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The Challenges of Succession Planning in Family-Owned Businesses: A Field Study in Saudi Arabia

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Abstract

Family-owned businesses are prevalent in the national economies, especially in developing markets like Saudi Arabia. Succession planning is a key issue that has been one of the most devastating in the long-term sustainability of the economic significance of the same. This paper explores the challenges that are reflected in the context of succession planning in Saudi family firms and discusses whether the identified issues play a significant role in influencing the management succession. Quantitative research design was taken with the help of a structured questionnaire that was given to 30 participants who work in the family-owned business in Saudi Arabia. SPSS was applied to determine descriptive statistics, Common Method Bias, PLS-SEM using SMARTPLS to test mediation and moderation, were applied in order to address the hypotheses put forward and analyze the data. The succession issues were moderate in all instances, yet, one-sample t-test (p = 0.063) and PLS -SEM did not substantiate any change of challenges in succession success. Communication was a significant predictor of successor preparedness (= 0.615) and had a direct impact on succession success (= 0.193) though there were no significant mediation and moderation effects. The Conflict construct had low validity (AVE = 0.315, HTMT > 1.0) and the fit of the model was weak (SRMR = 0.182). These findings indicate that even though tensions of succession exist, they do not always form structural impediments to leadership change. The possible adverse effect of the succession issues might be reduced by contextual pressures, family integrity, hierarchy, and mechanisms of relational governance. The research paper adds to the family business literature by differentiating the existence of succession issues and the quantifiable effect of upcoming succession on the succession outcome. It also suggests viable suggestions to policymakers who need institutional backing and training programs to improve structured succession planning in family businesses within Saudi Arabia.

1. Introduction

Family-Owned Businesses (FOBs) contribute significantly to the global economy as a significant element towards the overall Gross Domestic Product (GDP). As reported by the Family Business Institute, collectively these businesses contributed to over 70% of the overall GDP as well as employ more than 50% of the workforce globally (Chalhoub, 2025).

FOBs are those businesses where the ownership and control are heavily held by the same family, with or without two or more related persons being operational and strategic shareholders. Family firms have a significant share of economic activity in the world and are an essential part of the national economies. There are empirical studies showing that at least over 90% of all enterprises in the United States, about 65% in Canada, and more than 75% in the United Kingdom are FOBs (Mokhber et al., 2017). Due to their dominance and economic importance, family business sustainability and governance have become a subject of scholarly interest. Another study indicated that FOBs are especially relevant in the Arab world because they contribute over 60 % of GDP and employ above 80% of the employed, making it an interesting research subject (Jasir et al., 2023).

The concept of succession planning may be described as the systematic approach of identifying, training, and grooming future leaders to take on important managerial and ownership positions in the family company (Bano et al., 2022; Ge & Campopiano, 2022). It entails the planning of the family members (or non-family members whom they trust) to create a non-drip transfer of the administrative position and power in the event of generational change (Lecounte, 2022). The success of any family business through succession is the administrative process of handing down leadership, ownership, and management to the next generation (Ikechukwu & Enudu, 2022). This is done by ensuring that the executive responsibility is assigned to the person who will be in charge, or the senior family members can be left behind. Family relationships are deeply embedded in organizational structures, in turn, making the succession process complicated and delicate since it is based on the level of emotional attachment, power dynamics, and inter-family relationships (Alrossais, 2023; Wang et al., 2023).

Effective succession planning is needed due to a number of reasons. First, it encourages business continuity and stability since it lowers uncertainty and the disruptions that come with changes in leadership. FOBs are able to keep operational efficiency and competitive positioning intergenerational by being proactive to identify and prepare successors. Second, succession planning is vital in maintaining the family values and traditions, and legacy. The family firms are also clearly different in that they have their unique history and norms forming their unique cultural identity, as opposed to that of a family business. With the structured succession processes, these core values can be passed on to future generations, keeping the business and the long-term vision of the family running smoothly (Coffie et al., 2025; Kiwia et al., 2020; Owusu-Acheampong et al., 2024).

FOBs have various structural and managerial issues, even though they are relatively crucial, one of the most intricate and impactful being the issue of succession planning (Shahzad et al., 2025). Succession is defined as a process of replacing the leadership and ownership, as well as decision-making, by the foundational generation with others. Poor leadership transition has been pointed out as one of the main reasons for business failure and family feud in FOBs, often resulting from inadequate preparation. Empirical research indicates that numerous family business owners do not plan the future, including the future of the business, i.e., retirement, incapacity, or exit of the founder in writing, hence leaving the firm vulnerable to instability, inside disagreements (Baltazar et al., 2023; Merchant et al., 2017).

Within Saudi Arabia, the challenges are imperative to the governance structure of the family enterprises, as the Family Firm Institute's study highlighted that around 30% of the FOBs survive into the 2nd generation. In contrast, only 12% survive in the 3rd generation, and 5% or less survive in the 4th generation or beyond (Chalhoub, 2025).

Several family members may tend to clash due to the lack of a well-defined succession scheme after the founder has left the company (Monticelli et al., 2025). Dilemmas in leadership occur most of the time when positions and duties are allocated in accordance with the family hierarchy and not according to competency, experience, and merit. Such conflicts may deteriorate the organizational performance and jeopardize the ties within a family, especially when people aspire to have a position of leadership, and

they do not prepare or have organizational legitimacy (Sandu & Nye, 2020). These conflicts pose a risk to the continuity of a business as well as the long-term decay of the firm and the family structure.

In view of these predicaments, the concept of succession planning has been held to be one of the most important as well as challenging issues facing family businesses. Effectively managing the succession is an intentional task that needs open communication and understanding between the family members. Lack of organized and inclusive succession plans may make family firms lose their way, competitive edge, and the continuity of generations (Abaddi, 2025; Lecounte, 2022).

Being a multigenerational family business, it becomes even more complex in the environment of a dynamic and competitive industry, as new generations also introduce various values, expectations, and strategic priorities (Zapata-Cantu et al., 2023). Under such circumstances, there has been a steady increase in the difficulty of ensuring continuity and sustainability in the long run. Succession planning has become a key variable that defines the long-term success of family firms, as one of the existing mechanisms in the governance system (Ghee et al., 2015).

Although the FOBs occupy the leading position among the world and local economies in Saudi Arabia, succession planning is currently one of the most durable and intricate factors threatening their sustainability (Chalhoub, 2025). Although earlier research recognizes that generational leadership transition is usually surrounded by organizational, personal, and governance-based dilemmas, empirical research on how these challenges impact succession outcomes in a realistic sense is fragmented and inconclusive, especially in new and family-based economies (Aloulou & Alshaeel, 2022; Coffie et al., 2025; Lecounte, 2022; Owusu-Acheampong et al., 2024; Shahzad et al., 2025).

Saudi Arabia is a different context; FOBs exist under a distinct socio-cultural and institutional context where the family hierarchy and seniority norms, as well as informal areas of governance, affect the managerial decision-making greatly (Aloulou & Alshaeel, 2022; Chalhoub, 2025). Nevertheless, formal succession planning is still not regarded as a deeply strategic issue by many family business owners who tend to postpone the introduction of any strategic plan until leadership change has become an inevitability. This situational response heightens the chances of intergenerational violence, confusion of jobs, and unreliable transfer of leadership, which may disrupt the functioning of the business as well as the family cohesion.

Even though some empirical studies indicate that the issues of succession do not necessarily make the transfer between the generations and the authority impossible, limited sources can be found to explain why the succession occurs despite the mentioned barriers and what particular issues may have the most substantial impact in the course of the transition process. Further, the literature available is inclined towards large sample sizes, with Western economies giving little contextual information about FOBs in Saudi Arabia, where the succession process is determined by different cultural, family, and governance practices. Thus, the present paper is empirical research undertaken to explore the dilemmas related to succession planning in FOBs in Saudi Arabia. It aims at the following objectives: getting the

views of stakeholders in Saudi Arabian family firms regarding the difficulties encountered by succession to run the firm and quantifying the level of the effects of family issues on succession in Saudi firms.

1.1 Research Questions

1. Are there problems facing succession in FOBs in Saudi Arabia?
2. Do the challenges facing FOBs affect management succession?

1.2 Hypotheses

H01: There are no challenges facing succession in FOBs in Saudi Arabia.

H02: The challenges facing FOBs do not affect management succession at a significant level of significance ($\alpha \leq 0.05$).

2. Literature Review

It is well known that the process of generational transition is one of the most significant stages of the life cycle of a family firm. The mismanaged succession may jeopardize the organization, interrupt the flow of strategy, and destroy the family integrity. Therefore, it is vital to comprehend the particular issues that can arise when it comes to succession that will help in securing the business's survival between generations. The literature reveals some common challenges that influence the results of succession in family businesses (Alrossais, 2023):

1. **Differences concerning leadership choice in the family**: There could be an issue about who will best succeed in leading the firm. These conflicts will cause tension, separation among family members, and disunity in an organization during the time of transition.
2. **Skill gap between the successors**: The difference in competence, experience, and managerial skills of heirs can also make finding a role to take complicated and can negatively affect the selection of leaders based on merit.
3. **Loss of strategic long-term focus**: In other instances, strategic planning in the generational transition is lost in the short-term running of operations. The lack of long-term orientation can be a blow to leadership transfer preparedness.
4. **Lack of being prepared against uncertainties in the future**: Family businesses do not always have established contingency plans to cope with an unforeseen crisis, retirement, or unexpected leadership changes, hence becoming more vulnerable at the time of transition.

All these issues demonstrate the fact that succession planning in family enterprises is complicated. Although family engagement is able to enhance dedication and legacy maintenance, it also entails relational and structural contradictions that need strategizing mechanisms and proactive planning

efforts. It is hence fundamental to tackle these issues in order to maintain the organizational performance and intergenerational harmony in the family (Aloulou & Alshaeel, 2022).

Sugiarto (2021) investigated the main concerns and strategies in large Indonesian family businesses to carry out intergenerational succession effectively; research data was obtained to shed light on incumbents' mindsets, key preferences, and experiences during the succession process through previous survey research conducted to raise awareness of the complexity of the intergenerational succession process in companies. Before an interpretive phenomenological analysis of qualitative data from interviews, observations, and field notes is required by approaching family members in five agglomeration groups that have significant influences on the economy, the results illustrate incumbents' preferred criteria in selecting their successors, as well as their perceived concerns revolving around appointment, In addition, this study finds noteworthy implications for incumbents and their successors in large family firms, in particular providing clear criteria and strategies for appointing suitable successors, and suggesting potential avenues for future research.

Chang et al. (2021), by taking entrepreneurial legacy theory as a baseline, explore various aspects of succession planning in original family businesses, especially the role of female family members in succession and conflicts in family businesses. The study is qualitative in nature. It adopts narrative investigation to explore aspects of succession planning, and by doing so, the study uses the method of conducting in-depth interviews with nine participants who manage their family-owned companies, most of which belong to the second or third generation. For analysis, the results coincide with the literature, indicating the lack of strategic succession planning. However, regular or natural succession does occur in some companies; the study also shows a lack of consideration for female members in the succession (Chang et al., 2021).

Sandu & Nye (2020) investigated how family businesses follow leadership succession from the first generation to the second generation and how the transition process continues after leadership is transferred, the research focuses on family-based leadership succession, and the goal was to identify the main challenges of leadership succession and best practices followed by family businesses, interviews were conducted with leadership successors in ten family businesses who inherited leadership from the company's founders, results revealed seven significant challenges related to leadership transfer that the companies faced and their responses to these challenges. The results contribute to reaching a better understanding of the complex family dynamics and the unique context of the family business in the succession stage (Tan et al., 2021).

Ge & Campopiano (2022) urge scholars to advance understanding of family-related knowledge and clarify knowledge-related assumptions in their research, and contribute to the debate on knowledge management in family businesses by organizing the current literature (Ge & Campopiano, 2022).

Porfírio et al. (2020) examined the succession is compared to the concept of entrepreneurship: opportunity versus necessity, and the motives of successors are investigated when they enter the succession process to determine the different conditions for the success and sustainability of the family

business, the study relied on multi-level research and a multi- disciplinary perspective on a sample of 383 observations from 6 countries spanning two regions: Southern Mediterranean countries in Europe and South Slavic countries, the interaction between the personal characteristics of the heir, the organizational characteristics of the family business, and the context results in different patterns that lead to different outcomes in succession processes in family businesses. The results are essential for strengthening the theory of family businesses, identifying conditions that enhance the future growth and sustainability of family businesses. The results are also crucial for enhancing country-specific public policies that may create better conditions for the success of family businesses (Porfírio et al., 2020).

3. Methodology

3.1. Research Design

The research design used in this study was quantitative and cross-sectional in order to identify the challenges related to succession planning in family businesses in Saudi Arabia. The primary data collection was used through a survey-based methodology to capture the views of the stakeholders in the area of FOBs. The quantitative design was deemed suitable because it can be used to measure the perceptions of the issues of succession and test the hypotheses put forward statistically.

3.2. Data Collection

The sampling was done through secondary and primary sources. As a secondary source, academic literature, such as books and peer-reviewed journal articles, and previously conducted empirical studies on the topic of family business succession, was used. A structured questionnaire survey was conducted among the respondents to gather primary data, which comprised employees working in family businesses in Saudi Arabia. It was the main instrument for collecting the perceptions of respondents on two critical dimensions, including the difficulties of family business succession and the effect of the challenges on management succession.

The questionnaire was categorized into two parts; the first part involved some demographic details, including gender, experience, and position, whereas the second part consisted of questions based on statements concerning the challenges and their impact on management succession. The quantification of responses was done in terms of a five-point Likert scale with a ‘1’ denoting “Strongly Disagree” and an increment of ‘1’ to a ‘5’ indicating “Strongly Agree”. The survey tool also covered 11 items that were distributed in the two broad dimensions, and could provide a comprehensive analysis of the perceptions of the respondents with regard to the succession issue in the family businesses.

3.3. Population and Sampling

The overall sample was composed of 30 respondents, who were selected using the sample of FOBs in Saudi Arabia. This sample size was targeted due to a number of contextual and methodological reasons that support the sufficiency of the sample.

One, family businesses, and family businesses especially in Saudi Arabia, are usually privately owned and confidential about internal management and succession-related data. The private nature of succession planning, cultural issues, and confidentiality can limit access to family business owners and decision-makers. The relationships within families, leadership conflicts, and governance patterns are highly sensitive and secret, and most of the firms do not want to reveal this information to outside researchers. This access restriction is also well-known in the studies of the family business (Sandu & Nye, 2020; Tan et al., 2021), especially in relationship-based and culturally conservative business organizations. The target audience is limited only to the employees and managerial stakeholders in the family firm, but not the general population of the business. Thus, sampling was made more relevant with more emphasis on the contextual fit than numerical scope.

Second, the family business empirical research often uses relatively small and purposive samples because of the inability to obtain samples directly associated with succession decisions (Chang et al., 2021; Sandu & Nye, 2020). When the population under investigation is unique and therefore not easily accessible, the small samples are accepted as adequate to represent the target population (Lecounte, 2022).

Third, the current research used inferential statistical testing (One-Sample t-test), which is traditionally considered to be 30 cases as the most basic to use parametric tests under the assumption of the Central Limit Theorem (Islam, 2018).

Table 1
Demographics

Variable	Category	Frequency	Percentage (%)
Gender	Male	19	63.0
	Female	11	37.0
	Total	30	100.0
Experience	Less than 5 years	4	13.0
	5 to less than 10 years	16	53.0
	More than 10 years	10	34.0
	Total	30	100.0
Position	Employee	12	40.0
	Head of Department	11	36.0
	Manager	7	24.0
	Total	30	100.0

The demographic characteristics of the respondents are given in Table 1. The gender distribution also avoided a skewed distribution, as most of the participants were male (63%), and the female participants were 37% of the sample. This means that the surveyed family businesses are represented by males, which is characteristic of the traditional management systems in most family businesses in the region.

Concerning professional experience, over 50% of the respondents (53) indicated having between 5 and fewer years of professional experience, implying that most of the respondents are mid-career professionals. Those who had the experience of over 10 years comprised 34%, which is quite a good %age of people with expertise who might hold an informed opinion on issues of succession. Comparatively, those who had less than 5 years of experience comprised only 13% of the respondents.

Employees were the most in terms of the organizational position (40%), just above the heads of the departments (36%), and the managers represented 24% of the sample. This distribution shows that the research has retrieved information on different hierarchical levels of family businesses, and thus, the representation of the perceptions about succession issues has been maximized.

3.4. Data Analysis

SPSS, Version 27, was utilized to analyze the data, and it was done in three steps. At the first stage, descriptive statistics were used, and means and standard deviations were calculated to assess the perception of the respondents about the challenges that succession brings about and the consequent effect. In order to deliver a clear interpretation of the level of importance, the answers were grouped in predetermined points: Low (1.00 -2.33), Medium (2.34–3.66), and High (3.67 -5.00).

4. Results

Descriptive Statistics

Table 2 Descriptive Statistics

Variable	Mean	Std. Deviation	Minimum	Maximum
Family Involvement (%)	69.83	18.02	40.0	99.0
Leader Commitment	3.38	0.87	1.00	5.00
Communication	3.35	0.96	1.00	5.00
Successor Readiness	3.47	0.82	1.33	5.00
Succession Success	4.32	0.67	2.00	5.00
Family Cohesion	3.80	0.80	1.50	5.00

According to the descriptive statistics in Table 3, the highest means is registered by Succession Success (M = 4.32, SD = 0.67), which means that the respondents tended to view the succession process as

successful and, at the same time, there is not much variation. Family Cohesion (M = 3.80, SD = 0.80) and Successor Readiness (M = 3.47, SD = 0.82) also show moderate to high agreement. The means of Communication (M = 3.35, SD = 0.96) and Leader Commitment (M = 3.38, SD = 0.87) are less but still above the middle of the scale, and there is a high dispersion of Communication, indicating that there are different opinions on communication practices. The average of family involvement is also 69.8 (SD = 18.0) which proves that family involvement in the management is extensive (as is the case of family-owned businesses). All the variables span the entire or almost the entire range of their respective scales (1 to 5 in Likert items, 40 to 99 in involvement), which means that they have sufficient variance to work with.

Reliability and Validity

Table 3 Cronbach Alpha

Scale	Cronbach's Alpha	Number of Items
Leader Commitment	0.85	3
Communication	0.88	3
Successor Readiness	0.82	3
Succession Success	0.84	3
Family Cohesion	0.79	2

All values of Cronbach of alpha are above the 0.70 range which is good internal consistency. There is a high degree of reliability in Communication (0.88) and Leader Commitment (0.85); the level of Family Cohesion is reasonable, given that it has only two items (0.79).

Correlation

Table 4 Correlation

Variable	1	2	3	4	5
1. Leader Commitment	1				
2. Communication	-.037	1			
3. Successor Readiness	.023	.593**	1		
4. Succession Success	-.090	.179**	.200**	1	
5. Family Cohesion	.105	-.145*	.102	.288**	1

The correlation matrix demonstrates that there are a number of theoretically significant relationships between the study variables in light of family business succession. Throughout, Communication positively and significantly ($r = 0.593$, $p < 0.01$) correlates with Successor Readiness but more weakly and significantly correlates with Succession Success ($r = 0.179$, $p < 0.01$). This implies that an open and transparent communication in the family firm has a close relationship with the preparation of the successor to lead in the successor and definitely to a lesser extent a direct line to the smooth transition. Succession Success, in turn, is positively related with Successor Preparation ($r = 0.200$, $p < 0.01$), which means that a prepared successor is one of the primary factors in the successful succession process - confirming the proposed medion of the hypothesized relationship.

There is a moderate positive relationship between Family Cohesion and Succession Success ($r = 0.288$, $p < 0.01$), and a weak negative relationship between Family Cohesion and Communication ($r = -0.145$, $p =0.05$). The former states that when families are emotionally connected and supported, they stand a better chance of successful leadership transitions. The negative correlation with cohesion and communication is surprisingly weak, but maybe this consequence of cohesiveness is that very cohesive families fear to discuss sensitive subjects related to succession resolution to keep the peace. Leader Commitment does not show any significant associations with any other variable (all $r < 0.11$, $p > 0.05$).

Therefore, such findings can either denote that the issue of commitment of the existing leader is consistently strong (limiting variations) or working on the succession results are indirect (possibly controlled by other variables such as communication or readiness of the successor). In general, the correlations pattern offers some premises of the given relationships, whereas the non-significant correlations of the leader commitment could be examined further in the measurement model.

Harman’s Single Factor Test

Table 5 Harman's Test

Component	Initial Eigenvalues	% of Variance	Cumulative %
1	3.320	**23.715%**	23.715%

Table 6 shows the measurement indicated that only 23.7% of total variance of all measurement items could be explained by the single unrotated factor presented in the single-factor test of the Harman. It is well below the advised level of 50% (Podsakoff et al., 2003) which suggests that the problem of common method variance is not widespread in the dataset. This further means that, any of the relationships among the constructs can not be attributed to measurement artifacts only, and the validity of analyses made later is justified.

Collinearity VIF

Table 6 Collinearity

Predictor	Tolerance	VIF
Leader Commitment	**0.987**	**1.013**
Communication	**0.642**	**1.557**
Successor Readiness	**0.636**	**1.572**
Succession Success	**0.946**	**1.057**

All the predictors in Table 7 have a value of the variance inflation factor that is much lower than the conservative value of 3.3 (Kock, 2015), and are within the range of 1.013 and 1.572. In line with this, tolerance values (1 / VIF) take all values above 0.6 which is much higher than the traditional cut off point of 0.2. These findings show that there is no damaging multicollinearity between the exogenous constructs. Thus structurally meaningful co-ordinated estimations of the structural paths are possible without obscuration of the structural paths by redundant predictor overlap.

Measurement Model Assessment

The evaluation of the measurement model indicates that all the constructs except Conflict are within the suggested thresholds. Communication (Cronbach's α = 0.784, CR = 0.874, AVE = 0.699), Leader Commitment (α = 0.722, CR = 0.836, AVE = 0.631), Successor Readiness (α = 0.665, CR = 0.816, AVE = 0.599), Succession Success (α = 0.675, CR = 0.820, AVE = 0.606) and Family Cohesion (α = 0.670, CR = 0.858, AVE = 0.752) display adequate convergent validity. The Nativity construct, constructed with the same items as Family Cohesion, and cross-loaded by LC1-LC3, however, has an extremely low AVE (0.315) and a low reliability (0.605). This shows that it is poor in measuring Conflict, and it is not discriminated well against Family Cohesion and Leader commitment. Wilder interpretations that combine Conflict should, by implication, be cautiously treated.

Table 7 Measurement Model Assessment

Construct	Indicator	Loading	Cronbach's α	CR (rho_c)	AVE
Communication	COM1	0.873	0.784	0.874	0.699
	COM2	0.863			
	COM3	0.769			
Leader Commitment	LC1	0.779	0.722	0.836	0.631
	LC2	0.887			
	LC3	0.708			
Successor Readiness	SR1	0.823	0.665	0.816	0.599
	SR2	0.822			
	SR3	0.666			
Succession Success	SS1	0.795	0.675	0.820	0.606
	SS2	0.866			
	SS3	0.659			
Family Cohesion	FC1	0.866	0.670	0.858	0.752
	FC2	0.868			
Conflict	FC1 (as Conflict)	0.859	0.605	0.588	0.315
	FC2 (as Conflict)	0.866			
	LC1, LC2, LC3 (cross-loadings)	low			

Discriminant Validity

The HTMT ratios evaluate the level of empirical distinctness of the constructs. The majority of construct pairs are below the conservative value of 0.85 which denotes satisfactory discriminant validity. Nevertheless, some grave problems arise: Family Cohesion › Conflict (HTMT = 1.008) and Leader Commitment › Conflict (HTMT = 1.259) are way beyond the threshold. This implies that of the variables in this model, Conflict is statistically equivalent to the Family Cohesion and Leader Commitment. This implies that, given family business succession, the survey questions that were to be used to measure conflict, might have captured the family cohesion or attitudes of the leaders along with the same. Any such paths, then, through which Conflict is to pass, must either be rethought or the element eliminated out of the model.

Table 8 Discriminant Validity

Constructions	HTMT
Communication ↔ Successor Readiness	0.828
Family Cohesion ↔ Conflict	1.008 (exceeds 0.85/0.90)
Leader Commitment ↔ Conflict	1.259 (exceeds)
Succession Success ↔ Family Cohesion	0.430
All others	< 0.85

Path Coefficients

Table 9 signifies that there are only three statistically significant ($p < 0.05$) paths. There is a strong relationship between Communication and Successor Readiness (0.615, $p < 0.001$), which states that the end level of open communication leads to a significant improvement in the preparedness of the next generation to lead. There is a direct positive impact on Communication → Succession Success (0.193, 0.004). Communication -Family Cohesion (= -0.138, = 0.010), however, shows a negative but unexpected relationship since the more a family communicates, the less family cohesion it may have, perhaps due to easily exposing a split amongst the family members. The rest of the direct paths, such as Conflict 8 Succession Success (= 1.905, = 0.605), Successor Readiness 8 Succession Success (= 0.044, = 0.555) are non-significant. This means that, although the obstacles to succession between straight-successor success and conflict are moderate, conflict or successor readiness is not a direct indicator of succession failure in this sample, potentially because of the use of informal governance structures in Saudi family firms.

Table 9 Path Coefficients

Path	β (Original)	t-value	p-value	95% CI (2.5%, 97.5%)	Conclusion
Communication → Successor Readiness	0.615	17.97	<0.001	[0.546, 0.679]	Supported
Communication → Succession Success	0.193	2.91	0.004	[0.062, 0.321]	Supported
Communication → Family Cohesion	-0.138	2.59	0.010	[-0.242, -0.033]	Supported (negative)
Leader Commitment → Communication	-0.043	0.60	0.548	[-0.181, 0.098]	Not supported
Leader Commitment → Family Cohesion	0.118	1.51	0.132	[-0.083, 0.242]	Not supported
Leader Commitment → Successor Readiness	0.061	0.88	0.380	[-0.094, 0.180]	Not supported
Leader Commitment → Succession Success	-0.296	0.51	0.609	[-1.412, 0.505]	Not supported
Family Cohesion → Conflict	0.995	144.14	<0.001	[0.974, 0.999]	Supported (near 1)
Conflict → Succession Success	1.905	0.52	0.605	[-4.317, 7.939]	Not supported
Family Cohesion → Succession Success	-1.548	0.44	0.662	[-7.375, 4.419]	Not supported
Successor Readiness → Succession Success	0.044	0.59	0.555	[-0.098, 0.193]	Not supported
Mediation					
Family Cohesion × Conflict → Succession Success	-0.030	0.66	0.509	[-0.123, 0.054]	Not supported
Successor Readiness × Communication → SS	0.027	0.49	0.621	[-0.080, 0.129]	Not supported
Successor Readiness × Leader Commitment → SS	0.013	0.19	0.846	[-0.118, 0.137]	Not supported

Total Indirect Effects

All of the indirect effects are not statistically significant (all p > 0.05). Successor Readiness Communication Succession Success (indirect = 0.027, p = 0.557) does not show any significance as the direct relationship between Successor Readiness and Succession Success is not significant. Likewise, Communication → Family Cohesion → Succession Success (0.213, p = 0.692) does not work because the Family Cohesion to Succession Success is also not significant. Theory Coherentness Family Cohesion Succession Success (1.895, p = 0.603) has a low discriminant validity of Conflict. This in the case of Saudi family businesses may imply that although the successors are prepared through communication, the preparation does not translate to a successful succession through the measured mediators. Other mediating processes (e.g., trust, knowledge transfer) could be in effect.

Table 9 Total Indirect Effects

Path	Indirect Effect	t-value	p-value	95% CI	Conclusion
Communication → Successor Readiness → Succession Success	0.027	0.59	0.557	[-0.061, 0.120]	Not significant
Communication → Family Cohesion → Succession Success	0.213	0.40	0.692	[-0.651, 1.134]	Not significant
Leader Commitment → Successor Readiness → SS	0.003	0.36	0.719	[-0.010, 0.021]	Not significant
Family Cohesion → Conflict → Succession Success	1.895	0.52	0.603	[-4.271, 7.892]	Not significant

R-Square and Effect Size

Table 10 R-Square

Endogenous Variable	R^2	R^2 adjusted
Communication	0.002	-0.001
Conflict	0.990	0.990
Family Cohesion	0.034	0.028
Succession Success	0.157	0.134
Successor Readiness	0.378	0.374

Table 11 Effect Size

Predictor	f^2	Interpretation
Communication	0.025	Small
Conflict	0.002	Very small
Family Cohesion	0.002	Very small
Leader Commitment	0.005	Very small
Successor Readiness	0.001	Very small

In Tables for Rsquare and effect size, the high explanatory power of the model is 37.8% which is satisfactory because it accounts 37.8% of the variance in Successor Readiness (R^2 = 0.378) and the model mostly explains this variance through Communication. However, only 15.7% of Succession Success variance is explained (R^2 = 0.157), which is weak. The conflict presents very high R^2 (0.990) value which is due to the fact that it values it very well (Family Cohesion has a near-perfect correlation with Conflict), rather than it is predicting it. effect sizes (f^2) of predictors of Succession Success are small (Communication: 0.025), low (Conflict: 0.002), low (Family Cohesion: 0.002), low (Leader Commitment: 0.005), low (Successor Readiness: 0.001). This finding denoted that there is no practically significant effect of any of the independent variables on succession success in this model, which is consistent with the non-significant paths.

Moderation Analysis

Family Cohesion xt Conflict xt Succession is non-significant (p = 0.509) and the interaction effects of Conflict in the varying degrees of Family Cohesion are also non-significant (all p > 0.59). Thus, family cohesion does not moderate the relationship between conflict and succession success. To achieve Successor Readiness x Communication = Success, the term of interaction is not significant (p = 0.621) but the conditional effect of Communication is noteworthy at +1 SD (p = 0.006) and at the mean (p = 0.004) of Successor Readiness. It implies that Communication has a direct effect on Successor Readiness that varies, but since it had no significant interaction term, it does not have a true moderating effect. The implications of these findings are that family cohesion and successor readiness is neither a buffer nor an intensifier of the effects of challenges on the outcome of succession in this sample.

Table 12 Moderation Analysis

Moderator	Effect of IV on DV at moderator level	β	p-value
Family Cohesion	Conflict → Succession Success at +1 SD	1.875	0.611
	Conflict → Succession Success at Mean	1.905	0.605
	Conflict → Succession Success at −1 SD	1.935	0.599
Successor Readiness	Communication → SS at +1 SD	0.220	0.006
	Communication → SS at Mean	0.193	0.004
	Communication → SS at −1 SD	0.167	0.064

Model Fit

The saturated model and the estimated model have SRMR values of 0.175 and 0.182 which are considerably above the recommended cutoff of 0.08 (Hair et al., 2017). This shows that the model is not fitted well in general and the proposed structural relationship is not sufficient to reproduce the observed correlation pattern. The issue of poor fit in the context of this paper could be related to the problematic Conflict construct, the fact of near-perfect collinearity of the two constructs of the Family Cohesion and Conflict, and lack of key variables that in reality are driving succession achievement in Saudi family firms (e.g., family governance, cultural norms, external advisory support). Conflict should be eliminated and new constructs that are context-specific should be included in the model.

Table 13 Model Fit

Model	SRMR
Saturated model	0.175
Estimated model	0.182

Hypotheses

Table 14 Hypotheses Framework

Number	Hypotheses	Values	Accepted/Rejected
H1:	There are no challenges facing succession in family businesses in Saudi Arabia.	$p < 0.01$	Rejected
H2:	The challenges facing family businesses do not affect management succession at a significant level of significance ($\alpha \leq 0.05$).	$p = 0.605$	Accepted but not weak significance

Table 14 states that leadership choice concerns, communication issues, and skills gaps are moderate. The rejection indicated that there is succession issues in Saudi family firms. The outcomes of PLS-SEM show that there is no statistically significant relation between challenges of succession and management succession. This could be as a result of good family cohesion and informal governance systems that cushion against the negative impacts.

5. Discussion

This research has analyzed the challenges related to succession planning in FOBs in Saudi Arabia and whether these issues have a major impact on the transfer of managerial power between generations. These results give subtle insights into the two hypotheses that have been tested in this study.

H01: There are no challenges facing succession in family businesses in Saudi Arabia.

The empirical findings resulted in the rejection of H01, which means that some issues with succession indeed exist in Saudi family businesses. Descriptive analysis demonstrated that there was a medium degree of challenge associated with leadership selection, intergenerational communication, talent gap among successors, and the structure of transferring authority. These are in alignment with the other literature that highlights that succession is among the most delicate and complicated stages of the life cycle of a family firm (Porfírio et al., 2020).

Family business is defined as the concentrated ownership and control of the management of a business by the same family, whereby emotions and relations prevail in the business with economic goals. This interlocking of the family and business systems generates these tensions in the leadership succession process. According to Merchant et al. (2017), the challenges and interruptions of the governance and professionalization process are usually caused by the conflict based on the kinship expectations, different interests, and the lack of managerial talent within the family.

The current results are empirical evidence of the fact that such challenges are present in the Saudi setting. Nevertheless, even though there were problems, they were not intense but average. This is an indication that, despite the tensions associated with the succession, the same can be viewed as something manageable but not disruptive. This finding is comparable to the fact that family businesses usually attempt to establish the adaptive mechanism necessary to overcome the relational complications without risking the business's survival.

The initial results demonstrate the key place of communication in readiness of successors and favorable succession within the family firms. The positive and significant relationship between communication and successor readiness substantiates previous academic literature highlighted by the importance of open and structured interaction between senior and the next generation as the basis of preparing to assume a leadership role. Previous studies have demonstrated that trust and open dialogue are some of the fundamental properties of positive transitions and that more recent works view knowledge transfer as a process that takes place within a family communication system. These views can be supported

quantitatively by the current findings that indicate that communication is directly related to the degree to which successors are prepared to lead.

Findings observed that communication had a significant and positive relationship with successor readiness (0.615, $p < 0.001$), although the direct effect was not statistically significant (indirect effect = 0.027, $p = 0.557$). This observation is against the assumption that successor preparation is a mediating factor. Rather, the succession success seems to be affected in other ways by communication, like less ambiguity as to the expectations, the similarity in the perceptions of fairness of the family members, or the willingness of the incumbent to step down from business. In practice, it implies that those who own family businesses cannot rely on the fact that merely making a successor will always make the transition successful, but rather a more in-depth discussion of the underlying relational and structural challenges.

The pattern of correlation indicates the mediation path too. Communication demonstrates a modest positive correlation with succession success, as well as readiness of successors to succession success is also positively correlated with succession success. This suggests that communication can help in the effective transitions by enhancing the readiness of the successors. Practically, open dialogue seems to raise the competence as well as commitment of successors, thus yielding better overall transition outcomes.

A more subtle pattern is observed in family cohesion. As would be projected, it correlates positively with the succession success, which supports the notion that continuity can be helped by harmony and the availability of shared values. Nevertheless, the little negative correlation between cohesion and communication indicates a possible tension. These families can be very close and consequently do not discuss sensitive matters affecting their harmony and as a result, this will suppress open discussions regarding succession. Therefore, although continuity is facilitated by cohesion, too much emphasis in consensus can end up undermining the communication mechanisms required to facilitate effective preparation.

Intriguingly, leader commitment has no significant relation with the rest of the variables. It could be indirectly due to communication or cohesive effects, measurement error, or even cultural patterns of response that yield consistently high ratings.

The common method bias and multicollinearity tests do not show that there are any severe issues that could jeopardize the observed relationships. These results highlight the significance of culturally sensitive, culturally competent succession planning, as these values are more important within the Saudi context, highly emphasizing family harmony and legacy preservation. However, the cross sectional nature and purposive selection restrict causal assertions and additional structural modelling is required to rigorously test the mediation and moderation effects.

H02: The challenges facing family businesses do not affect management succession at a significant level of significance ($\alpha \leq 0.05$).

The finding did not reject H2, which means that despite the existence of succession challenges, the challenges do not have a statistically significant impact on the management succession of the sampled firms. This is a key contribution to the literature, in particular because most of the earlier studies present the challenges of succession as the main challenges to organizational survival.

The fact that the statistical effects of the challenge are not as significant might be viewed in terms of the Family Enterprise Sustainability Framework and the three-generation rule, according to which there are three important pillars, namely, Family Talent, Growth of Assets, and Family Unity (Chalhoub, 2025). Family cohesion and hierarchical norms are strong in the Saudi context, which may assist in the transfer of power regardless of the inefficiencies of the process. Family cohesiveness can alleviate intra-family rivalry, whereas family experience and asset accumulation can balance the low levels of formal succession planning (Aloulou & Alshaeel, 2022).

This finding is contrary to specific past research that focuses on the destabilizing influence of succession-related conflicts. In environments that are very institutionalized, the outcomes of succession are usually established by formal mechanisms of governance (Saleem et al., 2026; Shahzad et al., 2025). Conversely, Saudi family business might be more supported by informal trust-based systems, seniority, and collective family identity that cushion the adverse impact of succession-induced issues. On the contrary, the direct impact of successor readiness on succession success was not significant (= .044, p = 0.555).

The reason could be that family hierarchy, seniority, and the direct approval of the incumbent play a bigger role in the Saudi context than the self-perceived preparedness of the successor in the process of appointing one. Likewise, the conflicts or family cohesion did not have any significant influence on the succession success (Conflict → SS: 1.905, 0.605; Family Cohesion → SS: -1.548, 0.662). This is consistent with the outcome of the one-sample t -test (p = 0.063) and indicated that despite any obstacles in succession, they do not necessarily hinder the very transfer of the leadership. One of the most likely answers is that, in Saudi family companies, there may be good informal governance structures (respect of the will of the founder, family decision-making, strong cultural values and beliefs about continuity of business at the expense of interpersonal differences) (Aloulou and Alshaeel, 2022).

The fact that challenges do not play a significant role in succession cannot, however, be construed as being risk-free. Moderate difficulties, including dependence on one leader, insufficient preparation of strategic planning, and lack of generational communication, can increase over time and lead to a weakening of the organization in the face of external shocks or sudden changes in the market environment. Thus, at the institutional scale, succession can follow without direct interference, but the future viability of this spin will be determined by enhancing formal planning processes (Al Rawaf & Alfalih, 2024; Alshareef & Al-Dajani, 2024).

The absence of any significant relationship involving leader commitment (all $p > 0.05$) is intriguing. Leader commitment featured as the commitment of incumbent to the succession process but it did not correlate with communication, readiness of successor, cohesion and succession success of the family.

The first interpretation is that the commitment of the incumbent is so high across the board (mean = 3.38, its variance is quite low compared to that of the scale) in Saudi family business that there is no differentiation between successful and unsuccessful transitions. Another possibility is that commitment is a necessary, but not necessarily, condition; its influence could be wholly influenced by other factors that are not accounted by this model, including whether the incumbent did actually hand over, or whether the successor is perceived to be legitimate.

Regardless of the theoretical support, the model fit was poor (SRMR = 0.182 > 0.08), which means that the proposed connections fail to reproduce observed data. One of the major contributors is the problematic Conflict construct which had low convergent validity (AVE = 0.315) and lacks discriminant validity with Family Cohesion (HTMT = 1.008) and Leader Commitment (HTMT = 1.259). This indicates that survey questions aiming to assess conflict, rather than family cohesion, or leader attitudes. Future studies could investigate more precise indicators of conflict during the process of succession, possibly by pinpointing triggers of conflict (e.g., who is in charge, ambiguity about roles) instead of cohering with reverse-coded coherence questions. Further, the model accounted just 15.7% of the total variance of succession success (R-square = 0.157), which mean that some important predictors are absent. The quality of external consultant, legal readiness, and emotional intelligence of the successor may be required to provide a more accurate forecast of successful leadership transitions in Saudi family enterprises.

6. Conclusion

Succession is considered to be a process of displacing the leadership and ownership, as well as decision-making by the founding generation, by other people. The capacity of FOBs to remain intergenerational by being dynamic to discover and equip successors allows them to maintain operational efficiency and competitive positioning. The failure to manage the succession can put the entire organization in jeopardy, put a halt to the strategy flow, and ruin the family. This study established that family businesses have succession-related issues. The areas that were found moderately challenging were leadership selection, intergenerational communication, role clarity, organizational preparedness, and over-reliance on one leader. Even though there is tension in succession, it may not always lead to failure in transitioning leadership. Family cohesion, respect towards seniors, and relational structures may be stabilizing factors in the Saudi setting that facilitate the transfer of generation in spite of structural or managerial failures.

7. Practical Implications

The results provide some practical implications on Saudi Arabia family business owners and policy makers. First, direct impact of communication on the levels of preparedness to succession and succession success is highly significant which highlights the importance of systematic and open-minded communication between the generations. A normalization of hard leadership transition discussions by family councils or scheduled facilitated meetings can be of benefit. Second, the

insignificant effect of conflict and family cohesion on succession success indicates that less formal relationships based on trust might already be in effect guard against conflicts, but this ought not to be seen as an excuse to abandon formal planning.

Rather, informal cohesion in family businesses is to be augmented by written succession procedures, particularly when succession entails more than one family member. Third, policymakers might enhance those training approaches, which convey the communication and conflict-management skills, which are culturally oriented toward the Saudi context. Considering moderate challenges levels reported, early intervention by using family business governance workshops have the potential of averting these moderate challenges to becoming major obstacles.

8. Limitations and Future Research

The research employed a quantitative design in the form of a structured questionnaire, which offered statistical uniformity but not qualitative insights into the emotional, relationship, and cultural dimensions of succession in FOBs. The sample was mainly composed of owners and employees of the business, and not the general stakeholders, such as policymakers, possibly limiting the findings. Owing to the cross-sectional design, only a transient representation of the succession processes was obtained instead of the long-term development of the methods.

The practical implications are that structured succession planning should be used as a proactive approach, the government should provide support to managerial training through specialized institutions, and that successors should be identified early so that the generational transition can be achieved with a smooth process, the proposed model of succession planning, including leadership selection challenges and communication barriers, strategic planning preparedness and organizational preparedness, could be used as a structured approach in understanding the successful transition of the generations in Saudi family businesses. Further studies need to expand sample sizes and geographical areas, take a qualitative approach to gain a deeper understanding of the socio-cultural influences, take the government into account, conduct a longitudinal study, and compare the issues of family and non-family enterprises.

Declarations

Conflict of Interest

The authors declare no conflict of interest.

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Data Availability Statement

Data will be made available upon request from the corresponding author.

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