



THE DIGITAL HEIR: HOW NEXT-GENERATION SUCCESSORS EXPERIENCE AI- AND FINTECH-ENABLED SUCCESSION IN FAMILY FIRMS

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Abstract

This study examines how next-generation successors experience AI and FinTech-enabled succession in Pakistani family firms. The study is grounded in Interpretative Phenomenological Analysis, with eight semi-structured interviews conducted with second- and third-generation successors across various sectors. The finding reveals three different developmental patterns: evidence-based legitimisation, governance-based integration, and relationally contested recognition. Transitions became more credible because of small digital pilots, measurable results and trusted digital intermediaries, and more successful when digital initiatives were part of formal governance, decision rights were documented, and there was shared accountability. When succession was unclear, digitalisation further exacerbated the intrusion of the incumbent, family dynamics, and the precarious legitimacy of the ruling elites. The study shows that AI and FinTech are not merely operational tools but mechanisms through which authority, trust, continuity, and leadership identity are negotiated. The study contributes to the family business literature by introducing the concept of authority-gated capability development and by showing how socioeconomic wealth can be limiting and facilitating the process of digital transformation in intergenerational succession. These insights guide management of digitally enabled leadership transitions.

Keywords: Family Business Succession, Artificial Intelligence, Fintech, Next-Generation Successors, Dynamic Capabilities, Socioeconomic Wealth

Article Classification: M10, M12, M14.

1. Introduction

Family businesses are essential to the development of any economy through their employment opportunities, entrepreneurial contributions, ability to build family wealth, and role in ensuring business continuity. Their sustainability is mainly supported by their leadership, ownership, and management passed from generation to generation successfully, one of the most dominant forms of business in the world of business (Ossa-Cardona, 2025). This time in the life of the family business, often called succession, is one of the most important, as it can make the difference between the business's success and its failure in maintaining its legacy while also adapting to changing business environments. The traditional approach to succession has been on preparing for the transfer of leadership, building trust across generations, preserving family values, and inheritance. Succession should not be a one-time process, but rather a continuous and strategic process, and should be planned and communicated effectively to maintain the continuity of the organisation (Levesque & Subramanian, 2022).

Today's business environment, however, is much more dynamic and succession has become more complex because of the impact of digital transformation on business. Family businesses are urged to leverage on the adoption of high-tech solutions such as Artificial Intelligence (AI) and Financial Technology (Fintech) to enhance their operational efficiency, financial management, customer engagement and decision-making. Succession is no longer just about who will be the next in command for the business, but also who will be the next generation that will lead the drive toward digital transformation (Ren et al., 2023). Existing research



defines that AI- and FinTech-enabled technologies can have a positive effect on decision-making, perceptions of control, and trust, highlighting the fact that their influence may extend far from operational efficiency to broader processes of authority and legitimacy in the organizations (Darskuviene & Lissauskiene, 2021).

The digital natives, or the successors of Generation Z and Generation Alpha, are more familiar with AI technologies and financial solutions, which they can use to modernise family businesses. Succession is now a leadership change and technological innovation process and is a crucial experience for the next generation of family business leaders regarding the long-term competitiveness and continuity of family businesses (Lannon et al., 2024).

Digital technologies are developing rapidly, transforming the competitive landscape and necessitating digital transformation for family businesses to remain viable. AI (Artificial Intelligence) and Financial Technology (Fintech) are just two technologies that have the potential to enhance operational efficiency, financial management, innovation, and strategic decision-making (Ren et al., 2023). The financial market development and efficiency influence financial decision-making and market outcomes, highlighting the broader organizational and decision-making implications of financial technologies that the present study extends to the context of intergenerational succession in family firms (Hidayat & Shodroková, 2023).

However, their use is not uniform across family businesses, as their leadership, governance, and intergenerational involvement vary. The available evidence suggests that founder or family CEOs are less likely to be digital than later-generation family members are. These differences can make it difficult to navigate the succession process, as the next generation often wants to implement some AI and Fintech practices, but not the changes needed within the organisation. At the same time, long-standing family heads may prefer “tradition” (or continuity), “personal judgment” or “the way things are done,” in opposition to “modernisation” (or change). Therefore, the task for successors is to strike a balance between honouring the family legacy and driving change in the business amid an increasingly digital environment. While AI and Fintech are becoming even more strategic and integral to the life of the family business, there remains a lack of understanding of how successors experience and address these challenges during the succession process (Capolupo et al., 2025).

Despite having a pivotal role in Pakistan’s economy, a large proportion of family-owned businesses are predominantly using informal succession strategies that are driven by socioemotional relationships and lack of explicit governance mechanisms, which are often made on a case by case basis (Ahmad et al., 2023). Collectivism and patriarchy within the culture further drive the preservation of socioemotional wealth and hierarchical management within family-owned Pakistani SMEs, sometimes hindering digital transformation (Ahmad et al., 2024). In the face of the increasing pressures to embrace AI and FinTech, the analysis of the continuity versus digital renewal issue among family businesses addresses calls for “contextualization of succession studies in emerging economies” (Rashid & Ratten, 2020).

While previous research acknowledges that family-business succession and digital transformation are increasingly interrelated, they have primarily focused on the adoption of technology, the impact of the adoption on the organisation, and succession planning, and has largely overlooked how next-generation successors negotiate authority with incumbent family leaders, build legitimacy through AI and Fintech, and manage the balance of technology advancement with family continuity (Worek & Aaltonen, 2025). The research displaying that parental support, psychological control, self-efficacy, and commitment structure next-generation engagement in family firms (Chan et al., 2020), the present study remains firm on the perspective by examining how AI- and FinTech-enabled transformation influences successor legitimacy, authority, and recognition during intergenerational succession. Beyond this, although the importance of incumbent support in successful AI use is acknowledged, the experiential and micro-level journey of how successors deal with these

1. How do next-generation successors experience AI and FinTech-enabled succession in family firms?
2. How do successors manage tension between traditional family-business logic and digital modernisation?
3. What meanings do successors attach to AI and FinTech during succession?



2. Literature Review and Theoretical Background

To explain the interplay between family continuity and digital transformation in succession, this research is based on two theories that complement each other. The Socioemotional Wealth Theory represents the unique, non-financial aspects of family businesses—the social and emotional priorities that drive decision making and the reactions of family members to organisational change. If new technology is seen as a threat to the family's legacy, governance or core values, leaders who hold power will not embrace it (Salem & Hashem, 2023).

By contrast, Dynamic Capabilities Theory sees the ability of organisations to adapt to new business environments as the process of sensing, seizing and reconfiguring resources and processes (Teece, 2007). It is particularly applicable to family business succession, as the next generation members are likely to be the ones who spot digital opportunities, convince the family to adopt AI and FinTech, and adjust practices to better compete and be sustainable. In this regard, digital transformation is a continuous process that requires the organisation's ability to learn, adapt and implement change (Hernandez-Perlines et al., 2026).

These theories provide a more comprehensive understanding of the impact of AI and FinTech on succession: Socioemotional Wealth Theory captures the need to maintain family continuity and values, while Dynamic Capabilities Theory captures the need for digital renewal—both working together to show the balance between continuity and technology in family firms.

2.1 Family Business Succession

Succession in family businesses is one of the most critical challenges in family businesses, as it relates to continuity, sustainability and success of the business for future generations. The worldwide share of family businesses is around 80%, with only 30% making the transition from the first to the second generation and only 15% making it to the third generation. Statistics reveal that succession is not only a matter of passing the torch; it is also a process of passing the business, the decision-making power, the knowledge, and the family values that are part of the identity and legacy of the business. A good succession plan should be well thought out and planned in advance, so that the future leaders, and the continuity of the business and family, will be able to take over the business (Takwi et al., 2020).

A combination of management, relationship and emotional factors are key to success in succession. The readiness of a successor must not only be in terms of knowledge and competence, but it also needs to be in terms of intrinsic motivation, confidence, and the trust and support of the incumbent family members (Worek & Aaltonen, 2025). At the same time, the leaders who are already established might become very attached to the business, which can make it difficult to manage passing the power and control of the company on to another leader after they have invested a lot of years into their personal engagement and investment in the company. These emotional relationships can influence decision making and relinquishing control. Succession is, therefore, a social and emotional process, not only a business succession, and should be handled with sensitivity towards the family as well as business; the need to keep the family identity, trust between generations and continuity of the business (Gagne et al., 2021).

2.2 Digital Transformation in Family Firms

Digital transformation is the integration of digital technologies to alter the way that organisations operate, compete and create value. It is not only a technology adoption process, but many factors, including family ownership, family governance, and intergenerational relationships, impact it in family businesses. This usually takes the form of process digitalisation, then product and service digitalisation, and finally business model innovation, to enhance efficiency, competitiveness and sustainability of the organisation (Alayo et al., 2026). While family businesses might not see the same results as other businesses in the early stages, they can be the most successful in the long term as digital transformation becomes ingrained in the culture. While these benefits can be many, several family businesses still find digital transformation difficult. Traditional management practices, centralised decisionmaking, and strong family influence tend to slow the pace of innovation in family firms and lead to a slow, reactive approach to technological change (Canjun et al., 2026). This process is also influenced by generational differences: existing family members may be more



comfortable with traditional ways of doing things and decision-making methods, while members of the next generation may be more open to digital technologies and organisational innovation (Mismetti et al., 2026).

Overall, the success or failure of digital transformation in family businesses depends on the balance between technological innovation and the preservation of family values and continuity. This balance can only be achieved through collaboration and mutual trust between the incumbent and successor generations and through the mutual strengthening of the family legacy and digital change. Thus, AI and FinTech have become significant enablers of this shift—and a source of new opportunities for successors to modernise family businesses and maintain their long-term competitiveness (Canjun et al., 2026).

2.3 AI and FinTech in Family-Business Succession

Artificial Intelligence (AI) is technology that mimics human intelligence to perform tasks previously associated with human judgment. AI can be used in family businesses for customer-service chatbots, predictive analytics, inventory forecasting, automated decisionmaking, fraud detection, and marketing automation. On the other hand, Financial Technology (FinTech) encompasses digital financial products such as digital wallets, accounting software, online lending platforms, financial dashboards, digital banking, mobile payments, automated invoicing, and more. These technologies have emerged as significant drivers of digital transformation, enabling family businesses to enhance their operations, financial management, and decision-making processes (Abaddi, 2025).

AI and FinTech offer great chances to showcase leadership traits and drive the modernisation of organisations for next-generation successors. Successors can leverage data-driven decision-making, automated business processes, and digital financial systems to increase transparency, professionalise management, reduce manual work, and enhance customer service. These technologies also help successors increase financial accountability, promote innovation, and build credibility in the digital business environment as leaders of the family business (Bekesine Kovacs, 2026).

However, the use of AI and FinTech can also pose a major challenge in succession. These generational differences often influence attitudes toward technological innovation and are evident when older family attitudes towards traditional management practices clash with newer family attitudes towards digital transformation. Financial transparency, governance, automation, and the maintenance of current business processes might raise concerns and thus pose a barrier to the technology transition. Successors must weigh new digital capabilities against adherence to family traditions, current structures, and the founder's legacy. So, AI and FinTech shouldn't be considered just operational tools. In succession, they can be seen as emblems of legitimacy, authority, and organisational renewal, and as symbols of the successor's future vision that also serve to critique existing power structures. Digital transformation must be part of the succession process, preserving family continuity while also introducing technological innovation in their successful implementation (Karim et al., 2025).

2.4 Incumbent Successor Tension

A key challenge in family-business succession is incumbent-successor tension, stemming from differing values, leadership styles, and strategies. While both generations share the same overarching goal, they often disagree on how to achieve it. Incumbents typically rely on experience, networks, intuition, and traditional methods, whereas successors favour innovation, data-driven decisions, automation, and scalable digital models. Incumbents may resist relinquishing control due to attachment to the business and legacy, while successors seek autonomy to modernise practices; creating conflict over decision-making, control, and pace of change that extends into family relationships, trust, and identity (Sasaki & Kotosaka, 2019).

Despite these differences, both generations ultimately aim for the business's long-term sustainability. Mutual trust, transparency, and a shared commitment to continuity and innovation are essential for successful succession. Successors cannot alter the past, but they can drive meaningful renewal while still respecting family values and legacy, ensuring the business modernises without undermining family continuity (Li et al., 2023).



3. Methodology

This interpretivist qualitative study analysed the role of AI and FinTech in succession in eight family businesses in Pakistan across diverse sectors, including textiles, consumer electronics, logistics, hospitality, fashion, agro-processing, construction, and pharmaceuticals. Interpretative phenomenological analysis (IPA) was employed to examine the lived experiences of authority, legitimacy, resistance, and continuity among the successors (Eatough & Smith, 2017; Squires, 2023).

All participants and organisations were anonymised. Patterns were compared across participants after analysing each account individually. Successors were selected using purposive criterion sampling. The sample consisted of four women and four men, aged 25 to 39 years, with 4 to 12 years of experience. There were 6 second-generation and 2 third-generation successors, as summarized in Table 1.

Table 1

Sample Description

Participant	Age range	Gender	Generation	Sector	Years in business	Succession stage
P01	30–34	Woman	Second	Textile manufacturing and wholesale	7	Shared leadership; founder retains final approval
P02	25–29	Man	Third	Consumer electronics retail and distribution	5	Preparing for leadership
P03	35–39	Woman	Second	Logistics and freight services	10	COO; founder remains CEO
P04	30–34	Man	Second	Hotels and restaurants	8	Joint management
P05	25–29	Woman	Third	Fashion retail and garment production	4	Emerging successor
P06	35–39	Man	Second	Agro-processing and food distribution	12	Operational leader; ownership transfer incomplete
P07	30–34	Woman	Second	Construction materials and contracting	9	Finance director nominated
P08	25–29	Man	Second	Pharmacy retail and medical distribution	6	Deputy managing director; founder remains active

Source: Participant profiles contained in the interview transcripts.

Face-to-face and secure video-based interviews were conducted with eight semi-structured interviews lasting 47–60 minutes. Succession, digital initiatives, incumbents' reactions, authority, legitimacy, transparency, and legacy were addressed. The interviews were tape-recorded, transcribed, anonymised, and coded as P01–P08.

Table 2

Extract of the Semi-Structured Interview Guideline

Phase	Theme	Guiding questions
Phase 1	Family-business succession context	How did you enter the succession process? What does becoming a successor mean to you?
Phase 2	Digital intergenerational authority change	What AI or FinTech initiative did you lead? How did senior family members react? What decision-making authority did you possess?



Phase 3	Legitimacy, continuity and reflection	Did technology alter trust, control or transparency? How did you preserve the family legacy? What did you learn from the experience?
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Table 3

Data Sources

Participant	Interview respondent type and number of interviews	Additional material
P01	Second-generation successor (1)	Participant profile and reflexive summary
P02	Third-generation successor (1)	Participant profile and reflexive summary
P03	Second-generation successor and COO (1)	Participant profile and reflexive summary

Note. Page 10 of the supplied file contains corrupted OCR numerals that cannot be formatted as tabular data without reconstruction; the readable portion of Table 3 is reproduced above.

Table 4

Code	Participants	Selection of quotes
Evidence-led legitimisation small wins	P01, P06	“The technology itself was not what persuaded him. The visible reduction in mistakes did.” (P01) “Seeing the money arrive in the bank changed the conversation more than any presentation.” (P02) “That clarity reduced conflict more than any technical training.” (P06)
Governance-led integration accountable authority	P04, P08	“The document was simple, but it reduced the personal nature of every disagreement.” (P04) “I felt that the business was moving from personal authority toward governed authority.” (P07) “Shared authority slowed some decisions but made the project more credible.” (P08)
Relationally contested recognition	P03, P05	“I experienced succession as a moving boundary.” (P03) “Proving a point can still damage the authority relationship if it is done publicly.” (P03) “Every decision carried political meaning... That ambiguity was exhausting.” (P05)

Table 5

Operational Indicators Distinguishing Three Successor-Experience Patterns

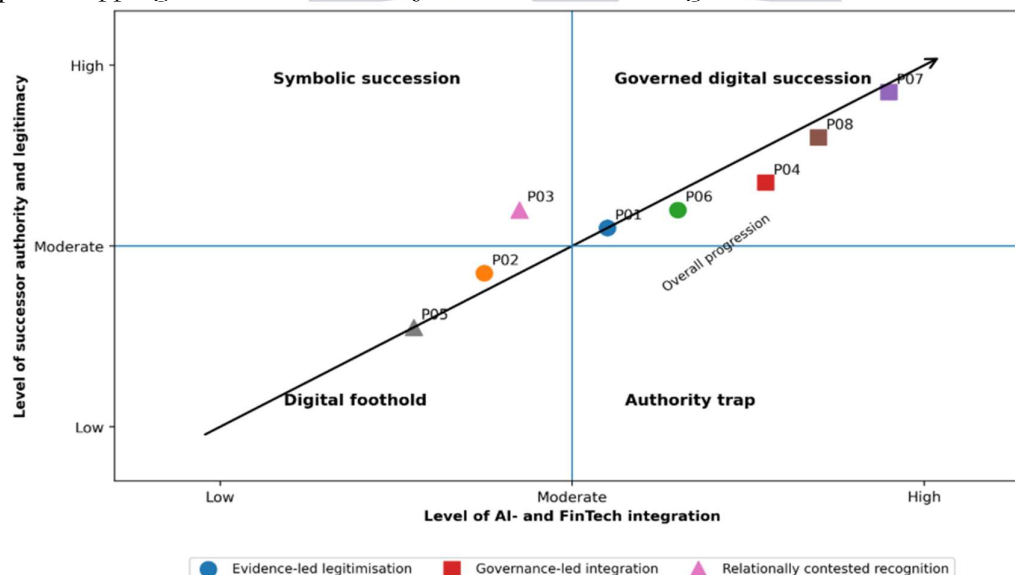
Dimension	Evidence-led legitimisation (P01, P02, P06)	Governance-led integration (P04, P07, P08)	Relationally contested recognition (P03, P05)
Succession position	Informal or shared transition; senior approval remains decisive; progress occurs through successful pilots.	Joint, nominated, or deputy leadership roles: authority is increasingly formalized through rules and governance.	Unclear or unstable transition; authority is challenged by parallel instructions, family rivalry or undefined roles.
Authority scope	Control over digital projects, but major finance, expansion or integration decisions remain above the successor.	Written agreements, committees, documented overrides and role-based controls align responsibility with authority.	Influence depends on persuasion; formal titles do not reliably prevent incumbent intervention or political contestation.



Dimension	Evidence-led legitimisation (P01, P02, P06)	Governance-led integration (P04, P07, P08)	Relationally contested recognition (P03, P05)
Incumbent stance	Cautious but responsive to visible evidence, trusted intermediaries and low-risk demonstrations.	Supportive of professionalism while concerned about ethics, fairness, trust and excessive centralisation.	Mixed support and intervention; acceptance varies across relatives and may intensify competition for recognition.
Primary tension	Continuous proof burden and fear that one failure will discredit the wider digital direction.	How to institutionalise transparency and control without turning technology into surveillance or bureaucracy.	How to gain recognition without humiliating incumbents, dividing relatives or appearing to use technology as a power claim.
Negotiation strategy	Small pilots, measurable results, hybrid options and endorsement by trusted employees, suppliers or advisers.	Formal boundaries, committees, shared access, documented exceptions and explicit human-oversight rules.	Private conflict repair, inclusive reviews, careful language, rotation of ownership and incorporation of incumbent knowledge.
Meaning of AI/FinTech	Evidence, access and organisational trust.	Accountability, disciplined judgement and governed modernisation.	Transferability, a route into leadership and a social force within family politics.
Legitimacy	Earned but conditional outcome credibility.	More institutionalised and operational credibility.	Fragile, relational and collectively negotiated successor legitimacy.
Continuity	Family values are extended through systems that improve reliability, service and planning.	Legacy is embedded in ethical limits, documented governance and professional routines.	Continuity depends on relationship repair, shared knowledge and avoidance of winner–loser succession narratives.

Figure 1

Participant Mapping at the Intersection of AI- and FinTech Integration and Successor Authority





4.1 Evidence-Led Legitimation

The first pattern, best exemplified by P01, P02, and P06, was achieved by establishing credibility through small digital experiments and visible results. These players had the autonomy to recognise digital opportunities and were able to manage small-scale projects, but there was still a need for incumbent validation for broader implementation, financial investment, and cross-functional changes. The experiences they had, then, were indicative of relatively high levels of sensing and bounded seizing, and of transforming requiring broader authority.

Three interconnected mechanisms shaped this pattern. First, bounded experimentation reduced the perceived risks of digital change. P01 launched a new product line for cloud accounting, automated invoicing, and forecasting but did not mandate immediate adoption across the organisation. P02 also incrementally added chatbots and mobile-payment features and continued to provide human support for more complicated customer queries. These small pilots allowed successors to demonstrate value without openly challenging existing authority. Then, it was “the visible reduction in mistakes instead of the technology as such,” as P01 put it, that won over the incumbent.

Second, trusted intermediaries were able to convey technical outcomes as socially legitimate evidence. When a senior member of staff, who had worked at the company for a long time, told P02’s grandfather that the chatbot was taking the strain off employees, he became more accepting. The finance manager’s use of a digital payment settlement to make it real helped to make the case: “Seeing the money come to the bank changed the conversation.” P06 also used established suppliers and banking arrangements as the incumbent was better able to trust established individuals rather than unfamiliar systems.

Third, over time, the scope of decision-making was progressively expanded through performance evidence. Successful efforts led to successors having opportunities to attend planning meetings, opportunities for setting digital budgets, and increased operational responsibility. But this legitimacy was still precarious, as would be the case if the project failed, and doubts in that regard would arise once again. In this pattern, AI and FinTech stood for evidence, access by organisations, and trusted access. Digital competence was a pathway to leadership, but authority needed to be demonstrated numerous times.

4.2 Governance-Led Integration

The second pattern, embodied in the P04, P07 and P08, was one in which movement shifted from repeated proof of performance to formal governance. These replacements shifted products of disagreement, like technology, to issues of rights to decision, ethical boundaries, transparency and accountability. Digital systems were therefore integrated into organisational structures and not kept as projects which were to be followed up by other systems.

Firstly, authority was put into writing by means of agreements, committees and documented exceptions. P04 presented a family management agreement that identified those systems required and those decisions that could be handled locally. P07 had to obtain two approvals and an explicit justification to turn off the automatic controls. This is personal authority to governed authority, she said. P08 formed a committee comprised of the incumbent, finance manager and professional staff. Shared authority slowed some decisions but added to the credibility of the project.

Secondly, human judgement was maintained in the digital systems. Managers and professional employees could choose to go against AI-driven suggestions, but their reasoning was tracked and then checked later. This assured that technology was not offered as a substitute for experience. P04 said that no one has all the answers and that the decision-making process of using data and responsible judgement produced legitimacy. P08 also earned a reputation for suspending a feature when there was inadequate evidence to support it.

Third, transparency was not conceived as an instrument of surveillance but of shared responsibility. Access to the dashboard was shared, review mechanisms were put in place, and early failures were seen as learning problems, unless wrongdoing was confirmed. The practices helped to mitigate the risks of being controlled by their successors through digital information. AI and FinTech in this pattern was disciplined



judgement, ethical modernisation and governed continuity. The result was digital practices that became embedded within formal decision structures, creating the ability to transform capabilities.

4.3 Relationally Contested Recognition

The third pattern, which was best illustrated by P03 and P05, was characterised by an unstable or contested line of succession. Digital efforts had a positive impact in both accounts, though outcomes to recognised leadership were not a given. Incumbent intervention and unclear succession roles/power struggles within the family persisted in determining who would be able to contextualise information and make decisions.

To begin with, the parallel authority eroded the implementation of digitalization. P03's position was a senior operational role, but the person continued to provide direct orders to employees. She spoke of succession as a "moving boundary" and how it was one thing to be given the title, but another to be recognised in the day-to-day world.

Second, evidence might raise the possibility of relational conflict. Incident P03 was made public to show that an intervention by the incumbent had resulted in operational delays, and the facts were true but embarrassing. In doing so, she found out that making a point can hurt the authority relationship. The next discussions then focused on private review, boundary definitions, and the experiential knowledge of the incumbent.

Thirdly, there was an increase in intra-family rivalry due to digital visibility. P05's forecasting project helped make the right production decision but also made cousins nervous about being the ones to achieve digital success and thus the leaders. "Everyone made a decision had political implications, so I shared dashboard knowledge; trained other family members and included them in reviews." In this pattern, legitimacy was tied to inclusion, sensitive language, and repairing of relationships. AI and FinTech was one path to leadership but another path to responsibility—not dividing the family.

4.4 Comparative Mechanism Analysis

Table 6 summarises the learning, resource orchestration, coordination, path dependence, power and legitimacy processes in the three patterns. Evidence led to successful pilots and measurable outcomes. Governance-led successors institutionalised authority through written procedures and shared accountability (Jwalapuram et al., 2025; Li, 2025; Umans et al., 2021). Psychological safety, inclusive learning and collective recognition were more important for relationally contested successors, as per the reported findings in this study.

Table 6

Comparative Mechanisms Across Experiential Pathways

Mechanism	Evidence-led legitimisation	Governance-led integration	Relationally contested recognition
Experimentation and learning	Low-risk pilots and measurable small wins gradually expand confidence.	Structured pilots, formal review cycles and committee learning create credible implementation.	Joint sensemaking compares human and system judgement; learning is slowed by rivalry or authority conflict.
Resource and decision rights	Budgets or thresholds are granted after proof; strategic veto remains with the incumbent.	Written agreements, dual approvals and role-based decision rights reduce dependence on personal permission.	Authority remains reversible or politically negotiated; responsibility may exceed actual control.
Coordination mechanisms	Trusted employees, banks, suppliers and senior managers bridge generational confidence gaps.	Cross-functional committees, mandatory core systems and documented escalation	Parallel instructions or cousin politics create friction; inclusion and shared ownership are needed to stabilise change.

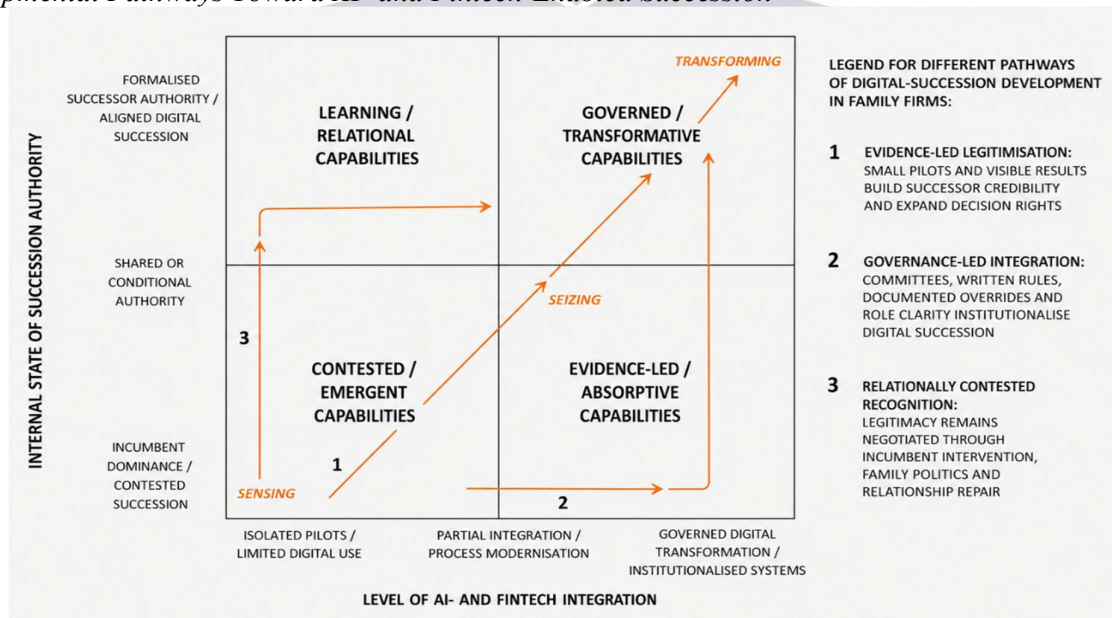


Mechanism	Evidence-led legitimisation	Governance-led integration	Relationally contested recognition
Legacy translation	Technology is framed as protection, reliability, continuity and better service rather than replacement.	routes coordinate adoption. Family values are converted into ethical limits, control rules, human oversight and consistent governance.	Incumbent knowledge is incorporated into rules and shared presentations to avoid portraying tradition as obsolete.
Transparency and power	Dashboards are shared and framed as learning tools, so evidence does not become a weapon.	Documented exceptions and role-based access reduce private discretion while limiting over-centralisation.	Visibility can embarrass incumbents or intensify rivalry; psychological safety is essential.
Legitimacy mechanism	Performance evidence demonstrates competence and opens access to meetings, budgets and wider responsibilities.	Responsible governance, ethical restraint and consistent application of rules demonstrate leadership maturity.	Relational acceptance, employee involvement and distributed ownership legitimacy the successor.
Principal risk	A single technical failure may be used to question the successor or the entire digital direction.	Governance may become bureaucratic, overly centralised or detached from local practice.	Public conflict, self-censorship and competition may prevent technology from being institutionalised.

These mechanisms are combined in three developmental pathways in Figure 2. The evidence-based route is a process of incremental evidence towards proof of seizure. The governance-led pathway goes from transforming, where the use of digital practices is integrated with formal authority structures. The relationally contested pathway takes longer to follow, because the dynamics of authority must be mended first so that digital learning can be institutionalised.

Figure 2

Developmental Pathways Toward AI- and Fintech-Enabled Succession





Across the three pathways, AI and FinTech were not experienced as neutral operational tools. They turned into tests of capability, a sign of openness, and a sign of the new leadership system. They evolved into examinations of competence, systems of openness and symbols of the new order of leadership. Digital succession progressed when technological learning was translated into relational acceptance, decision authority and continuity of family values.

5. Discussion and Conclusions

5.1 Overall Discussion

5.1.1 Mechanisms of Authority-Gated Capability Development. The three patterns show different ways in which the transfer of authority affects dynamic capabilities. In the evidence-led pattern, bounded pilots, visible results, and trusted intermediaries allowed successors to sense opportunities and seize them within restricted domains. It helps to reveal next-generation members as digital champions (Lannon et al., 2024; Ren et al., 2023). Yet, it demonstrates that knowledge does not necessarily give rise to strategic influence. Participants were often requested to do the modernisation but were unable to do it without the cooperation of the incumbents in terms of budgets, information and implementation at the organisational level. Operational proof was thus achieved on a regular basis to create the legitimacy.

In governance-led, capability development advanced further, as personal permission was replaced by formal arrangements. Committees, written thresholds, shared dashboards and recorded overrides aligned responsibility with decision rights. This identifies authority as a micro-foundational condition of transforming. Successors can recognise and experiment with digital opportunities but are not allowed to reshape larger routines when incumbents have free rein (Jwalapuram et al., 2025; Li, 2025; Umans et al., 2021). The results accordingly indicate an authority-gated sequence: Sensing, as a first step, is primarily based on successor knowledge, the second step, Seizing, depends on the permission of resources, and the third step, Transforming, depends on institutionalised authority.

Successful technology does not necessarily lead to successful succession, as shown by the relationally contested pattern. Formal position of P03 allowed for parallel instructions, and P05's digital success boosted confidence and family competition. These cases validate the social and identity process of succession (Gagne et al., 2021; Li et al., 2023). Digital evidence becomes influential only when family members recognise the successor's right to interpret and act upon it. If this is not the case, capability development is fragile even in the presence of favourable operational outcomes.

5.1.2 Three Developmental Pathways. Figure 2 synthesises the findings into three pathways. The evidence led pathway is an incremental process of experimentation; small wins generate credibility and credibility leads to greater access and access leads to greater seizing. Its major downside is that it relies on the conditionality that power has to be proven continuously.

The governance-led pathway builds towards transforming by integrating technology into rules, review processes, and shared responsibility. This pathway is best suited to succession because it is most clearly linked to organisational renewal, as successor authority is no longer solely based on personal permission.

The relationally contested pathway is more arduous and non-linear. Technological learning needs to go hand in hand with relationship repair, the maintenance of incumbent dignity and the management of intra-family competition. These pathways support the argument of Mihotić and Pfajfar (2026) that the nature of founder engagement affects capability trajectories. The results also reveal that those trajectories are negotiated in ways that are actively shaped by successors who interpret technology in terms that are more easily understood and accepted, and who integrate existing expertise into digital processes and disseminate access to such processes to prevent the development of a new form of personal control.

5.1.3 Socioemotional Wealth and the Tradition-Modernisation Tension. The findings also help to expand the socio-emotional wealth theory. Where digital systems revealed transactions, limited discretion, and seemed to supplant personal relationships, family control, identity, reputation, and trust brought resistance. This aligns with the insights from studies that have identified both economic and non-economic factors as aspects of family firms' innovation evaluation (Salem & Hashem, 2023; Worek & Aaltonen, 2025).



But socioemotional wealth wasn't just a barrier. It also offered the language with which digital change became legitimate. The participants associated automation with employee care, payment systems with reliability, fraud alerts with protection, and AI-supported recommendations with professional responsibility. They identified and distinguished between values and inherited routines: values could be maintained even with the introduction of digital controls, and personal service could be maintained alongside automation.

This is how successors dealt with the tension between tradition and modernity. They were not successful in breaking tradition by bringing more technical proof. Rather, they redefined modernisation as a way to maintain continuity. The goal of protecting the firm was shared by incumbents and successors; however, what was meant by protection varied. Incumbents related it to experience, relationships and discretion, while successors related it to transparency, scalability and organisational memory.

This highlights the process by which the tradition-modernisation tension was handled by the successors. They were not successful in challenging tradition through more technical arguments. Rather, they redefined modernisation as a way to maintain continuity. Incumbents and successors had a similar goal of protecting the firm, but they interpreted the meaning of protection differently. Incumbents associated it with experience, relationships and discretion, whereas successors associated it with transparency, scalability and organisational memory.

5.1.4 Bidirectional Relationship Between Digitalisation and Succession. The scope of experiments, allocation of resources and system integration were determined by the authority of the participants, shaping digitalisation. Digitalisation changed the nature of succession by rendering performance visible and changing the way leadership readiness was assessed. AI and FinTech were thus the symbols of competence and professionalism, but also transparency, power shift and potential replacement. This builds on the research that links technology intelligence and succession (Levesque & Subramanian, 2022). Digital efforts gained momentum in authority transfer when they led to common learning and formal governance. On the other hand, they revealed incomplete succession where formal titles lacked the decision rights that are used in everyday practice. The "digital heir" is therefore not only the family member who knows how to use technology, but also the member who is most able to apply it to the family. It is the follower who will be able to carry that knowledge to trusted and legitimate organisational power.

5.2 Theoretical Contributions

This research has three contributions. First, it brings in the concept of authority-gated capability development, indicating that the conditions for sensing, seizing and transforming are different depending on the level of autonomy of the successor. Second, it frames digital initiatives as legitimacy mechanisms in terms of which to show and assess readiness for successors. Third, it demonstrates how socioemotional wealth can promote transformation through the conversion of family values into ethical boundaries and continuity-oriented digital practices. These contributions link the Dynamic Capabilities and Socioemotional Wealth theories at the micro level.

5.3 Managerial Implications

Family firms should connect digital projects with explicit succession governance. Successors require defined budgets, information access, approval thresholds and protection from contradictory instructions. Incumbents should agree on evaluation criteria before pilots and distinguish responsible oversight from routine intervention. Shared committees, documented overrides and distributed dashboard access can preserve incumbent experience without maintaining unlimited personal discretion. Successors should involve trusted employees and professional advisers, frame technology through family values and avoid using digital evidence as a weapon against established expertise.

5.4 Limitations and Future Research

The purposive sample is used to gain interpretive depth, not to provide statistical generalisation. The study also only considers the perspective of the study's successors and should be compared with the perspectives of the incumbents, employees and advisers. Longitudinal study could explore the interaction between the three pathways and if evidence-led legitimacy is transformed into institutional authority over time. The comparative studies between countries, generations and technology types could set the stage for



understanding the impact of cultural context on digital succession. Ultimately, the transfer of technological knowledge, trust and decision authority is essential for successful AI- and FinTech-enabled succession.

Author's Contributions

All authors participated in ideation, development, and writing the manuscript. All authors read and approved the final manuscript.

Conflict of Interest Statement

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Informed Consent

Informed consent was obtained from all participants prior to data collection. Participants were informed about the purpose of the study, the voluntary nature of their participation, and their right to withdraw at any time without any consequences. The confidentiality and anonymity of respondents were guaranteed throughout the research process.

Originality and Exclusive Submission

The authors confirm that this manuscript has not been published previously and is not currently under consideration for publication in another journal.

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Data Availability

The datasets generated and analysed during the current study are available from the corresponding author upon reasonable request. The authors are committed to transparency and will provide detailed methodological information and analysis protocols upon request.

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