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The role of inheritance risk management in family enterprises to achieve family businesses sustainability in the middle east

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ABSTRACT

Transferring wealth and ownership in family businesses is a pivotal juncture that can either strengthen the family legacy or dismantle its foundations. However, this paper examines the effect of inheritance risk management and family business practices on family business sustainability. It also discusses the mediating role of regulatory environment in the Middle East. Nevertheless, quantitative analysis was used to investigate the direct and indirect effects of IRM and FBP on the regulatory environment and family business sustainability as well as the mediating role of the regulatory environment using a quantitative approach through a survey design. However, a total of 116 questionnaires were collected through purposive sampling from the responses. The study sample consisted of managers who were contacted through email and social networking sites. Moreover, Smart PLS 4.1.0.1 was used to test the research hypotheses. The findings indicate that IRM and FBP have significant and positive effects on the regulatory environment in terms of the sustainability of family businesses. The result also confirms the mediating effect of the regulatory environment. The results emphasize the importance of a comprehensive approach to managing family businesses both in addressing internal and external challenges as strategic planning, innovation and governance structures appear as key factors affecting the sustainability of family businesses. This study suggests avenues for future research and provides practical implications for decision-makers, policy makers, practitioners and academics seeking to develop family businesses and the long-term resilience of family businesses in the Middle East.

Contribution/Originality: This paper contributes by adopting inheritance risk management elements towards the sustainability of family businesses using the regulatory environment as a mediation to use a quantitative approach using Smart PLS4. Identified factors that contribute to sustainability to support the long-term resilience of family businesses and pathways for future research including the role of culture, technology adoption or succession planning in family business sustainability.

1. INTRODUCTION

Transferring wealth and ownership in family businesses "from generation to generation" is a pivotal juncture that can either strengthen the family legacy or dismantle its foundations. The founder's intention is for the company to be a sustainable enterprise passed down through generations to ensure the preservation of wealth (Ahmed, 2023; Badran, 2023; Demmelhuber, Sturm, & Vollmann, 2020; Shubailat, Al-Zaqeba, Madi, & Khairi, 2024b). However, the circulation of wealth between family, business and wealth creates some challenges. Risk management is the process of assessing the risks that can arise as a result of the transfer of wealth (Lumpkin & Bacq, 2022; Makó, Csizmadia, & Heidrich, 2018). Recent literature has recently indicated that Inheritance Risk Management (IRM) is a concept that emerges from the broader risk management system. This ensures that the inherent risks that may arise as a result of transferring ownership of family inheritance as well as assets and businesses in high-profile companies are reduced and addressed. While family businesses have internal controls, they often fail to address the risks associated with inheritance as this leads to the company being closed down, sold or ownership dispersed among other shareholders. This requires a tailored approach to risk management (Shubailat, Al-Zaqeba, Madi, & Ababneh, 2024). Preserving wealth requires special strategies in the era of technological progress and globalization (Shatnawi, Masadeh, Alsawalhah, & Al-Zaqeba, 2024; Shubailat, Al-Zaqeba, Madi, & Alheet, 2024a). However, this concept (IRM) focuses on preserving wealth across successive generations by determining the methods followed to transfer wealth as well as inheritance planning, financial planning and legal considerations. It can strengthen the relationship between family members while focusing on the sustainability of the business.

Family businesses contribute significantly to the economy in the Middle East especially to the gross domestic product and labor employment. However, these companies often face special challenges in managing legacy risks. There are a number of elements that contribute to the continuity and sustainability of family businesses across generations such as estate planning, wills, effective succession planning and trust funds. These factors can lead to family conflicts, fragmentation of assets and disruption of business operations ultimately jeopardizing the sustainability of the family enterprise. Financial management practices, innovation strategies, diversification efforts and governance structures are also important factors for the success and long-term sustainability of family businesses.

The short-term IRM concept involves a strategy that is consistent with the aspirations, values and strengths of each family member while in the long-term it is also harmonized by the strategies, goals of the business as well as the family constitution. It is considered an important factor in determining the course and sustainability of family businesses (Raman, 2020; Vajdovich, Heidrich, Németh, & Németh, 2022; Yezza, 2023). Traditional models of inheritance planning and the transfer of wealth across generations often fail to address the challenges that may arise as a result of the circulation of wealth. Some are immersed in the business and some are far removed from the family and business that those companies undertake (Al-Taani, Al-Zaqeba, Maabreh, & Jarah, 2024; Shubailat et al., 2024b). IRM focuses on protecting assets while cultivating a flexible and harmonious inheritance. Ultimately, IRM provides insights to guide families and their advisors in navigating the complexities of inheritance in an ever-changing business aligning with the needs and aspirations of all family members in accordance with the family constitution within the business. However, this paper aims to investigate the impact of legacy risk management on the regulatory environment in the Middle East focusing on factors such as legal frameworks, compliance with standards and government policies as well as examine the impact of family business practices on the regulatory environment by focusing on corporate governance, transparency and ethical behaviour. The relationship between inheritance risk management and the sustainability of family businesses in the Middle East by examining several factors such as succession planning, wealth preservation and management structures. It also analyses the impact of family business practices on the sustainability of family businesses in the Middle East and includes aspects such as strategic planning, innovation and talent management. Finally, explore the mediating role of the regulatory environment in the relationship between inheritance risk management and family business practices towards family business sustainability. However, this paper structure is as follows: after the introduction section, literature review was given to present the relevant literature regarding the relationship between the variables. The third section "hypotheses development" includes direct, indirect and mediating effects followed by a research model. The fifth section explains the scientific method and procedures including designing the study and developing a measure of the study variables followed by results, hypothesis testing, discussion and conclusion, implications, limitations and future research suggestions.

2. LITERATURE REVIEW

Family businesses play a crucial role in the economic growth and development of the region (Jamali & El Safadi, 2019; Yuan, 2019). Work must be done to ensure the sustainability of these companies and their continuity. This highlights the importance of focusing on inheritance risks as the most important factor that can limit the sustainability of family companies. Zaidi, Waqas, and Mahmood (2024) focus on reducing and addressing these risks as it involves planning and implementing strategies to ensure the smooth transfer of ownership and control as well as reducing conflicts between family members and protecting the company's assets while focusing on its competitive advantage (Almahadin, Kaddumi, Jaradat, Shneikat, & Alkhazaleh, 2022; Bozer, Levin, & Santora, 2017; Yezza, 2023).

Li (2022) indicated that across generations, the transmission of family businesses is a set of gradual stages in which the founders transfer their managerial responsibilities and wealth of emotions to family members. However, the literature showed that there are some factors that affect family business succession (Dou & Jia, 2006; Vajdovich et al., 2022). This confirms that the transmission of family businesses across generations is a complex process. Moreover, Yu (2012) investigated the effect of the second generation on intergenerational inheritance. In addition, a collaborative environment between family businesses is valuable (Datey, Bali, Bhatia, Khamrang, & Kim, 2023; Ho, Böhm, & Monciardini, 2022). Additionally, the literature has addressed family businesses by examining the relationship between ownership structures, family involvement, strategic considerations and management (Abdul Aleem, 2022; Adnan, 2023; Bennedsen, Lu, & Mehrotra, 2022; Camisón-Zornoza, Forés-Julián, Puig-Denia, & Camisón-Haba, 2020; D'Este & Carabelli, 2022; Yang, Nahm, & Song, 2022). Cultural influences, family dynamics and effective resource management are also highlighted as essential dimensions in family-owned enterprises (Abdalla, Aljheme, & Abdulhadi, 2022; Bertrand & Schoar, 2006; El-Bermawy, 2023; Li, Sun, Wang, & Ke, 2020; Mohamed, 2023; Sirmon & Hitt, 2003).

Moreover, studies have investigated the impact of inheritance practices such as primogeniture and multiple heirships on management succession (Stephen, Rejoice, & Uloma, 2019), the influence of founders' religiosity on succession intentions (Shen & Su, 2017) and the effect of having a single heir on the likelihood of adult heirs working in family businesses (Al-Zaqeba, Al-Khawaja, & Jebril, 2022; Cao, Cumming, & Wang, 2015). Furthermore, the literature covers the role of corporate social responsibility and innovation capability in achieving sustainable longevity (Ahmad, 2019; Ahmad, Omar, & Quoquab, 2021), socioemotional wealth as well as generational involvement in the entrepreneurial orientation (Alrubaishi, Haugh, Robson, Doern, & Wales, 2021), governance, responsible innovation and entrepreneurial culture to achieve sustainability (Al Rawaf & Alfalih, 2023; Aloulou & Alshaeel, 2022; AlRebdi & Mohamad, 2021; Kayid, Jin, Priporas, & Ramakrishnan, 2022; Salmon, 2010; Sindakis, Kitsios, Aggarwal, & Kamariotou, 2022) and succession planning challenges (Alrossais, 2023; Alsabt, 2018).

2.1. Inheritance Risk Management

The goal of inheritance risk management is to analyse, identify and reduce the many risks connected to wealth generational transfer, assets and leadership roles in family members and business. However, IRM involves a wide range of variables beyond monetary concerns. Complexity is inherent in inheritance risk. Thus, IRM includes a number of important elements that are necessary for the leadership and wealth transfer inside family enterprises to occur successfully. Moreover, IRM accurately evaluates financial assets and ensures a fair distribution of financial assets to achieve these successes. Asset allocation management, valuation as well as tax planning are crucial elements in the financial dimension of effective inheritance planning. Moving to succession planning as the primary strategic dimension requires implementing and creating a comprehensive plan to identify and train the next generation to be more effective leaders. Furthermore, effective communication and understanding family dynamics are crucial in the area of interpersonal and emotional relationships. It is also necessary to promote a shared future vision by balancing the goals and expectations of different family members. This can reduce potential conflicts during the inheritance process by bridging gaps and overcoming complexities in family ties especially in family businesses and also related to family businesses. Specialized legal frameworks such as trusts and wills enable the smooth transfer of assets in accordance with the family constitution. This aspect falls within the legal and governance areas of family businesses as well which will enhance the efficiency of decision-making as well as reduce the severity of conflicts that may arise. They arise within the family and the company. IRM also focuses on concerns related to the environment and technology. In addition, IRM ensures the integration of technology; technological advances are addressed in simplifying processes related to inheritance planning procedures in the context of changing family businesses and their aspirations as well as anticipating and planning for environmental and market changes.

2.2. Risk Management

Risk management entails the detection, evaluation and reduction of possible hazards in various ways. Risk management takes several forms for the purpose of fully identifying, evaluating and mitigating possible hazards. Aspects of finances, operations, strategy, compliance and reputation are among these elements. The construction of successful risk management methods is based on the conventional aspects of risk management (Visser & van Scheers, 2018). The advancement of risk management techniques has resulted in a more all-encompassing strategy that acknowledges the significance of resolving financial issues as well as the complex interactions between strategic, interpersonal and emotional aspects. Inheritance risk management aspects evolved as a specialized subset in the larger framework of risk management. Inheritance risk management elements have emerged to address the complexities of family relationships, emotions, and long-term sustainability to handle the particular issues related to wealth transfer in family enterprises. All of these dimensions have a generic risk management equivalent to which they have been tailored to fit the unique circumstances of the family and the workplace. However, IRM deals with the particular difficulties brought on by wealth transfer in family enterprises. Table 1 illustrates how the components of inheritance risk management are success, plan, balance, endowment, family control and respect leadership have evolved from more general risk management ideas and are tied to commercial and familial contexts.

Sustainability and long-term growth depend on an effective IRM. A proactive approach that incorporates strong governance, strategic planning and well-defined succession plans is suggested based on risk management. Using the risk exposure equation is regarded as a fundamental assessment technique to assess how sensitive family companies are to inheritance concerns by weighing the possible consequences of those risks against the likelihood that they would materialize (Alshehadeh & Al-Khawaja, 2022; Barqawi, 2023). Families can discover the elements of their risks by applying this formula as part of the advising services offered by “Inheritance Risk Management” assisting them in making well-informed decisions to lower risk, improve generational transfer and guarantee their company's sustainability (Alqudah, 2023; Gill et al., 2024; Omeish, 2022; Sawalha, 2022). However, to guarantee economic sustainability and protect the interests of the firm and the family, family companies need to consider a number of crucial dimensions and components of IRM. The paragraphs are structured as shown in Table 2.

Table 1. Adaptation of the dimensions.

Risk management	Inheritance risk management	
Succession planning	Identification of succession risks	Identifying potential obstacles or gaps in the succession plan that could impede the smooth transition of leadership.
	Assessment of succession risks	Evaluating the likelihood and potential impact of succession-related risks on the continuity and performance of the business.
	Mitigation strategies	Developing strategies and contingency plans to address identified succession risks such as mentorship programs, leadership training or talent development initiatives.
	Monitoring and review	Regularly monitoring the effectiveness of the succession plan and reviewing it to ensure its alignment with evolving business needs and the capabilities of potential successors.
	Integration with overall risk management	Integrating succession planning into the broader risk management framework of the organization to ensure alignment with strategic objectives and risk tolerance levels.
Estate planning	Asset identification and valuation	Identifying all assets owned by the business and assessing their value is necessary to ensure comprehensive estate planning.
	Risk assessment	Evaluating potential risks associated with estate planning, such as tax liabilities, legal disputes or inadequate asset protection measures.
	Risk mitigation strategies	Implementing strategies to mitigate identified risks such as tax optimization strategies, the establishment of trusts or updating legal documents.
	Regular review and updates	Periodically reviewing and updating the estate plan to reflect changes in the business structure, asset portfolio or regulatory environment.
	Integration with financial planning	Integrating estate planning considerations into the company's broader financial planning processes to ensure alignment with long-term financial goals and risk management objectives.
Wills	Risk identification	Identifying potential risks associated with the drafting and execution of wills such as ambiguities, legal challenges or disputes among beneficiaries.
	Risk assessment	Assessing the likelihood and potential impact of identified risks on the effectiveness and validity of the wills.
	Risk mitigation measures	Implementing measures to mitigate identified risks such as seeking professional legal advice, ensuring clarity and specificity in the wording of the wills or involving all relevant stakeholders in the process.
	Regular review and updates	Periodically reviewing and updating the wills to reflect changes in the business structure, asset ownership or family circumstances.
	Documentation and record-keeping	Maintaining accurate and updated documentation of the wills and related legal proceedings to facilitate transparency and compliance with regulatory requirements.
Trusts	Trust identification and classification	Identifying the types of trusts established by the business and classifying them based on their purpose and intended beneficiaries.
	Risk assessment	Evaluating potential risks associated with trust management such as fiduciary duties, investment risks or beneficiary disputes.
	Risk mitigation strategies	Implementing strategies to mitigate identified risks such as diversifying trust investments, appointing qualified trustees or establishing clear guidelines for trust administration.
	Monitoring and oversight	Regularly monitoring the performance and compliance of trusts with relevant legal and regulatory requirements as well as the terms outlined in the trust documents.
	Documentation and reporting	Maintaining accurate records of trust activities and transactions as well as providing timely and transparent reporting to trust beneficiaries and other stakeholders.

Table 2. Measuring variables and dimensions.

Variables	Dimensions	Measure paragraph	Abbreviation
Inheritance risk management	Succession planning	How comprehensively has your company mapped out a succession plan to ensure a seamless transition of leadership?	SP1
		To what extent does your succession plan account for the development and preparation of potential successors within the organization?	SP2
		Do you believe that your company's succession planning efforts adequately mitigate the risks associated with leadership transitions?	SP3
		How transparent is the communication of succession planning details and expectations to all stakeholders within the company?	SP4
		How frequently is the succession plan reviewed and updated to align with changing business needs and circumstances?	SP5
	Estate planning	How meticulously has your company's estate plan been crafted to protect and manage its assets for future generations?	EP1
		To what extent does the estate plan address potential tax implications and other financial considerations to optimize asset preservation?	EP2
		How effectively does the estate plan account for the unique needs and circumstances of family members and business stakeholders?	EP3
		How regularly is the estate plan reviewed and revised to reflect changes in the company's structure, assets or regulatory environment?	EP4
		Do you perceive estate planning as a critical component of your company's long-term financial security and stability?	EP5
	Wills	How rigorously have wills been established to provide clear instructions for the distribution of assets and responsibilities within the company?	W1
		To what extent do the wills address potential conflicts or disputes that may arise among family members or business partners?	W2
		How confident are you in the legal validity and enforceability of the wills governing your company's affairs?	W3
		How regularly are the wills reviewed and updated to reflect changes in the company's ownership structure or asset portfolio?	W4
		Do you believe that having legally sound and updated wills is essential for ensuring the smooth transfer of assets and management authority within the company?	W5
	Trusts	How strategically have trusts been used to protect and manage your company's assets for the benefit of current and future stakeholders?	T1
		To what extent do trusts provide a level of asset protection and privacy that traditional ownership structures may not offer?	T2
		How does the establishment of trusts align with your company's overall risk management and wealth preservation strategies?	T3
		How confident are you in the transparency and accountability of trust management practices within your company?	T4
		Do you perceive trusts as valuable tools for safeguarding your company's assets and ensuring their continued growth and prosperity?	T5
Family business practices	Financial management	How effectively does your company manage its financial resources to achieve its short-term and long-term goals?	FM1
		To what extent does your company employ financial planning and forecasting to anticipate and mitigate potential risks?	FM2
		How efficiently does your company allocate capital and resources to maximize profitability and shareholder value?	FM3

Variables	Dimensions	Measure paragraph	Abbreviation
		How transparent is the financial reporting process within your company ensuring accountability and regulatory compliance?	FM4
		Do you perceive strong financial management as a key driver of your company's overall success and competitiveness in the market?	FM5
	Innovation	How actively does your company foster a culture of innovation to identify and capitalize on new opportunities in the market?	I1
		To what extent does your company invest in research and development to drive product or service innovation?	I2
		How effectively does your company encourage and support employees to generate and implement innovative ideas?	I3
		How responsive is your company to changes in consumer preferences, technological advancements and industry trends?	I4
		Do you believe that innovation is a critical factor in maintaining your company's relevance and competitive edge in the marketplace?	I5
	Diversification	How strategically does your company diversify its product offerings or business lines to spread risk and capture new revenue streams?	D1
		To what extent does your company assess and evaluate potential diversification opportunities based on market dynamics and competitive analysis?	D2
		How does your company manage the integration and coordination of diverse business activities or subsidiaries?	D3
		How resilient is your company's diversified portfolio to economic downturns or disruptions in specific sectors?	D4
		Do you perceive diversification as a prudent strategy for enhancing your company's resilience and long-term sustainability?	D5
	Governance structures	How robust are the governance structures within your company to ensure effective decision-making and oversight?	GS1
		To what extent does your company adhere to established governance principles and best practices?	GS2
		How transparent and accountable are the governance processes within your company to all stakeholders?	GS3
		How does your company balance the interests of various stakeholders, including shareholders, management and employees?	GS4
		Do you believe that strong governance structures are essential for maintaining trust, integrity and sustainability within your company?	GS5

3. HYPOTHESES DEVELOPMENT

This paper aims to explore and elucidate the hypotheses that underlie the relationships between IRM, FBP, the regulatory environment and family business sustainability in the Middle East. However, the development and justification of each hypothesis based on previously published research and theoretical understandings are done in the following sections.

3.1. Inheritance Risk Management and the Regulatory Environment

IRM encompasses a range of practices and strategies aimed at ensuring smooth control across generations as well as the transition of ownership in family businesses. These practices are crucial for maintaining family unity and continuity. However, in the Middle East, effective IRM practices can enhance compliance with regulatory requirements, promote transparency and mitigate conflicts within family enterprises. In addition, legal frameworks, corporate governance regulations and tax laws all influence the design and implementation of IRM strategies within family businesses. Moreover, changes in regulatory policies are dominating the way legacy risks are managed and mitigated. However, risk management in family businesses aims to ensure the transfer of ownership and control across generations. Risk management practices also contribute to the sustainability of family businesses (Yuan, 2019). However, this paper suggests that effective IRM strategies include measures as suggested by Bozer et al. (2017) to mitigate internal conflicts and align with external regulatory requirements. This enables family businesses to enhance their credibility and increase the level of trust in regulatory authorities (Wang, Ye, Fu, & Zhang, 2024). However, IRM is expected to have an effect on the regulatory environment. Thus, the following hypotheses can be proposed:

H_1: IRM positively affects the regulatory environment.

3.2. Family Business Practices and Regulatory Environment

The regulatory environment of family businesses shapes their sustainability through the practices they adopt. Risks within family businesses are reduced and compliance with regulatory requirements and regulations is increased, thus enhancing the positive relationship with regulatory authorities. Furthermore, changes in organizational priorities can have multiple and powerful impacts on the development and implementation of sustainable financial practices. Moreover, family businesses contribute to shaping the organizational structure in the Middle East through operational practices as well as governance structures (Jamali & El Safadi, 2019) and engagement with external stakeholders. In addition, FBP includes a wide range of activities such as stakeholder engagement, strategic decision-making and resource allocation (Yuan, 2019) all of which can impact the organizational environment. For example, family businesses are expected to contribute positively to regulatory compliance and adherence to standards (Wang et al., 2024). However, the implementation of IRM practices is expected to enhance the regulatory environment by focusing on transparency, accountability and compliance contributing to overall organizational stability and effectiveness in family businesses in the Middle East. Therefore, this paper assumes that

H_2: Family Business Practices (FBP) positively affect the regulatory environment.

3.3. Inheritance Risk Management and Family Business Sustainability

IRM is considered an important necessity for the sustainability of family businesses by understanding and resolving internal conflicts, protecting assets and maintaining family unity (Wang et al., 2024). This paper suggests that IRM stands as a critical determinant of the long-term sustainability of family businesses. IRM contributes to family businesses by overcoming various challenges related to inheritance risks more flexibly (Bozer et al., 2017; Yuan, 2019). Moreover, Jamali and El Safadi (2019) also confirm success's reputation and credibility.

IRM is a control strategy and practice for protecting family inheritance and its circulation between successive generations. It also contributes to enhance resilience, mitigating internal conflicts and preserving family unity and family business. It is clear that successful practices for the sustainability of family businesses lie in providing wealth preservation strategies, a framework for effective succession planning and governance structures. Evidence suggests that IRM addresses inheritance risks proactively by countering internal and external shocks. This enables family businesses to enhance their competitiveness as well. The effectiveness of IRM strategies also indirectly affects the ability of those companies to adapt to market changes, innovate and grow sustainably over time. However, when IRM is effective, it contributes to the preservation of family values, cohesion and legacy which are integral to the sustainability of these institutions. Thus, the following hypothesis can be proposed:

H_3: Inheritance Risk Management (IRM) positively affects family business sustainability.

3.4. Family Business Practices and Family Business Sustainability

Family businesses are considered one of the largest companies in the Middle East. Family businesses in the Middle East are considered the primary drivers of economic activity as family business practices embody traditions, values and entrepreneurial spirit that are passed down through generations. Moreover, to ensure the continuity, growth, and sustainability of family businesses, a wide range of strategies, policies, and behaviors are implemented. One of the most important goals of family businesses is Family Business Planning (FBP) as the death of the owner can create gaps in ownership and control of these companies (Lootah, 2024). Adopting sustainable and responsible financial practices for the sustainability of family businesses can be done by enhancing transparency, accountability and innovation among the new owners through systematic methods for achieving financial balance. The focus on FBP contributes to maintaining family unity, cohesion and values as these practices include a wide range of activities, including strategic decision-making (Yuan, 2019). Family businesses that prioritize transparency, ethical behaviours and community engagement are better positioned to build trust with stakeholders and adapt to changing market dynamics (Jamali & El Safadi, 2019). Family businesses can enhance their competitive advantage and ensure long-term sustainability by investing in human capital, maintaining strong relationships with customers and suppliers and promoting a culture of innovation (Wang et al., 2024). Furthermore, family businesses can strengthen their ties with the community and build a good reputation by aligning business practices with cultural norms and societal expectations in terms of integrity and reliability (Bozer et al., 2017). However, proactive management of inheritance risks is expected to contribute to enhance the resilience of family businesses ensuring their continued success and subsequent circulation across generations. Therefore, the following hypothesis is assumed:

H_4: Family business practices positively affect family business sustainability.

3.5. Mediating Role of the Regulatory Environment

The regulatory environment is considered one of the most important elements that dominate the sustainability of family businesses. The longevity and resilience of family businesses depend on risk management activities (Bozer et al., 2017; Yuan, 2019). IRM focuses on actions related to the stability and continuity of family businesses by reducing internal conflicts and adhering to external regulatory obligations . Jamali and El Safadi (2019) emphasized that government policies, legal frameworks and compliance requirements fall under the category of regulatory environment which would affect how family businesses operate. Generally, family businesses improve their credibility and reputation by adhering to legal standards and best practices in corporate governance (Wang et al., 2024). In addition, the sustainability of family businesses is greatly influenced by the quality of management, strategic decision-making, gaining the trust of stakeholders and community participation as well as adapting to changing circumstances (Bozer et al., 2017; Jamali & El Safadi, 2019; Wang et al., 2024; Yuan, 2019). The IRM works to facilitate procedures and ensure the transfer of ownership between generations to reinforce the requirements of the family constitution or family charter .Therefore, the following hypotheses can be proposed:

H_5: The regulatory environment mediates the relationship between IRM and family business sustainability.

H_6: The regulatory environment mediates the relationship between family business practices and family business sustainability.

4. RESEARCH MODEL

The literature has indicated that risk management practices contribute to shaping the organizational environment (Bozer et al., 2017; Camisón-Zornoza et al., 2020). These practices can enhance the regulatory environment (Camisón-Zornoza et al., 2020). Family businesses can better overcome succession challenges and external disturbances, thus enhancing sustainability outcomes based on succession planning towards wealth preservation (Li, 2022). Accordingly, the study model and the relationship between the variables are classified as shown in Figure 1.

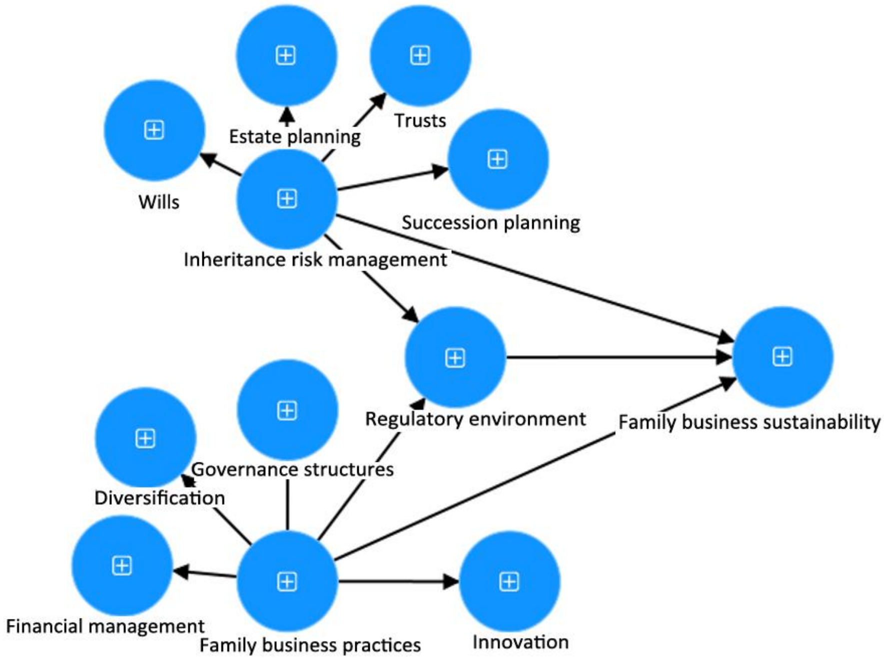

Figure 1. Research model.

5. METHOD

The legislation made it clear how crucial the family endowment is to figuring out how best to use inheritance. The endowment is separated into three categories: joint, charitable and civil endowments, according to Federal Law No. 5 of 2018's Article (4). However, this study is quantitative using a survey design where the questionnaire items were self-developed based on previous literature and the logic found in the literature related to risk management. Due to the lack of a clear measure for managing inheritance risks, the measure was developed independently after approval from experts related to the field of family businesses and an academy in risk management. All of their observations were taken and modified to suit their purpose of measuring the study variables together and in the context of family businesses in the Middle East. The study population included senior management of family businesses in the Middle East. The study sample included managers who were reached through email and social networking sites. The study sample consisted of 116 questionnaires through a purposive sample; no questionnaires were excluded so they were all free of missing and outlier values. The Smart PLS 4.1.0.1 was used to test the research hypotheses.

5.1. Measuring IRM

Since family businesses are complex, it is challenging to measure the dimensions of inheritance risk management due to a lack of thorough understanding of these dimensions and their components on the ground in Al-Waqf. Dimensions are expressed mathematically through the creation of mathematical models with equations. Many of these aspects are qualitative and contextual thus being handled as dimensions in this study such as quantifying inheritance risk management. This makes the work quite complicated. However, the model's main dimensions are theoretically depicted to show how the primary dimensions interact with one another. It should be mentioned that the context and goal of the assessment may affect the actual methods used. Table 3 illustrates the IRM download as follows:

Table 3. IRM towards sustainability.

Inheritance risk management dimensions and measurements towards sustainability		Abbreviation
Inheritance risk management	To what extent do you agree that succession planning ensures a smooth transition of leadership within the family business?	IRM1
	How much do you agree that estate planning mitigates potential conflicts over asset distribution within the family business?	IRM2
	To what degree do you believe wills contribute to clarity and certainty in the inheritance process within the family business?	IRM3
	How strongly do you agree that trusts provide security and protection for family business assets in the long term?	IRM4
	Do you agree that effective management of inheritance risks is crucial for the sustainability of family businesses?	IRM5
Family business practices	How strongly do you agree that sound financial management enhances the resilience of the family business over time?	FBP1
	To what extent do you agree that innovation fosters growth and adaptability within the family business?	FBP2
	How much do you agree that diversification of business activities reduces risks and enhances stability for the family business?	FBP3
	Do you agree that well-defined governance structures ensure accountability and transparency within the family business?	FBP4
	How strongly do you believe that effective family business practices contribute to long-term sustainability?	FBP5
Family business sustainability	To what extent do you agree that family businesses in the Middle East are able to maintain their operations over generations?	FBS1
	How strongly do you believe that family businesses in the Middle East are capable of adapting to changing market conditions and challenges?	FBS2
	To what extent do you agree that family businesses in the Middle East are successful in retaining family cohesion and values while pursuing business objectives?	FBS3
	How much do you believe that family businesses in the Middle East contribute to the economic and social development of the country?	FBS4
	Do you agree that family businesses in the Middle East are resilient in the face of internal and external pressures ensuring their continued existence and growth?	FBS5
	What are the strategies that can be implemented to effectively transfer leadership and management responsibilities across generations while maintaining continuity of operations and sustainability?	FBS6
Mediating variable		
Regulatory environment	How much do you agree that the regulatory environment in the Middle East supports and facilitates inheritance risk management within family businesses?	RE1
	To what extent do you believe that the regulatory framework in the Middle East encourages the adoption of sound family business practices?	RE2
	How strongly do you agree that the regulatory environment influences the sustainability of family businesses in the Middle East?	RE3
	Do you agree that favourable regulatory policies in the Middle East contribute to the long-term success of family businesses?	RE4
	How strongly do you believe that improvements in the regulatory environment positively impact the relationship between inheritance risk management, family business practices and family business sustainability in the Middle East?	RE5

A regression equation in which Family Business Practices (FBP), Inheritance Risk Management (IRM) and the mediating variable Regulatory Environment (RE) predict Family Business Sustainability (FBS) might be used to measure all the variables in one model.

$$FBS = \beta_0 + \beta_1 \cdot IRM + \beta_2 \cdot FBP + \beta_3 \cdot RE + \epsilon$$

Where

$\beta 0$ is the intercept.

β_1, β_2, and β_3 are the coefficients for IRM, FBP, and RE respectively.

ϵ is the error term.

The following equation is applied to determine the direct and indirect effects as well as the mediator to test the model as it is in SMART PLS4:

$$FBS = \beta_0 + \beta_1 \cdot IRM + \beta_2 \cdot FBP + \beta_3 \cdot RE + \beta_4 \cdot IRM \cdot RE + \beta_5 \cdot FBP \cdot RE + \epsilon$$

Where

β_0 is the intercept.

β_1 represents the direct effect of IRM on FBS.

β_2 represents the direct effect of FBP on FBS.

β_3 represents the direct effect of RE on FBS.

β_4 represents the interaction effect between IRM and RE.

β_5 represents the interaction effect between FBP and RE.

ϵ is the error term.

This equation gives a more nuanced understanding of the relationships between IRM, FBP and FBS.

6. FINDINGS

Family Endowment states that philanthropic endeavors and endowments are essential in helping family enterprises reflect the ideals and social responsibilities of the family. An assessment of a family's involvement in endowment activities reveals a dedication to altruism. Nonetheless, Figure 1 shows the measurement model.

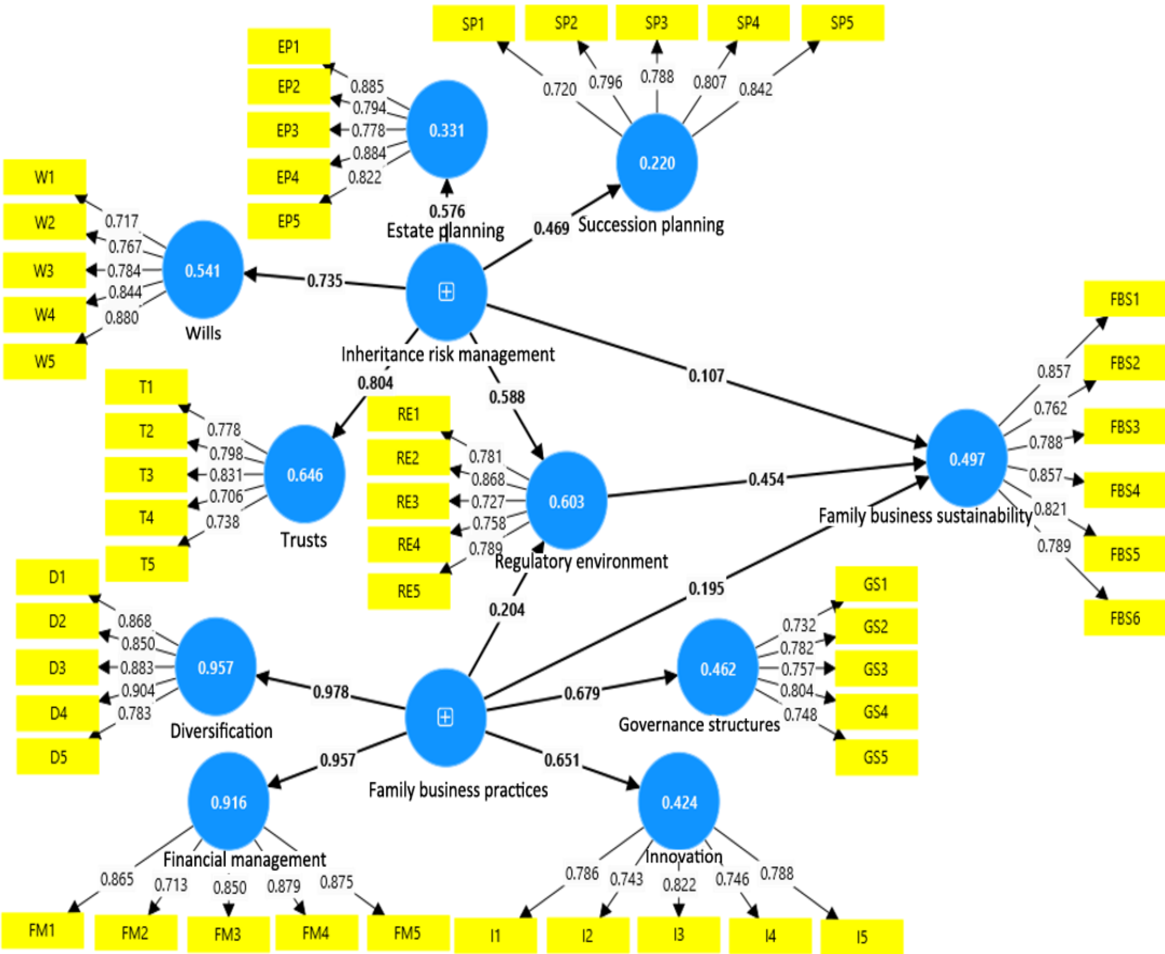

Figure 2. Measurement model.

Figure 2 indicates that the outlier loading values for each indicator exceed 0.7. However, Table 4 provides an assessment of variable reliability.

Table 4. Reliability.

Variables/elements	Cronbach's alpha	Composite reliability (rho_a)	(AVE)
Diversification	0.910	0.913	0.737
Estate planning	0.890	0.895	0.695
Family business practices	0.867	0.878	0.659
Family business sustainability	0.898	0.904	0.661
Financial management	0.893	0.904	0.703
Governance structures	0.822	0.824	0.585
Inheritance risk management	0.837	0.841	0.611
Innovation	0.836	0.838	0.605
Regulatory environment	0.845	0.848	0.618
Succession planning	0.852	0.874	0.626
Trusts	0.829	0.833	0.595
Wills	0.859	0.869	0.641

In a regression model, the strength of the relationship between the independent and dependent variables is measured statistically using R^2 values. Zero indicates that there is no explanatory power for the independent variables and R^2 values vary from 00 to 01 in this range. There is a significant relationship between the independent and dependent variables when their R^2 value is high, since this suggests that the independent variables can adequately explain the variation of the dependent variable. Conversely, a low R^2 value denotes a weak link as it suggests that the independent factors are unable to sufficiently explain the variation in the dependent variable. R^2 value classification such as poor, moderate and good is another helpful method for determining the quality of a model. For instance, R^2 values are classified as "poor" if they fall between 0.19 and 0.33, "moderate" if they fall between 0.33 and 0.67 and "good" if they are larger than 0.67. On the other hand, if the R^2 value is less than 0.70, this might be interpreted as a problem that calls for improving the measure's efficacy. Table 5 indicates that the scale's items are reviewed and enhanced to ensure more explanatory power and coverage of the independent variables.

Table 5. Results of R^2.

Variables/Elements	R-square	R-square adjusted
Diversification	0.957	0.957
Estate planning	0.331	0.328
Family business sustainability	0.497	0.491
Financial management	0.916	0.916
Governance structures	0.462	0.459
Innovation	0.424	0.422
Regulatory environment	0.603	0.600
Succession planning	0.220	0.217
Trusts	0.646	0.644
Wills	0.541	0.539

Various indicators are examined to evaluate the theories. A relationship between the variables is shown to be positive when the value is near +1 and negative when it is close to -1. In addition, Table 3 and Figures 3 and 4 show the findings of the hypothesis testing.

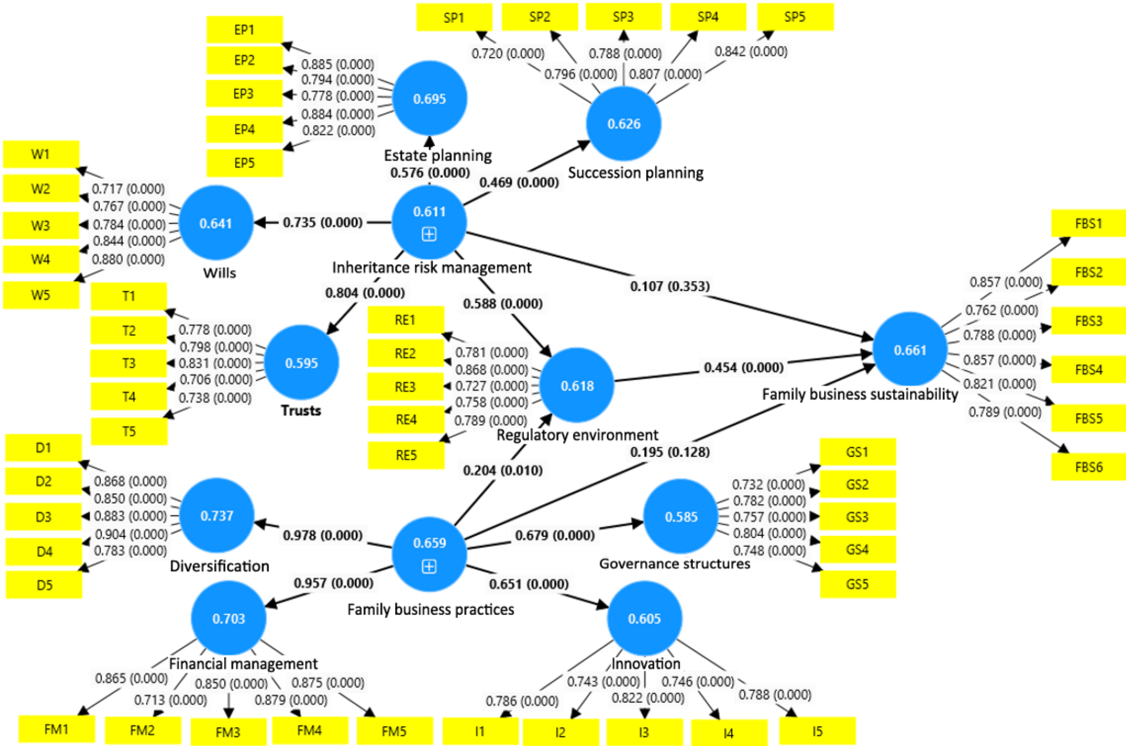

Figure 3. Structural model (Mediation).

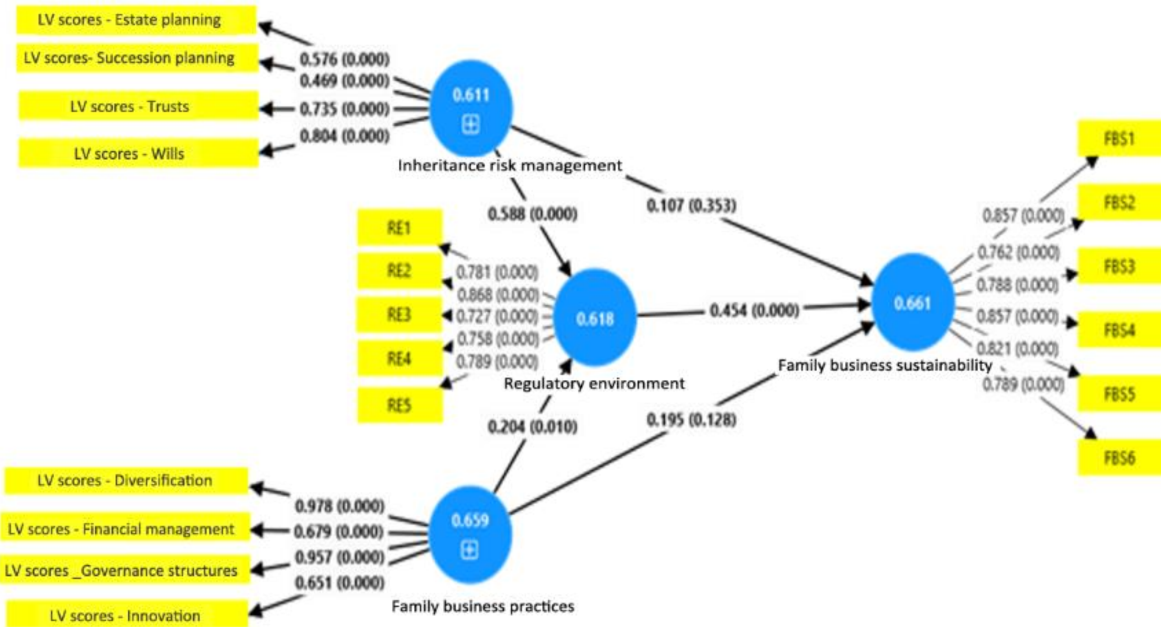

Figure 4. Structural model (Full model).

The two aforementioned figures show how route coefficient availability facilitates hypothesis testing. The findings of the hypothesis testing for direct and indirect effects are shown in Table 6. The relationships between the variables are tested. The interaction terms in the moderator effects section include multiplying the two variables (e.g., inheritance risk management -> regulatory environment -> family business sustainability). In addition, family business practices -> regulatory environment ->family business sustainability). Therefore, the regulatory environment acts as a mediator towards sustainability in family enterprises.

Table 6. Hypothesis testing.

Path	β	STDEV	T-values	P-values	
Direct effect					
Family business practices -> Family business sustainability	0.288	0.126	2.288	0.022	Accepted
Family business practices -> Regulatory environment	0.204	0.079	2.582	0.010	Accepted
Inheritance risk management -> Family business sustainability	0.373	0.114	3.284	0.001	Accepted
Inheritance risk management -> Regulatory environment	0.588	0.078	7.520	0.000	Accepted
Regulatory environment -> Family business sustainability	0.454	0.074	6.155	0.000	Accepted
Indirect effect					
Family business practices -> Family business sustainability	0.093	0.040	2.334	0.020	Accepted
Inheritance risk management -> Family business sustainability	0.267	0.059	4.544	0.000	Accepted
Mediation effect					
Inheritance risk management -> Regulatory environment -> Family business sustainability	0.267	0.059	4.544	0.000	Accepted
Family business practices -> Regulatory environment -> Family business sustainability	0.093	0.040	2.334	0.020	Accepted

Table 6 presents the results of hypothesis testing examining the direct and indirect effects as well as the mediation effects of FBP, IRM, the regulatory environment and family business sustainability in the Middle East. However, for direct effects (family business practices -> family business sustainability) , the path coefficient (β) of 0.288 indicates a significant positive direct effect of FBP on family business sustainability. This suggests that adopting effective FBP contributes to enhance family business sustainability which is supported by a t-value of 2.288 and a p-value of 0.022 indicating statistical significance. In addition, with a β of 0.204, there is a significant and positive direct effect of FBP on the regulatory environment. This indicates that responsible FBP contributes to shaping a conducive regulatory environment supported by a t-value of 2.582 and a p-value of 0.010. Moreover, the β of 0.373 indicates a significant, positive and direct effect of IRM on family business sustainability. Effective IRM practices contribute to enhance family business sustainability as evidenced by a t-value of 3.284 and a p-value of 0.001. In addition, (IRM -> regulatory environment) the path coefficient of 0.588 indicates a significant, positive and direct effect of IRM on the regulatory environment. This suggests that implementing robust IRM strategies shapes the regulatory landscape within family enterprises supported by a high t-value of 7.520 and a p-value of 0.000. Lastly, there is a significant, positive and direct effect of the regulatory environment on family business sustainability with a β of 0.454. Thus, a conducive regulatory environment positively influences family business sustainability supported by a t-value of 6.155 and a p-value of 0.000. Thus, all the direct effects are supported.

For indirect effects (family business practices -> family business sustainability), the effect of FBP on family business sustainability (0.093) through other mediators is significant supported by a t-value of 2.334 and a p-value of 0.020. In addition, Similarly, the indirect effect of IRM on family business sustainability (0.267) through other mediators is significant with a high t-value of 4.544 and a p-value of 0.000. However, for mediation effects (IRM -> regulatory environment -> family business sustainability), this relationship is mediated by the regulatory environment. The significant path coefficient (0.267), t-value (4.544) and p-value (0.000) suggest that the regulatory environment plays a mediating role in translating the effects of IRM into family business sustainability outcomes. In addition, the results indicate that the effect of FBP on family business sustainability is mediated by the regulatory environment. Similarly, the significant path coefficient of (family business practices -> regulatory environment -> family business sustainability) is 0.093 with a t-value of 2.334 and a p-value of 0.020. This suggests that the regulatory environment has a mediator role.

7. DISCUSSION AND CONCLUSION

This paper examines the relationship between IRM, FBP and the regulatory environment. The following sections provide a discussion of the interpretation of the results, implications and future works.

7.1. Discussion

This paper used Smart PLS 4.1.0.1 to examine the direct and indirect effects of research hypotheses. However, the findings indicated that IRM affects the organizational environment. This finding is consistent with the importance of risk management practices in enhancing compliance with regulatory requirements and enhancing transparency as confirmed by Yuan (2019). The result also indicates that family businesses can mitigate internal conflicts, conform to external regulatory standards as confirmed by Bozer et al. (2017). Similarly, the results show that FBP positively affect the regulatory environment in family businesses as indicated by Jamali and El Safadi (2019). Family businesses can develop a regulatory environment as confirmed by Wang et al. (2024). Furthermore, the results indicate that IRM positively affects sustainability. Family business practices positively affect family business sustainability as confirmed by Yuan (2019). Risk Management (RM) contributes to the sustainability of family businesses. This result is also consistent with Jamali and El Safadi (2019) who indicated that enhancing competitive advantage effects sustainability. The results of this paper also emphasized the mediating role of the regulatory environment. The IRM and FBP are thus managed in accordance with the laws issued and governing the family (Bozer et al., 2017). This can be explained by IRM strategies and business practices, thus enhancing the sustainability and resilience of family businesses. This can be crystallized because it is similar in the context of family businesses as confirmed by Wang et al. (2024). However, it is clear that this paper has proven the validity of all hypotheses. All results were confirmed by various previous studies.

7.2. Conclusion

These results emphasized the importance of adopting comprehensive methods for managing family businesses, integrating IRM practices and FBP practices and strengthening the regulatory environment for family businesses to enable them to succeed and then sustain in addition to having controls to ensure the continuity of family businesses and businesses in the Middle East. However, this study has positive effects as it focuses on the role of strategic planning, innovation and governance structures towards sustainability. Family businesses can overcome the challenges associated with the death of the founder or owner as well as the transfer and circulation of ownership among family members. Regulatory compliance is considered a crucial factor in reducing internal and external challenges. This paper also showed the factors that contribute to ensuring the success and sustainability of family businesses in the Middle East by focusing on these factors. Family businesses can enhance their long-term viability and resilience. Furthermore, this paper also highlights how important it is for practitioners and policy makers to work together to develop policies that will help family businesses ensure sustainability. Stakeholders can influence evidence-based policies and practices that support economic growth as well as contribute to prosperity by addressing constraints and exploring future research.

7.3. Implications

This paper has shown that IRM and FBP influence the organizational environment which indicates the importance of effective governance structures, transparency and ethical behaviour compliance with regulatory standards and practices contributes to developing a regulatory environment for family businesses by enhancing fairness and sustainability. Moreover, the positive impacts focus on the role of strategic planning and innovation in ensuring the continuity and resilience of family businesses. Family companies are able to enhance their competitive advantage and be flexible in responding to and adapting to changes that may arise. Thus, these companies are able to face internal and external challenges especially ensuring their continuity by ensuring the circulation of assets as a result of family inheritance.

7.4. Limitations

Despite the valuable insights provided by this paper in managing inheritance risks and the sustainability of family businesses in the Middle East, some limitations must be acknowledged. Caution must be taken when generalizing the results of this study as well as the limitations related to the data and the period in which this study was conducted. The measurement methods focus only on the influence between variables in the context of family businesses in the Middle East. As a result of the data collection procedures and interpretation of the results, it is highly recommended to conduct in-depth interviews which can lead to more and better results in the context of family businesses.

7.5. Future Research Suggestions

Future research can move towards a more exploration of the family business context and the management of family businesses based on the results of this paper. This includes conducting comparative studies across different regions using longitudinal research designs, incorporating qualitative research methods, testing intervention strategies and conducting multilevel analyses.

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Transparency: The authors state that the manuscript is honest, truthful, and transparent, that no key aspects of the investigation have been omitted, and that any differences from the study as planned have been clarified. This study followed all writing ethics.
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