UNITED ARAB EMIRATES
NEXT GENERATION

Succession intention

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Family firms in the United Arab Emirates (UAE) have always been the backbone of the country’s economic growth. Therefore, ensuring the continuity of these distinct types of firms is important to guarantee the prosperity of the UAE’s economy. One of the most critical issues that may threaten the continuity of family firms is succession, that is, the ownership, governance, and management transition from the current generation to the next generation of family members (NextGens). Succession is the process through which family members re-adjust the roles and has consequences for both the family and the firm’s business model.

Introduction

In this study, we aim to explore the drivers of succession intentions of the NextGens that eventually lead to their decisions to either join their family firm or not.

In partnership with the Global University Entrepreneurial Spirit Students’ Survey (GUESSS), Rodrigo Basco—Associate Professor and Chairholder of the Sheikh Saoud bin Khalid bin Khalid Al-Qassimi Chair in Family Business at the American University of Sharjah—has led and coordinated the GUESSS project in the UAE to explore NextGens’ succession intentions. More than 58,000 NextGens, most of them undergraduate students, from 3,000 universities in 54 countries have participated in GUESSS project.

In collaboration with the Family Business Council - Gulf and the Sheikh Saoud bin Khalid bin Khalid Al-Qassimi Chair in Family Business at the American University of Sharjah, this report summarises the most important findings for the succession intentions of the UAE NextGens. We present our results by comparing the UAE’s NextGens sample with two additional sub-samples: one composed of students from other Arab countries and the other from the rest of the world. Moreover, this general comparison examines the drivers of NextGens’ succession intentions through the lens of individual, interpersonal, and social contexts.

In this study, we aim to raise awareness about the importance of the cultural and institutional environment to support succession intentions and provide information that could be useful to policymakers for tailoring strategic public policies to promote and encourage succession in family firms across the UAE. Additionally, this report could help business families, practitioners, and business consultants prepare succession plans to engage the NextGens to take responsibility for leading their family firms.

We would like to thank the universities around the world, particularly those in the UAE, that accepted our invitation to participate in this survey and to our partners and collaborators who made this project possible. We would like to extend our special thanks to the Sharjah Entrepreneurship Center - Sheraa for their support during the data collection process.

To initiate any family business succession process, the following fundamental question needs to be answered:

**To what extent are the NextGens willing to take responsibility for the family firm?**
Key Findings

NextGen’s Succession Intention

- Only 22% of the NextGens in the UAE have an intention to join their family firms.

Individual Dimensions as Drivers of NextGen’s Succession Intention

- Although the share of the UAE’s NextGens having a highly positive attitude toward becoming family firm successors is greater than those of their counterparts in other Arab countries and the rest of the world, this share is low. Only 28% of the UAE’s NextGens have a high positive attitude toward succession.

- The UAE NextGens’ self-efficacy for non-family members is higher than that for family members. This indicates that the NextGens envisage more difficulties in managing family relationships than non-family relationships in their family firms.

- The UAE’s NextGens’ affective commitment to their family firm is low (although higher than that of the other Arab countries and the rest of the world), as only 30% of the UAE’s NextGens consider their emotional relationships with their firms as important.

- Normative commitment is low in the UAE’s NextGens, as only 25% of them report that the moral attachment to their family firm is vital.

Interpersonal Relationship Dimensions (Parent–Child) as Drivers of NextGen’s Succession Intention

- The instrumental assistance of parents to guide and support their children’s skills and development in their future role at the family firm is low in the UAE as well as globally. It seems that parents in the UAE neither want to influence their NextGens’ career development nor link their skill development to the family firm.

- Parents are willing to portray themselves as role models by introducing family firms to their children. Almost 50% of the UAE’s NextGens report high career-related modelling in their interpersonal relationships with their parents.

- Verbal encouragement, which includes parents praising the NextGens for their efforts, is the key to parent-child interactions. More than 70% of the UAE’s NextGens report verbal encouragement as high.

- Parental emotional support is high in Arab countries in general and the UAE in particular, where the affective support is critical for the educational and career development of NextGens in their family firm.

Social Dimensions as a Driver of NextGen’s Succession Intention

- Social pressure toward succession is high for the UAE’s NextGens. While social pressure could be an important positive driver for succession intention, over-pressure could be counterproductive.
What are a few top-line recommendations?

To better understand the lack of NextGens’ succession intentions to join their family firms and to address this particular problem from macro (policymakers who have to tailor the local policy to support family firms across generations) and micro (senior generation who have to plan the succession process) perspectives, it is necessary to explore the antecedents (i.e. drivers) that may determine NextGens’ succession intentions.

As intention precedes behaviour, NextGen’s succession intention is a reliable instrument to predict the final NextGen’s decision to join or not the family firm. If business families, family business consultants, and policymakers aim to have multi-generational family business, passed on from one generation to another, it is necessary to shape NextGens’ intentions by considering their behavioural beliefs, normative beliefs, and control beliefs.

We encourage business families to reflect on the following questions as discussion starters with your NextGens:

- What are the attitudes that our NextGens are developing toward the family firm?
- Are we helping our NextGens develop their personalities by supporting their talents, capabilities, and initiatives?
- Are we nurturing NextGens’ confidence to execute a task related to the family firm?
- What are the drivers that are stopping our NextGens from wanting to enter the family firm?
- Are our NextGens aware of the alternative routes into the family firm including intrapreneurship and board leadership among other routes?
- What opportunities can be created to inspire the NextGens and give them more exposure to the family firm?
- How does incumbent generation influence NextGens’ succession intention?
- Is the family environment supportive with NextGens’ career decision making process?
- What kind of communication style has the incumbent generation developed?
NextGens’ Succession Intention

Along with the senior generation’s willingness and ability to hand over ownership, governance, and management to the NextGen, the succession intention of the upcoming generation represents the starting point to plan the succession. The intention for succession is the NextGens’ willingness to pursue a future leadership position in the family firm. A better understanding of the NextGens’ intention about their future careers is vital because intention precedes action. Consequently, the intention is a reliable instrument to predict succession.

Succession intention could help business families answer the following questions:

Are there any potential successors within the business family?
Who would like to be considered as a potential successor?

The intention of the NextGens to pursue a professional career in their family firms is low worldwide. Moreover, only 22% of the NextGens in the UAE are willing to assume future leadership of their family firms; the percentage drops to 19% for the NextGens in other Arab countries and further to 14% in rest of the world.

The NextGens’ low intention to pursue a career in their family firms has three possible explanations. First, being university students, NextGens do not view themselves as having the ability to work freely within their family environment because of the interference (control and supervision) from the senior generation. Second, in line with the previous argument, NextGens may experience fear of comparison and judgement because of the high expectations that the senior generation may have set for them. Finally, they may have other potential and attractive employment alternatives after graduation.

NextGens do not envision themselves as being part of the family firm, thereby jeopardising the continuity of family firms across generations. The consequences of NextGen’s lack of interest in the family firm succession is particularly important for the UAE because family firms represent the backbone of its economy—the wealth of the UAE’s economy relies on long-term family entrepreneurial commitment. Consequently, continuity of family firms not only creates firm value but also the possibility to pass entrepreneurial tacit knowledge from one generation to another.

“NexGen succession intention is low around the world – Why NextGens do not see the professional career in their family firms?”

NextGens’ Succession Intention

Figure 1:
NextGens’ Succession Intention

<table>
<thead>
<tr>
<th>Grade</th>
<th>UAE NextGen</th>
<th>Other Arab Countries NextGen</th>
<th>Rest of the World NextGen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Succession</td>
<td>51%</td>
<td>90%</td>
<td>60%</td>
</tr>
<tr>
<td>Medium</td>
<td>27%</td>
<td>16%</td>
<td>20%</td>
</tr>
<tr>
<td>High Succession</td>
<td>22%</td>
<td>19%</td>
<td>14%</td>
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</table>
Drivers of NextGen’s Succession Intention

We observed that the succession intentions of NextGens are not homogenous across geographical contexts. Therefore, the question that arises is as follows: why do NextGens’ succession intentions vary across different contexts? To explore the patterns that may affect succession intention in NextGens, we examine the drivers of students’ succession intentions by considering three sets of dimensions:

- **NextGen’s attitude toward succession intention** which refers to the degree to which a NextGen has a favourable or unfavourable evaluation to pursue a professional career in his/her family firm.
- **NextGen’s self-efficacy** which refers to the NextGen’s beliefs that he/she can manage family and non-family human resource to pursue succession.
- **NextGens’ commitment toward family firms** which refers to the NextGen’s willingness to pursue succession because of their affection for or obligation toward their family firms.

- **Instrumental assistance** which refers to parents’ involvement to support NextGen’s skills and develop NextGen’s abilities to pursue succession.
- **Career-related modelling** which refers to parents’ guidance to NextGen by showing their family business responsibilities, roles, and tasks.
- **Verbal encouragement** which refers to parents’ approval of NextGen’s achievement and professional development.
- **Emotional support** which refers to parents’ help to develop, encourage, and manage NextGen’s emotions to pursue succession.

- **NextGen’s perceived subjective norms** which refers to the perceived social reaction to the decision to become or not to become a successor.

Individual personal characteristics play an important role in shaping NextGen’s succession intention:

Family members, especially parents, are in a position to influence the succession intentions of NextGens:

Where successors dwell affects an individual’s intentions:

![Figure 2: Drivers of NextGen's Succession Intention](image-url)

A summary of the importance of each succession intention driver and the comparison among the three subsamples are represented in Figure 2.

- **UAE**
- **Other Arab Countries**
- **Rest of the World**
How did Eisa develop his succession intention?

Eisa Bin Ahmad Alserkal
Position: General Manager, BLUE LLC
NextGen generation: 4th generation
Year of joining the family firm: 2018
Company: Al Serkal Group
Date established: 1947

Eisa's succession intention was sparked at a young age, igniting him to join the family firm in 2018. Since the age of 12, he had multiple and different interactions with family and non-family members in the family firm. His attachment and interest in the firm grew by participating in corporate events, board meetings, projects, and other business-related activities whilst his attitude, self-confidence, and commitment matured.

“It has been a wonderful journey so far, and I cherish all the moments I have experienced”

However, Eisa’s early exposure to the family firm did not guarantee his intention to join. Instead, his early experiences helped him understand how he could achieve his personal goals alongside fulfilling his sense of duty and obligation to support the long-lasting family legacy.

“... during my university time, I was at a crossroads for my future path. It was all to achieve certain goals I have had for myself, and the question I had was whether to achieve these goals by working for the government or by working for the family business”

Eisa’s father was a role model who mirrored what a leader looks like in a successful family firm. He also opened the family business doors to guide and support Eisa’s skills and development through his professional journey.

“My father put a lot of time and effort to nurture myself and my brothers for going into the business world”

His father’s leadership taught him to believe in the family firm and what it strives to achieve – “being pioneers and improving the lives of people through what we do”. Eisa feels great attainment working towards something that his family is a part of and growing it without restrictions.

“In the end, it was the alignment of our direction in life that has brought us together in this endeavor”

Individual Dimensions

Attitude

Drivers of NextGen’s Succession Intention

Because undergraduate NextGens are facing the most critical transitional stage in their process to become young adults, their attitudes towards their family firms are not completely developed. Undergraduate NextGens are facing contradicting feelings, perceptions, and expectations when thinking about the possibility to work in their family business.

The NextGens’ lack of attractiveness, satisfaction, and positive perception toward their family firms could explain the low levels of the NextGens’ succession intention. As indicated by the NextGens, they do not find their family firms an exciting place to work and feel that it lacks a work environment that helps them achieve their goals, or acts as an instrument to fulfill their needs and obtain personal and professional rewards.
Self-efficacy refers to the extent to which an individual believes that he/she has the abilities and qualities to pursue succession. This relates to the NextGens’ confidence level, which demonstrates their capabilities to resolve conflicts and negotiate as well as act diplomatically with family and non-family members, such as employees and other external and internal stakeholders.

The high self-efficacy of the UAE’s NextGens toward family members’ issues was lower (38%) than that toward non-family members’ issues (54%; Figures 4a and 4b). The corresponding percentages for the NextGens in other Arab countries were 38% and 53%, respectively, while those in the rest of the world were 43% and 56%, respectively.

Conflict can tear families apart if not managed effectively so it is not surprising that UAE teenagers are worried about working with family members.

Following the same pattern as their counterparts in other Arab countries and the rest of the world, to execute the required actions to pursue succession, the UAE’s NextGens show a higher level of self-efficacy for non-family members than for family members. This means that the NextGens are more confident in their capabilities to work with non-family members than members from their own families. This finding illustrates the importance of family managerial abilities related to family communication training and family management relationships as mechanisms to improve NextGens’ self-efficacy related to family members.

Business families in the UAE should consider talking to their children about how conflict is a natural part of life.
Commitment to the family firm is a major motivator for the NextGens to actively participate in the firm. Besides, commitment can be derived from the NextGens’ affection for family businesses (affective commitment) and/or their sense of obligation toward their family firms (normative commitment).

Affective commitment refers to the NextGens’ psychological attachment to their family firms; it relates to their strong feeling of belongingness and attachment to their family firms. Moreover, affective commitment is the bond that the NextGens develop with the family business that makes them “want to” stay, succeed, and thrive in their roles in the family firm.

Normative commitment refers to the sense of moral obligation the NextGens have toward their family firms; it relates to the NextGens’ feeling that the family firm deserves their hard work and loyalty. NextGens perceive that they “owe it to” the family firm. That is, normative commitment arises from the underlying values and culture that ties NextGens to their family firms.

The results show similar levels of NextGens’ affective and normative commitments across the UAE, other Arab countries, and the rest of the world. However, the affective commitment appears to be significantly higher than the normative commitment (Figures 5a and 5b), implying that the NextGens generally feel more emotionally connected rather than obligated to work in their family firms.

Specifically, the UAE NextGens demonstrate the highest levels of affective and normative commitments, followed by NextGens from other Arab countries and the rest of the world. The collectivistic culture of the UAE society, which prioritises family interest over individual interest, could be a major cause for the higher levels of commitment among the UAE’s NextGens.

It is positive to see that UAE NextGens already feel emotionally connected to the family firm. As the underlying passion and commitment are already there, it may be easier to peel away and address some of the preconceptions that their children may have with regards to working in the family firm.
Interpersonal Relationship Dimensions

Instrumental Assistance

Instrumental assistance refers to parents’ guidance and support for their NextGens’ skills and development needed to assume future roles in family firms. It is related to parents helping their NextGens choose and engage in educational activities and draw connections between their education and their family business as well as providing them with opportunities to develop family business-related skills.

Only 31% of the UAE’s NextGens report high guidance and assistance from their parents to develop their skills and abilities to pursue a successful professional career in their family firms (Figure 6). NextGens from other Arab countries and the rest of the world experience similar low levels of support from their parents or the senior generation.

The lack of guidance and support from the senior generation could explain the low levels of attitudes in terms of the NextGens’ evaluation of the benefits, satisfaction, and attractiveness of becoming successors in their family firms. If parents do not reinforce and help children develop their skills and capabilities to be successors, NextGens will be unable to envision themselves in the family firm environment.

Career-related Modelling

Career-related modelling refers to parents providing the NextGens with advice and guidance that support their future role in the family firm. It relates to parents sharing their work and occupational activities in family firms with their NextGens. This is accomplished through frequent discussions with their NextGens about the family firm and encouraging them to visit and observe the nature of work at the family firm (Figure 7).

Approximately 48% of the UAE’s NextGens consider that their parents provide advice and guidance by sharing their own experiences. This percentage is lower for the NextGens in other Arab countries (41%) and higher in the rest of the world (53%).

While the instrumental assistance dimension is related to teaching and supervising NextGens’ development of skills, career-related modelling is related to parents’ willingness to advise and guide the NextGens about their future roles in the family firm. Furthermore, the low levels of instrumental assistance could imply that parents and NextGens are more reluctant to work together, while the higher levels of career-modelling could imply that the counselling role of parents appears to be a more common form of interaction between generations.

Internships, apprenticeships, and shadowing with both family and non-family executives can all help inspire NextGens and help gain a deeper understanding of the family business.

Figure 6: NextGens’ Instrumental Assistance

Figure 7: NextGens’ Career-Related Modelling
Verbal Encouragement refers to parental praise and support for the NextGens for the development of their skills and interests in the family firm. It is associated with parental encouragement in terms of expressing pride and providing rewards to their NextGens to excel in their education and achieve high levels of academic performance.

Most of the NextGens in the UAE, other Arab countries, and the rest of the world report high parental verbal encouragement (71%, 72%, and 75%, respectively; Figure 8). Although the interpersonal relationship based on verbal encouragement is the least committed position from the parent’s perspective in terms of interactions with their NextGens, it is commonly used because it may generate less interpersonal conflict.

Emotional Support refers to the NextGens’ feeling of support and encouragement from their parents. It is related to parents’ reinforcement of positive emotions and their recognition of negative emotions surrounding their NextGens’ future roles in the family firm. It also involves expressing pride in their NextGens when they develop skills related to their future careers in the family firm.

The NextGens in the UAE and other Arab countries reported higher parental emotional support (36% and 44%, respectively) than the NextGens in the rest of the world (26%; Figure 8). The highly collectivistic societies of the Arab countries, including the UAE, explain the higher parental emotional support. The collectivistic societies in Arab countries are characterised by strong family ties and prioritisation of group interest over individual interests. Hence, the cultural context may explain the difference between the levels of emotional support in different parts of the world.

All four interpersonal roles (instrumental assistance, career-related modelling, verbal encouragement, and emotional support) that senior generation may use to affect NextGens’ succession intentions are important, and none of them is superior to others. Members of the senior generation have to balance their interpersonal roles and adjust them to their successors’ needs and expectations across the succession process.

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The social contextual dimensions where successors dwell affect an individual’s intentions. In this section, we analyse the extent to which the subjective norms in the UAE, other Arab countries, and the rest of the world support the NextGens’ succession intentions.

Social Dimensions

Subjective Norms

Subjective norms refer to the perceived social pressure of parents, siblings, other family members, friends, and colleagues toward becoming a successor and continuing with the family firm tradition. Subjective norms relate to the extent to which the surrounding social group accepts and encourages the NextGens to pursue succession.

The high social pressure for succession pursuance in the UAE could be due to the collectivistic nature of the UAE’s culture, which prioritises the interest of the group and family over that of any individual. The UAE’s culture is characterised by its family ties, which is a major factor encouraging the NextGens to engage and involve with their family firms. Although social pressure could be a remarkable driver to encourage NextGens to assume their responsibility in their family firms, high social pressure could be counterproductive, affecting individual personality and undermining their self-esteem.

Figure 10: NextGens’ Subjective Norms

Maitha’s succession intention was never a question of if, it was always a question of when. From a young age, the drive and responsibility to want to continue her grandfather and father’s legacy were always there. Whilst joining the family business was never forced or even directly spoken about, the sense of belonging to the family enterprise was implicit. Maitha knew that eventually, all paths would lead her to the family firm. However, she did know what her path would look like.

Maitha was encouraged to pursue her bachelor’s degree in Canada and experience living independently. After completing her graduation, Maitha worked outside the family firm in an external organization for more than 5 years. Gaining experience outside the family business was a requirement that Maitha’s father implemented for both her and her brother. This experience gave Maitha a solid foundation and ensured she came in ready and at the right time. Although joining was still a steep learning curve for her, it gave her the opportunity to delve deep in the dynamic of the business.

“When you are working outside you only focus on a small portion of the business, but when you join your family’s business, you suddenly have a 360 view of things. It’s a big responsibility as it’s also your family’s legacy and your future.”

Societal and family subjective norms matter for NextGen’s succession intention!

Maitha’s parents gave her and her brother freedom and flexibility to explore their education and professional development outside their comfort zones. She now reflects that this was integral to allowing her to grow and guided her back home to write the next chapter of the family firm. Having flexibility rather than strict timelines meant that Maitha knew almost instantaneously when it felt right for her to join the family business and make a positive impact.

“I remember the day I decided to join the family business. I had actually taken some time off of work and was on vacation, I just woke up one morning and I said yes, that is it I am going back and putting in my resignation.”

Cultivating a mature parent-child relationship matter for NextGen’s succession intention!

Ultimately, Maitha realized the positive impact she could make if she joined the family firm. Being able to instigate change and be part of the decision-making process was a key driver for Maitha’s succession intention alongside being part of the continuing family business legacy.

“I realized that I could make a real difference if I joined the family business.”

How was Maitha able to develop her succession intention?

NextGen family member: Maitha Ahmed Al Yousuf
Position: Group Director of HR
NextGen generation: 3rd generation
Year of joining the family firm: 2019
Company: Al Yousuf Group
Date established: 1953
Demographic Information about the Sample

More than 208,000 students from 3,000 universities in 54 countries around the world responded to the GUESSS survey. We selected those students whose parents had family firms (58,391 respondents) to focus on exploring the drivers of the succession intention of NextGens. The final sample is distributed as follows: 200 respondents from the UAE, 2,030 respondents from other Arab countries, and 56,161 from the rest of the world.

Most participants who responded to the online survey were undergraduate students (92% for the UAE, 94% for other Arab countries, and 80% for the rest of the world), followed by graduate and PhD students. The gender distribution in the UAE was significantly skewed with 61% female and 39% male respondents. A similar pattern was evident for other Arab countries (68% and 32%, respectively), whereas the gender distribution was more balanced for the rest of the world (55% and 45%, respectively). Along with gender distribution, identification of the birth order of respondents is important. While 31% of the UAE’s NextGens were the eldest sibling, this share declined to 27% each for other Arab countries and the rest of the world.

Regarding family shareholding, more than 60% of the participants replied that their families owned more than 51% of the firm’s shares. This percentage is lower in other Arab countries’ sample (49%) and much higher in the rest of the world sample (66%). While most of the UAE NextGens do not own shares (72%), this percentage is lower for NextGens in other Arab countries (60%) and the rest of the world (66%). Only 30% of the UAE’s NextGens had worked in their parents’ family firms. While a similar pattern was evident for participants from other Arab countries (23%), a much higher percentage of NextGens from the rest of the world (42%) had practical experience of working in their parents’ firms.

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