia-specific evidence that succession planning enhances communication and transparency, facilitating smoother leadership transitions and reducing governance risks. Similarly, González and Herrero-Chacón (2025) emphasize that structured inheritance planning ensures continuity and alignment between family and business objectives. Cross-country research reinforces these findings: Mwansa and Serumaga-Zake (2023) in South Africa and Li, Chen, and Zhou (2024) in China both conclude that succession planning is essential to sustaining firm performance across generations.

Moreover, IRM aligns with the socioemotional wealth (SEW) framework, which posits that families prioritize the preservation of legacy and identity alongside economic returns (Sharma & Nordqvist, 2020). By mitigating succession-related uncertainty, IRM strengthens both financial and emotional stability, thereby enhancing long-term sustainability (Astrachan & Pieper, 2021; Zahra, 2021). Given this body of evidence, the second hypothesis is formulated as follows:

*H2: Inheritance Risk Management has a significant positive effect on Family Business Sustainability in Malaysia.*

## Research Model

Family Governance and Inheritance Risk Management form an interconnected governance system that drives sustainability in family enterprises. Governance provides the institutional infrastructure (rules, councils, and committees) while IRM ensures effective leadership continuity within that framework. As highlighted by Ramli et al. (2020) and Zahra (2021), the synergistic interaction of governance and inheritance mechanisms reduces conflict, enhances transparency, and aligns generational values with long-term business goals. In the Malaysian context, where family firms are deeply embedded in cultural and relational structures, this integration is particularly significant. Institutionalizing governance and inheritance mechanisms enhances strategic foresight, prevents

leadership vacuums, and supports sustainable competitiveness (Ahmad & Omar, 2019; Lee et al., 2021). Therefore, the conceptual model posits that both Family Governance and Inheritance Risk Management exert significant and positive effects on Family Business Sustainability, jointly securing intergenerational continuity and economic resilience.

Governance frameworks facilitate decision-making, clarify ownership boundaries, and promote fairness in inheritance distribution (Astrachan & Pieper, 2021). In turn, IRM translates governance policies into actionable risk-reduction strategies, ensuring business continuity during generational transitions (Lee et al., 2021). This synergistic relationship reinforces economic stability, social harmony, and long-term growth (Zahra, 2021).

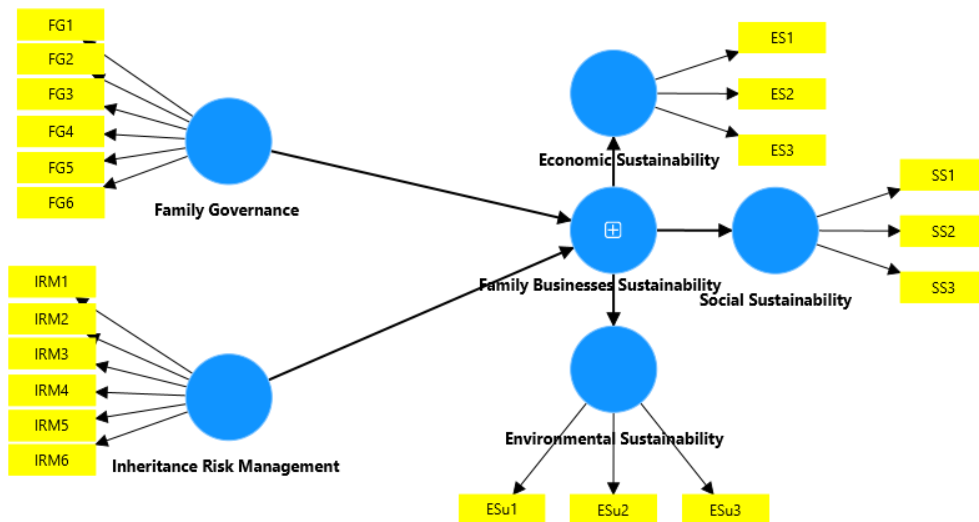


Figure (1): Research Model

## METHODS

This study employed a quantitative, cross-sectional research design to empirically examine the relationships between Family Governance (FG), Inheritance Risk Management (IRM), and Family Business Sustainability (FBSus) among family-owned enterprises in Malaysia. The quantitative approach was selected because it allows hypothesis testing and provides statistical evidence on the strength and direction of relationships among variables. The target population consisted of Malaysian family businesses operating in sectors such as manufacturing, services, trade, and agriculture. A family business was defined as an enterprise in which at least two family members are actively involved in ownership or management and where family influence affects decision-making and succession processes (Ahmad & Omar, 2019).

A stratified random sampling method was applied to ensure representation across different industries and firm sizes, with strata based on enterprise classification (small and medium enterprises versus large firms). Based on Krejcie and Morgan's (1970) guidelines and Hair et al. (2021), a minimum of 300 respondents was initially targeted to ensure adequate statistical power for Structural Equation Modeling (SEM). However, after screening for completeness and data quality, a total of 186 valid responses were retained for the final analysis, which meets the minimum threshold for multivariate analysis and provides sufficient reliability for hypothesis testing.

Data were collected using a structured self-administered questionnaire distributed both online (via Google Forms) and in person to business owners, successors, and senior managers. The questionnaire consisted of four sections: demographic information, Family Governance, Inheritance Risk Management, and Family Business Sustainability. All items were measured on a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The measurement scales were adapted from established instruments in prior studies: Family Governance from Ling et al. (2023) and Ramli et al. (2020), Inheritance Risk Management from Lee et al. (2021), and Family Business Sustainability from Zahra (2021) and Sharma and Nordqvist (2020). A pilot test was conducted on 30 respondents to evaluate the clarity, validity, and reliability of the instrument, and minor modifications were made accordingly.

Data were analyzed using SPSS version 28 for descriptive statistics and preliminary reliability testing, followed by SmartPLS version 4 for hypothesis testing through Partial Least Squares Structural Equation Modeling (PLS-SEM). This technique was selected because of its suitability for predictive and theory-development research involving complex models (Hair et al., 2021). The analysis included tests for reliability and validity as well as assessments of discriminant validity using the HTMT ratio and Fornell-Larcker criterion. The structural model

was then evaluated using path coefficients, t-values, and R<sup>2</sup> values to determine the significance and explanatory power of Family Governance and Inheritance Risk Management on Family Business Sustainability.

## RESULTS

Data were first analyzed using SPSS version 29 to examine demographic characteristics, check for missing data, and assess reliability through Cronbach’s alpha. The sample comprised 186 valid responses collected from Malaysian family-owned enterprises operating across diverse sectors such as manufacturing, services, trade, and agriculture. Descriptive statistics revealed that approximately 60% of the participating firms were small or medium-sized enterprises (SMEs), while 40% represented larger family corporations. The average firm age exceeded 20 years, confirming the dominance of mature, intergenerational businesses in the sample. Reliability analysis indicated excellent internal consistency for all constructs, with Cronbach’s alpha values above 0.90, meeting the threshold suggested by Hair et al. (2021). This confirms that the survey items were highly reliable for measuring Family Governance (FG), Inheritance Risk Management (IRM), and Family Business Sustainability (FBSus).

### Measurement Model Evaluation (PLS-SEM)

The measurement model was then evaluated using SmartPLS version 4 to verify construct validity and reliability. Figure (2) below illustrates the results of the measurement model, showing the standardized loadings of the observed indicators on their respective latent constructs.

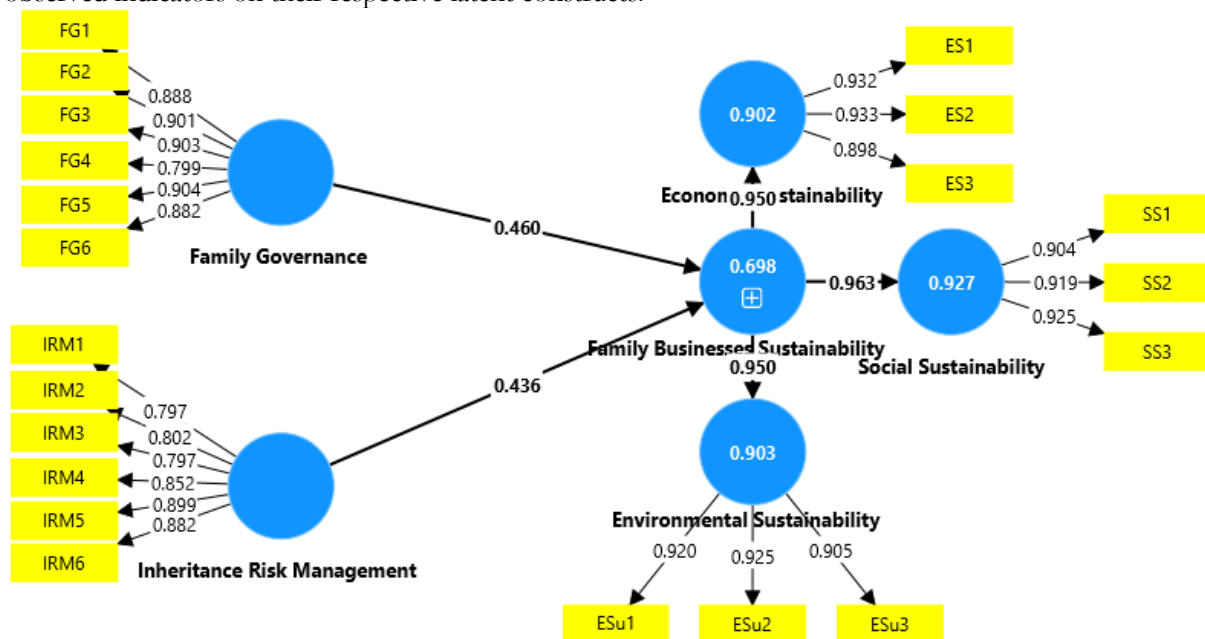


Figure (2): Validity Results

As depicted in Figure (2), all item loadings exceeded the recommended threshold of 0.70, ranging between 0.779 and 0.933, which demonstrates strong indicator reliability (Hair et al., 2021). Each construct (Family Governance, Inheritance Risk Management, and Family Business Sustainability (comprising Economic, Social, and Environmental dimensions)) exhibited robust convergent validity. The Average Variance Extracted (AVE) values for all constructs were greater than 0.70, indicating that the constructs captured a substantial proportion of variance from their measurement indicators. Table (1) below summarizes the consolidated reliability and validity estimates for the key constructs used in the model.

Table (1): Reliability Testing

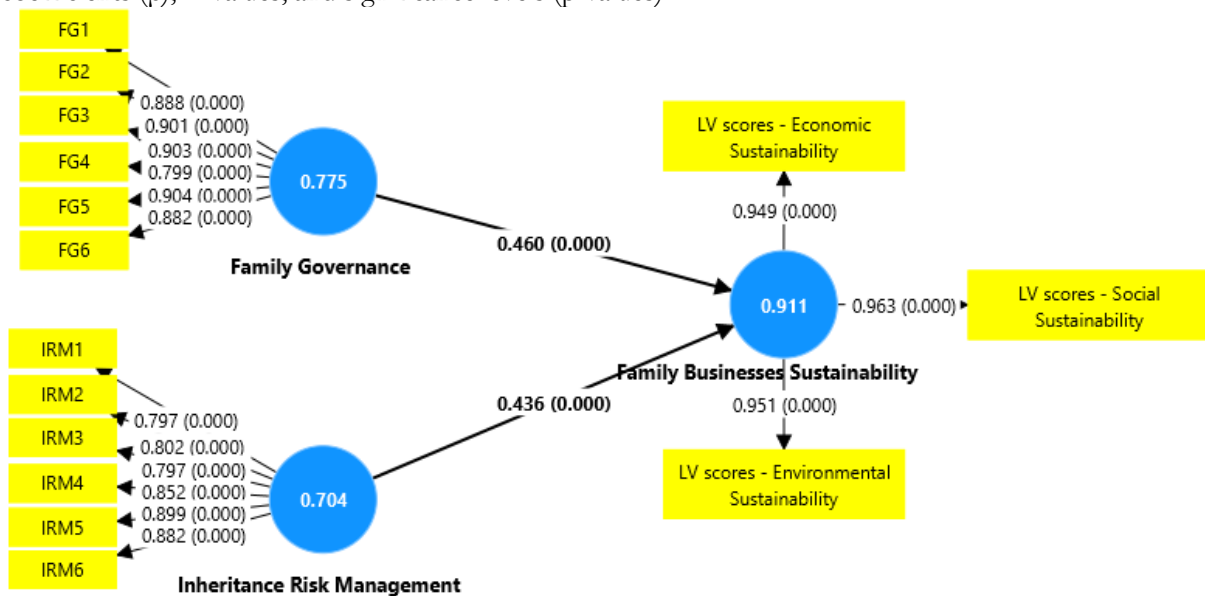
Construct	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Economic Sustainability	0.910	0.911	0.944	0.848
Environmental Sustainability	0.905	0.905	0.940	0.840

<b>Family Businesses Sustainability</b>	0.962	0.962	0.967	0.767
<b>Family Governance</b>	0.942	0.943	0.954	0.775
<b>Inheritance Risk Management</b>	0.916	0.925	0.934	0.704
<b>Social Sustainability</b>	0.904	0.904	0.940	0.839

As shown in Table (1), all constructs exceeded the threshold values for reliability and validity, confirming the robustness of the measurement model. Cronbach’s alpha and composite reliability ( $\rho_a$  and  $\rho_c$ ) values were consistently above 0.90, indicating high internal consistency and measurement precision. Likewise, all AVE values exceeded 0.70, supporting strong convergent validity, as more than 70% of the variance in each indicator was explained by its latent construct (Fornell & Larcker, 1981). Among the constructs, Family Business Sustainability demonstrated the highest reliability ( $\alpha = 0.962$ ; CR = 0.967), reflecting the conceptual stability of its multidimensional structure; economic, social, and environmental sustainability. Both Family Governance ( $\alpha = 0.942$ ; AVE = 0.775) and Inheritance Risk Management ( $\alpha = 0.916$ ; AVE = 0.704) also met the reliability standards, confirming that their respective indicators (FG1–FG6 and IRM1–IRM6) coherently represented the theoretical dimensions.

**Structural Model Assessment**

After validating the measurement model, the structural model was analyzed to test the hypothesized relationships among the constructs. Figure (3) presents the results of the PLS path analysis, displaying standardized path coefficients ( $\beta$ ), T-values, and significance levels ( $p$ -values).



**Figure (3):** Hypothesis-Results

As shown in Figure (3), both Family Governance (FG) and Inheritance Risk Management (IRM) have statistically significant direct effects on Family Business Sustainability (FBSus). The R² value of 0.911 indicates that approximately 91.1% of the variance in Family Business Sustainability is explained jointly by Family Governance and Inheritance Risk Management, signifying a very strong model fit and predictive accuracy.

**Table (3):** Hypothesis Testing

Path	$\beta$	STDEV	T-values	P-Values
Family Governance -> Family Businesses Sustainability	0.461	0.059	7.835	0.000
Inheritance Risk Management -> Family Businesses Sustainability	0.435	0.055	7.973	0.000

The results in Table (3) demonstrate that both hypotheses are strongly supported ( $p < 0.001$ ). The standardized path coefficients ( $\beta = 0.461$  and  $0.435$ ) indicate that Family Governance and Inheritance Risk Management are both significant and nearly equal contributors to the sustainability of Malaysian family businesses.

The finding that Family Governance positively influences sustainability aligns with prior research (Ling et al., 2023; Ramli et al., 2020), which emphasizes the role of governance mechanisms (such as family constitutions, boards, and communication structures) in reducing agency conflicts, improving decision-making, and preserving long-term value. The positive and significant path from Inheritance Risk Management to sustainability supports the work of Pang et al. (2023), who found that succession planning, inheritance transparency, and leadership continuity strengthen organizational stability and governance integrity across generations.

The very high  $R^2$  value (0.911) demonstrates that the combined influence of governance and inheritance planning explains a large portion of sustainability outcomes. This supports the theoretical expectation derived from socioemotional wealth (SEW) theory, which posits that family firms preserve both economic and non-economic wealth (identity, legacy, and values) through structured governance and succession mechanisms (Sharma & Nordqvist, 2020). The results jointly confirm the robustness of the research model. Descriptive and reliability analyses affirm data quality and consistency, while the structural model results validate both hypotheses: H1: Family Governance has a significant positive effect on Family Business Sustainability ( $\beta = 0.461$ ,  $p < 0.001$ ). H2: Inheritance Risk Management has a significant positive effect on Family Business Sustainability ( $\beta = 0.435$ ,  $p < 0.001$ ). Thus, these findings substantiate that strong governance structures and proactive inheritance risk management are complementary drivers of long-term sustainability in Malaysian family enterprises, ensuring intergenerational continuity, resilience, and ethical stewardship.

## DISCUSSION

This examined the impact of Family Governance (FG) and Inheritance Risk Management (IRM) on the Sustainability of Family Businesses (FBSus) in Malaysia using a quantitative, cross-sectional design and data collected from 186 family-owned enterprises. The results derived from SPSS and PLS-SEM analyses revealed that both Family Governance and Inheritance Risk Management significantly and positively influence the sustainability of Malaysian family businesses. The final structural model demonstrated strong explanatory power, with an  $R^2$  value of 0.911, confirming that these two variables jointly account for over 91% of the variance in Family Business Sustainability.

The findings provide empirical support for the first hypothesis (H1), which posited that Family Governance has a significant positive effect on Family Business Sustainability. The results revealed that formal governance structures positively influence the economic, social, and environmental dimensions of sustainability. This outcome is consistent with prior research by Ling et al. (2023), who found that family governance mechanisms improve performance and risk control among Malaysian family enterprises. Similarly, Ramli et al. (2020) and Dyer (2018) observed that effective governance mitigates conflicts between family and business goals by establishing accountability and transparent decision-making channels. The present study also aligns with Astrachan and Pieper (2021), who emphasized that formal governance enhances continuity, fosters shared vision, and strengthens the stewardship culture needed for long-term survival. However, the current results extend these prior findings by demonstrating that the impact of governance on sustainability in Malaysia is not limited to firm performance alone but extends to environmental and social responsibility. This broadens the traditional understanding of governance, which has often been confined to financial control and oversight (Pu et al., 2022). By revealing the multidimensional influence of governance, this study supports a more holistic conceptualization of sustainability in family enterprises—one that integrates economic, social, and environmental outcomes.

The results also confirmed the second hypothesis (H2), establishing that Inheritance Risk Management (IRM) significantly affects Family Business Sustainability. The positive path coefficient ( $\beta = 0.435$ ,  $p < 0.001$ ) indicates that effective management of inheritance-related risks (particularly through structured succession planning, mentoring of next-generation leaders, and transparent ownership transfer) enhances business continuity and intergenerational cohesion. This is in line with Pang et al. (2023), who demonstrated that succession governance, communication, and transparency are key to sustaining family enterprises in Malaysia. Similarly, studies conducted in other contexts have yielded comparable results: Mwansa and Serumaga-Zake (2023) in South Africa, Li et al. (2024) in China, and Dekom et al. (2024) in Nigeria all found that succession planning improves firm continuity, leadership stability, and long-term sustainability.

While the findings of this research align with global trends emphasizing the importance of succession and governance, they diverge in one crucial aspect: the Malaysian context introduces unique cultural and institutional challenges that shape how these mechanisms operate. For instance, Ahmad and Omar (2019) noted that Malaysian family firms often rely heavily on informal governance practices, driven by kinship and trust rather than codified rules. The current study's results suggest that while informal mechanisms may preserve harmony in the short term,

formalized governance and inheritance systems are more effective in securing long-term sustainability. This finding partially contrasts with Chrisman et al. (2018), who argued that informal governance rooted in family values can be equally sustainable in some cultural settings. In Malaysia, however, the increasing complexity of intergenerational business structures appears to demand greater institutionalization and professionalization of governance systems.

The findings also converge with the Socioemotional Wealth (SEW) Theory (Sharma & Nordqvist, 2020), which suggests that family firms prioritize the preservation of family identity, legacy, and social capital. Both governance and inheritance practices serve as mechanisms for protecting this socioemotional wealth. By institutionalizing leadership succession and ensuring transparency, family firms maintain their relational integrity and social legitimacy, thereby strengthening sustainability. This perspective is also supported by Zahra (2021), who emphasized that balancing financial and emotional objectives is essential to ensuring long-term success in family enterprises.

At the same time, this study's results extend SEW theory by providing empirical evidence that the pursuit of socioemotional wealth must be embedded within formalized governance and inheritance frameworks to yield tangible sustainability outcomes. This builds upon the Stewardship Theory, which posits that family leaders act as stewards of the organization, motivated by trust and collectivism rather than self-interest (Chrisman et al., 2018). The positive and significant effects of governance and inheritance management on sustainability observed here demonstrate that stewardship values—when supported by governance systems—translate into measurable business resilience and intergenerational continuity.

In comparing these findings with the broader international literature, this study contributes new evidence from an emerging economy perspective. Most prior studies on governance and inheritance have been concentrated in Western or developed contexts (e.g., Astrachan & Pieper, 2021; Pu et al., 2022). The Malaysian context highlights additional factors such as religion, collectivist culture, and family hierarchy, which interact with governance and inheritance systems. For example, Ismail and Abdullah (2020) and Khalid (2021) discussed the potential role of Islamic instruments such as *waqf* and *hibah* in preserving family wealth and promoting equitable inheritance. While these tools were not directly examined in this study, the findings suggest that integrating such culturally rooted mechanisms with formal governance systems could enhance the sustainability framework for Malaysian family firms.

The discussion also reveals that, although both governance and inheritance management significantly contribute to sustainability, their effects are mutually reinforcing rather than independent. Family Governance provides the institutional foundation for accountability, while Inheritance Risk Management ensures leadership continuity and strategic alignment. This interdependence supports Pang et al. (2023) and Wieszt et al. (2025), who noted that governance quality mediates the effectiveness of succession planning in maintaining firm stability. Thus, governance and inheritance mechanisms should not be treated as isolated management functions but as an integrated system for achieving long-term sustainability.

## CONCLUSION

This study set out to examine the influence of Family Governance (FG) and Inheritance Risk Management (IRM) on the Sustainability of Family Businesses (FBSus) in Malaysia. Using quantitative data from 186 family-owned enterprises and analyzed through SPSS and PLS-SEM, the results confirmed that both Family Governance and Inheritance Risk Management exert significant and positive effects on Family Business Sustainability. The model demonstrated strong explanatory power, with an  $R^2$  value of 0.911, indicating that these two predictors jointly account for over 91% of the variance in sustainability outcomes.

The findings support the first hypothesis (H1) that Family Governance positively affects Family Business Sustainability. Family firms with formal governance mechanisms—such as family councils, boards, constitutions, and audit committees—exhibit higher levels of economic, social, and environmental sustainability. These results are consistent with previous studies (Ling et al., 2023; Dyer, 2018; Ramli et al., 2020; Astrachan & Pieper, 2021), which emphasized that governance structures promote accountability, transparency, and effective decision-making, thereby ensuring long-term survival. This study, however, extends those insights by demonstrating that governance not only strengthens financial performance but also enhances environmental stewardship and social responsibility.

Similarly, the second hypothesis (H2) was supported, confirming that Inheritance Risk Management has a significant positive effect on Family Business Sustainability. Structured succession planning, leadership development, and transparent inheritance policies were found to strengthen business continuity and intergenerational harmony. This finding aligns with earlier research in Malaysia (Pang et al., 2023) and comparable international evidence (Mwansa & Serumaga-Zake, 2023; Li et al., 2024; Dekom et al., 2024), all of which recognize succession planning as a vital component of long-term business resilience. However, the present study diverges from Chrisman et al. (2018), who suggested that informal governance based on trust and family culture may suffice

for sustainability; in contrast, the Malaysian context indicates that the formalization of governance and inheritance structures yields more stable and sustainable outcomes.

From a theoretical standpoint, these results reinforce the Socioemotional Wealth (SEW) Theory (Sharma & Nordqvist, 2020) and Stewardship Theory (Chrisman et al., 2018). The findings show that formal governance and proactive inheritance management institutionalize the preservation of family legacy, identity, and cohesion—key dimensions of socioemotional wealth—while supporting responsible leadership and strategic foresight. In doing so, they transform the family firm's intrinsic values into measurable sustainability outcomes.

The results also extend prior literature by emphasizing that governance and inheritance mechanisms function as interdependent drivers of sustainability. Family Governance provides the institutional structure for decision-making and accountability, whereas Inheritance Risk Management ensures leadership continuity and alignment of generational goals. This integrated framework corroborates Wieszt et al. (2025) and Pang et al. (2023), who highlighted that governance quality and succession planning together determine the long-term viability of family enterprises.

In the Malaysian context, these findings carry particular significance. As noted by Ahmad and Omar (2019), many family businesses remain guided by informal norms rooted in kinship and trust. The current evidence suggests that while such practices preserve social cohesion, formal governance and inheritance planning are indispensable for sustaining competitiveness, reducing conflict, and enhancing resilience in an evolving economic landscape. Moreover, integrating Islamic financial tools such as *waqf* and *hibah* (Ismail & Abdullah, 2020; Khalid, 2021) could further strengthen the inheritance management process by ensuring equitable wealth transfer and long-term sustainability.

In conclusion, this study demonstrates that the sustainability of Malaysian family firms is not merely the outcome of business success but the result of intentional governance and inheritance strategies. When families formalize governance frameworks, establish transparent succession systems, and align financial and socioemotional goals, they ensure both business continuity and legacy preservation. These findings align with international evidence while providing new insights into how cultural, institutional, and governance dynamics interact in emerging economies such as Malaysia. Future research should build upon these results by exploring additional moderating factors (such as generational stage, digital transformation, or family ownership concentration) to deepen understanding of the mechanisms linking governance, inheritance, and sustainability across diverse contexts. Future research should examine how governance maturity and structure influence the strength of the relationship between inheritance risk management and sustainability in Malaysian family firms. Quantitative and longitudinal studies could clarify the causal magnitude of governance effects and identify moderating factors such as industry type, ownership concentration, and generational stage. A deeper understanding of these dynamics would help policymakers and practitioners tailor governance and succession strategies to achieve sustainable continuity in Malaysia's evolving family business landscape.

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## Appendix A: The Questionnaire

All items were measured on a **five-point Likert scale** ranging from **1 (Strongly Disagree)** to **5 (Strongly Agree)**. The measurement items were adapted and refined from established scales used in previous empirical research to ensure validity and reliability.

### **Section A: Demographic Information**

This section collects basic information about the respondents and their businesses:

1. Gender
2. Age
3. Educational background
4. Position in the business (Owner / Manager / Successor / Other)
5. Number of years working in the family business
6. Generation of ownership (First / Second / Third or above)
7. Industry sector (Manufacturing / Services / Trade / Agriculture / Others)
8. Number of employees
9. Ownership structure (% family ownership)

### **Section B: Family Governance (FG)**

*(Adapted from Dyer, 2018; Ramli et al., 2020; Ling et al., 2023; Pu et al., 2022)*

FG1. Our family business has a clear and documented governance structure (e.g., family council, board of directors).

FG2. There is a family constitution or agreement that guides the family's relationship with the business.

FG3. Decision-making processes in our business are transparent and involve relevant family members.

FG4. Roles and responsibilities of family members are clearly defined and communicated.

FG5. The business has formal mechanisms to resolve conflicts between family and non-family members.

FG6. The family governance system ensures accountability and fairness in all business activities.

### **Section C: Inheritance Risk Management (IRM)**

*(Adapted from Alkaabi & Saeed, 2019; Lee et al., 2021; Pang et al., 2023; Astrachan & Pieper, 2021)*

IRM1. Our business has a formal succession plan for transferring leadership to the next generation.

IRM2. Successors are trained and mentored to assume future leadership roles.

IRM3. The business has clear procedures for transferring ownership among family members.

IRM4. Communication about inheritance and succession issues is open and transparent within the family.

IRM5. The business balances family values with financial and strategic needs in succession planning.

IRM6. Family members respect the chosen successor and support the transition process.

### **Section D: Family Business Sustainability (FBSus)**

*(Adapted from Sharma & Nordqvist, 2020; Zabra, 2021; Ramli et al., 2020; Ahmad & Omar, 2019)*

#### **Economic Sustainability**

ES1. Our business maintains stable profitability and financial growth.

ES2. We reinvest profits to support long-term development.

ES3. The firm manages risks effectively to ensure financial stability.

#### **Social Sustainability**

SS1. Our business maintains strong relationships among family members and employees.

SS2. The firm actively contributes to the welfare of the local community.

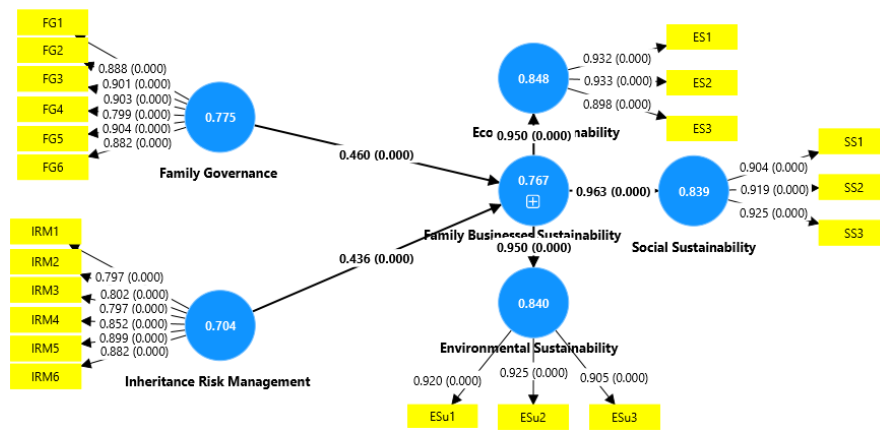
SS3. Family values and ethics are reflected in our business practices.

#### **Environmental Sustainability**

EN1. Our business implements environmentally friendly policies and practices.

EN2. The firm complies with environmental laws and promotes resource efficiency.

EN3. Sustainability and environmental protection are part of our long-term strategy.



**Full Model Hypothesis Testing**

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values
Family Governance -> Economic Sustainability	0.437	0.439	0.056	7.750	0.000
Family Governance -> Environmental Sustainability	0.437	0.439	0.056	7.843	0.000
Family Governance -> Social Sustainability	0.443	0.445	0.057	7.814	0.000
Inheritance Risk Management -> Economic Sustainability	0.414	0.413	0.052	7.971	0.000
Inheritance Risk Management -> Environmental Sustainability	0.414	0.413	0.053	7.869	0.000
Inheritance Risk Management -> Social Sustainability	0.420	0.419	0.053	7.940	0.000