PhD Research

FAMILY BUSINESS IN SAUDI ARABIA

by

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Declaration

I hereby declare that I am the author of this thesis; that the work of which this thesis is a record has been done by myself, and that it has not previously been accepted for a higher degree.

Sincerely,

Sara

Sara Balila

Acknowledgements

Rarely is success the work of one person alone. I am very grateful for finishing my PhD thesis with the support and inspiration of my beloved, family, friends and surroundings. First and foremost, I would like to express my sincere gratitude to mighty Allah for giving me this chance in life and easing my way to the end of the path.

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Dedication

I wish to dedicate this thesis to my beloved daughters Samia, Maria, Dania and Talia for all of their patience, support, inspiration, and love. Please always remember that your Mom is a Doctor because of you!

Abstract

This thesis constitutes the first comprehensive study of family business in Saudi Arabia. Others have focused on aspects of the topic such as succession and strategy, but no prior author has conducted a multi-faceted investigation of the type presented here. Yet family business is an institution of fundamental importance to the economy and society in the country, accounting for a large proportion of employment in the private sector in firms large and small. In what follows, family business is located within the context of national economic policy (chapter 4), its social foundations are analysed (chapter 5), a typology is presented revealing profound differences between firms with respect to age, size and decision making (chapter 6), and issues relating to power, governance, succession and conflict are revealed and interpreted (chapter 7). Comparisons are made between family businesses in Saudi Arabia and in western countries, mainly the UK and USA, to highlight what is truly distinctive about custom and practice in Saudi Arabia.

The approach taken in this thesis is primarily qualitative. Semi-structured interviews were conducted at 30 companies with 60 family members of differing status, including CEOs, chairmen and executives, of whom 10 were women and 50 were men. Additionally, documents were gathered from publicly available sources for each case relating to strategy, management and organization. The data were then coded thematically and analysed using the Gioia methodology to identify aggregate themes. Each theme was then examined, discussed and interpreted in detail, drawing on appropriate theory. Especially important to this exercise in sensemaking were the theoretical ideas and constructs of Pierre Bourdieu, enabling fresh insights to be garnered concerning power and the social organization of family business in Saudi Arabia.

Little is known or published concerning the role of family members and their daily interactions in family business in Saudi Arabia. My research aims to fill this gap in the literature. A focus on capturing Islamic cultural identity from a Saudi perspective and reflecting upon Saudi nationals' views and lifestyles are fundamental to understanding family businesses in the country. My research has led to three original and substantive findings. First, while many other authors have identified the importance of culture in shaping family business, I find Saudi Arabia to be distinguished by its stringent approach to the application of Islamic law and societal norms, resulting in distinctive practices such as gender segregation and men inheriting twice as much as women. Second, I find that firm strategies vary considerably depending on company size, age and the practices of family members, leading to four predominant types of strategic decision making. Third, I find that the nature of succession problems varies depending on firm size. In small and medium-sized firms, succession is conceived in classical terms of management succession, with the older generation typically micromanaging the future, whereas in large firms what matters is ownership succession since managerial authority has already been delegated to professional managers.

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Chapter One:
Introduction

1.1 Background

Saudi Arabia is a country of great wealth, material resources, and geographic size which occupies a strategically important geopolitical position in the Middle East and its important role is expected to persist as it pursues new avenues of economic expansion. A member of the G20, Saudi Arabia is the world's largest oil exporter and about 90% of government revenue derives from oil. Furthermore, the country is second only to the former Soviet Union in petroleum production, which shows the continuing significance of Saudi oil in the world economy. Its oil resources have a significant impact in Saudi Arabia, and the country is seen as one of the central economic and political forces in the region (Niblock and Malik, 2007). The enormous monetary resources generated by oil revenues have allowed the Saudi government to administer its budgetary programmes effectively and to create a flourishing economy (Niblock and Malik, 2007; Samargandi *et al.*, 2014). According to the Saudi Ministry of Commerce and Investment, the national economy depends on four sources, listed from the most important to the least: oil and gas; petroleum and cement; metals such as silver, gold, lead, copper, platinum, and zinc; and finally agriculture.

Saudi Arabia has not yet broken free from its dependence on oil revenues. However, in the last few years, as prices have risen, the issue of oil dependence has become a global concern. Organizations such as OPEC and the Gulf Cooperation Council (GCC) are aiding Saudi Arabia and other oil producers in achieving a balance between fluctuating global demand for oil and fixed levels of production. Saudi history has shown that any decline in oil prices or in the country's production of oil can prove disastrous for the economy in terms of budget deficits (Nawwab *et al.*, 1995; Anderson Jr, 2014). This uncertainty is due to the economy's heavy reliance on this single export commodity. Therefore, there have been serious attempts to increase the size and role of the private sector. Indeed, Saudi Arabia has recently committed itself to an ambitious economic development plan and has identified its private sector as a major driver in creating both wealth and jobs for Saudi citizens. A significant part of the Saudi

Arabian business sector is family-owned, representing a key avenue for future economic expansion.

Family businesses in Saudi Arabia are a vital economic resource for the country. They represent approximately 90% of private sector companies. According to recently released statistics from the Saudi Arabian Monetary Agency (SAMA) in a paper entitled ‘HRD in Saudi Family Business’ presented at the 6th International Conference of the King Fahd University of Petroleum and Minerals (KFUPM), the total number of family-dominated firms had reached 621,400 (Syed *et al.*, 2013). Also family-owned businesses constitute 45% of companies in the list of the top 100 businesses in Saudi Arabia (Achoui, 2009). In fact, this has been achieved through strong government support for the private sector and family business. The Saudi government recognises the need for an effective and flourishing private sector. One objective of the country’s five-year development plans has been to establish a successful system for expanding the non-oil market and a system of government that nurtures and supports private enterprise. The government has intended to define what the private sector needs for its effective operation, and guidelines for the management of progress in all areas were included in the plans.

Nevertheless, despite progress in increasing the level of the private sector and family business in Saudi Arabia, many economic and social factors have affected the process. Saudi Arabia’s constitution is based on Shariah law that is derived from the Holy Quran and the Sunnah of the Prophet Muhammad. Therefore, Islam plays an important role in defining cultural boundaries, as there is no separation between religion and politics (Al-Rasheed, 2006). Furthermore, Arab traditions and tribal systems shape the culture of Saudi society. The business environment in the country is affected by pervasive social factors. For example, social life is ruled by the Islamic religion and the conservative Saudi culture, which cause a lack of networking and social acceptance, and limit the ability to communicate between the genders. Family businesses in Saudi Arabia are also affected by the Islamic religion, and the Arab and tribal culture of the country. Therefore, more research is needed to provide an in-depth understanding of the influence of Arab culture and societal norms in the country (Fielden and Davidson, 2005; Chamlou *et al.*, 2008).

1.2 Significance of the Research Area

The history of family businesses goes back thousands of years, and they still dominate the economic landscape of most nations today (Astrachan and Shanker, 2003; Sharma, 2004). Interest in the study of family business has grown over time as shown in the increasing number of publications in the field and number of education institutions teaching family business programmes (Sharma, 2004).

Family business has become an independent academic field of research since the 1990s (Bird *et al.*, 2002). In social research, some argue that the process employed in an area of study is the main criterion that gives any academic field its status, while others consider that the outcome of research is the basis for the origin of a new field (Bird *et al.*, 2002). Meanwhile Handler (1989) calls for a broadening of the range of research methods used in the study of family business, given the prevalence of surveys and in-depth interviews. Wortman (1994) further criticizes family business research from a methodological point of view, and Dyer (1988) points to the importance of culture in studying family firms and calls for more case studies and cross-cultural work. Thus, family business research has moved forward and gained wide recognition. Family firms have been the focus of numerous studies during the last few years due to their capacity to generate employment as well as their essential role in the wealth creation process (García Pérez de Lema and Duréndez, 2007).

Family business gains its uniqueness from the family's involvement in the business (Chua *et al.*, 2003). Furthermore, family businesses usually depend mainly on family members and family resources, and thus family ownership may create an organizational culture of altruism, loyalty, commitment, family ties, and stability (Miller and Le Breton-Miller, 2005). Thus, the family as an organizational structure has been proven to have a significant influence on the development of a family firm (DiMaggio and Powell, 1983; Gibb Dyer Jr, 2006). Organizational identity is vital to any firm, as it specifies its practices, values and mission, and the family also has an influence on a firm's organizational identity as, since Scott and Lane (2000) propose, that organizational identity is characterised by principles of negotiation and interactions between top managers and stakeholders and these are family members in such firms. Therefore, family members are an essential source of data as they represent the dominant group in these organizations. Moreover, understanding the role of actors in the organization through the processes they are involved in is the best way to explore their influence on the organization's rules and norms.

1.3 Statement of the Problem

The current literature on family business is largely based on studies of American and European family firms, and thus in the context of Western countries (Sharma and Chua, 2013). Thus, to improve the understanding of family business, succession, and the field in general, it is essential for more research to be conducted on family businesses based in other parts of the world, so that the applicability of existing theories can then be examined (Craig and Salvato, 2012). There has been little research that explicitly focuses on family businesses in Gulf Cooperation Council (GCC) (Zain and Kassim, 2012), and Ali (1995) argues that there is a general agreement among management scholars that there is no culture-free theory of management. Therefore, calls have been made to conduct studies at country and regional level to account for cultural differences (Davis *et al.*, 2000; Welsh and Raven, 2006), given that strategic planning in the Arabic world, for example, is likely to be different from that in the Western world. The Middle East is a rich and diverse region, with a myriad of unique cultures (Welsh and Raven, 2006). Among these, Saudi culture is notoriously conservative and Saudi Arabia is generally considered to be one of the most conservative of Arab societies, particularly in issues relating to gender (AlMunajjed, 2006; Fatany, 2007; Durie, 2010). Kassem (1989) affirmed that the scarcity of studies is particularly manifest in Saudi Arabia, which is an environment with ample opportunities, but they have to be found and researched.

To the best of the present researcher's knowledge, there is insufficient academic research into family business in general and the impact of succession in the context under study. There is a lack of data, information and literature on family business succession In Arab societies. Although family business is recognised as the dominant form of enterprise in Saudi Arabia, the drivers of successful succession in family firms are not well understood, which puts family-owned business under threat.

1.4 Purpose of the Study

To the outside world, Saudi Arabia is often seen stereotypically as an oil-dependent country with a low skilled indigenous workforce. This has made me even more interested in investigating Saudi family businesses and their cultural implications, to emphasize the influence of culture on them. Therefore, the purpose of this study is to provide deep insights into Saudi family businesses, including identifying the factors related to their culture, strategic management, and intergenerational succession, and the involvement of family members and their role in the dynamic of the business.

1.5 Research Question and Objectives

Research Questions

RQ1. What is the role and importance of family business in the economic growth and prosperity of Saudi Arabia?

RQ2. How do wider social and cultural forces shape the structure and organization of Saudi Arabian family businesses?

RQ3. How do family members and their practices shape the strategic management of Saudi Arabian family businesses?

RQ4. What are the typical patterns of interaction between the business and family members within family businesses?

Research Objectives

1. To discover the role and importance of family business in the economic growth and prosperity of Saudi Arabia.
2. To explore the role of wider Saudi social and cultural forces in shaping the structure and organization of Saudi Arabian family businesses
3. To identify the influence of family members and their practices in shaping the strategic management of Saudi Arabian family businesses
4. To investigate the typical patterns of interaction observed between the business and family members within family businesses.

1.6 Structure of the Thesis

Qualitative research methods have been chosen, as these are suitable for addressing and understanding the phenomenon studied within its cultural context, and which enable the researcher to fulfil the objectives of the research

This thesis is presented in eight chapters as follows:

Chapter One: Introduction to the study. This chapter includes a general overview of the research. It commences by presenting background information relating to the research study, and then explains the purpose of the study and clarifies its rationale. The chapter also presents the research objectives and research questions. Finally, the structure of the thesis is clearly presented.

Chapter Two: Literature Review. This chapter delineates the body of literature drawn upon in the research in order to identify gaps in knowledge. It also clarifies the theoretical framework used in this thesis and presents a brief overview of Bourdieusian theory. The chapter reviews the significant literature in several areas of family business. Firstly, definitions of family business derived from the literature are presented. Secondly, the social organization and governance of family business are discussed. Thirdly, research into the strategic management of family business is summarised. Fourthly, intergenerational relationships are considered and some of the main succession models which have been proposed are described. Finally, studies of family business in the Middle East are surveyed to identify the gaps in this particular literature.

Chapter Three: Methodology. This chapter introduces the methodology used in this study. It presents the steps taken to establish a suitable framework for the conduct of the research in order to fulfil the research objectives. It describes in detail the research design, data collection methods, and tools and analytical methods used. A qualitative research approach has been selected to answer the research questions, and the data collection process is explained extensively, including the semi-structured interview method employed. The choice of data collection methods follows Kvale's (2008) recommendations concerning the steps required in conducting successful interviews covering all relevant issues such as data management, transcription and translation. The chapter includes an explanation of the data analysis technique used which employs a thematic approach. The preliminary data analysis to explore the data to categorize businesses and the participants in terms of business type, company sector and age and each participant's gender, education and role in the firm is explained.

Chapter Four: Family Business in Saudi Arabia. This chapter introduces the impact of the Saudi government's policies on family businesses and female participation in business and workforce. It commences by presenting background information about the geography, climate, population, political system, and economic environment of Saudi Arabia and developments in family business. Furthermore, the chapter gives some background concerning the country's economic strategy and the five-year development plans with special consideration given to their impact on family business in Saudi Arabia. A brief historically description outlines attempts in Saudi Arabia to change and improve the private sector through the five-year development plans. This is followed by a discussion of the pressure to reform the private sector experienced in the Kingdom and its movement towards becoming a knowledge-based economy. The chapter sheds light on the role of government and the culture of the country in shaping family business in Saudi Arabia.

Chapter Five: Social Organization and Governance of Family Firms. This chapter presents the research findings relating to the social structure of family businesses, the involvement of family members and the governance of family firms. The involvement of family members is interpreted by analysing statements made by family members during interviews. The chapter also examines how the organizational culture is affected by religion, society and the family. Finally, the concept of family governance is explored in the context of family business in Saudi Arabia.

Chapter Six: Strategic Management. This chapter presents the research findings relating to the strategic management of family business. The chapter details the power of the family committee in controlling the business through its relationships with stakeholders and the board of directors as members of both groups. Accordingly, this chapter highlights the role of family members in shaping business strategy, using the strategy-as-practice (SAP) perspective which considers strategy as something that people do rather than something the organization has.

Chapter Seven: Intergenerational Succession and Continuity in Family Business. This chapter presents the research findings relating to intergenerational succession in family firms. It explores succession in family businesses in Saudi Arabia in terms of the continuity ensured by the transferral of power and the management of the company into the next generation. The chapter includes a clarification of several methods used for preparing the next generation and their impact on the succession process. The role of the founder is also highlighted as he is the most important family member in influencing the succession process. The chapter also presents an investigation of the factors that are specific to the Saudi context that might influence succession. Then, types of conflict that affect the success or failure of succession and their resolution are considered.

Chapter Eight: Conclusions and Recommendations. This chapter includes a brief summary of the research and its main conclusions with reference to the research questions, followed by its contribution to the literature. The chapter also considers to what extent the research objectives have been met. The study's limitations are then discussed and recommendations for further research are suggested.

Chapter Two:
Literature Review

2.1 Introduction

This chapter describes the literature drawn on in this thesis and identifies gaps in that literature. It is structured as follows. Firstly, definitions of family business derived from the literature are presented. Secondly, a brief overview of Bourdieusian theory is offered which is used as a theoretical framework in this thesis. Thirdly, the social organization and governance of family business is discussed. Fourthly, the literature on the strategic management of family business is summarised. Then, intergenerational relationships are considered and some of the main succession models which have been proposed are described. Finally, the literature on family business in the Middle East is explained.

2.2 What is Family Business?

The history of family business goes back thousands of years, and still dominates the economic landscapes of most nations today (Astrachan and Shanker, 2003; Sharma, 2004). Interest in the study of family business has increased over time according to many factors, such as the numbers of published articles and the prevalence of academic courses teaching family business programs (Sharma, 2004).

It is important to give a specific definition of family firms as a unique type of organization in order to distinguish them as a separate field of study. Handler (1989) emphasizes the importance of a definition of family firms as a priority for family business researchers. Yet, there is no widely accepted definition of “family business”. Astrachan and Shanker (2003) argue that existing family business research until the 1990s had not been grounded in empirical research, and therefore existing definitions could not reliably distinguish between family and non-family business. Researchers now generally agree that a family business is any business that involves family members (Chua *et al.,* 1999) as managers or owners (Handler, 1989). This could be interpreted to imply that the family business is a private firm that includes individuals from the same family in ownership and operation, with control mechanisms imposed by the family to keep the company active and closely monitored across generations.

There are two types of definitions of family business, which are either theoretical or operational. Theoretical definitions concern concepts of the functions of family business and non-family business and how and why they are different, while operational definitions identify the observable and measurable characteristics of both types of businesses. Even though most theoretical definitions of family business emphasise the family's involvement in the business as an important distinction from a non-family firms, Chua *et al.* (1999) argue that family involvement is not a reliable criteria. Their empirical results show that it is only a weak predictor of a firm's intentions. Therefore, Chua *et al.* (1999) introduce a theoretical definition based on the firm's performance in terms of intention and vision as the essence of a family business rather than previous theoretical and operational definitions. Sharma (2004) stressed that a definition of family business should be based on the firm's performance in order to better understand the scope of the field.

Family involvement in the business can be manifest in management or ownership (Handler, 1989), and thus three different combinations of these phenomena could be present in a family business: family-owned and -managed, family-owned but not -managed, or not family-owned but family-managed (Chua *et al*., 1999). Table 2.1 presents a summary of definitions of family firms in the literature with consideration given to the classification of types of family involvement. From the table it is clear that most researchers prefer to identify family business as those which are family-owned and managed; fewer define it as family-owned only; finally, very few researchers identify it as family-managed only. In all definitions, scholars have tried to distinguish the family firm and emphasize its distinctiveness. A family's involvement in the business makes the family business unique (Chua *et al.*, 1999).

Table 2.1 Definitions of family business in the literature

Definition	Citation*	Family involvement		
		Family-owned and family-managed	Family-owned but not family-managed	Family-managed but not family-owned
“a company is considered a family business when it has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interests and objectives of the family” (Donnelley, 1964) (p 94)	853			X
“an enterprise which, in practice, is controlled by the members of a single family” (Barry, 1975) (p 42)	316		X	
“Controlling ownership rests in the hands of an individual or of the members of a single family” (Barnes and Hershon, 1976) (p 108)	813	X		
“Family businesses are those whose policy and direction are subject to significant influence by one or more family units. This influence is exercised through ownership and sometimes through the participation of family members in management.” (Davis, 1983) (p 47)	626	X		
“a business in which members of a family have legal control over ownership” (Lansberg *et al.*, 1988) (p. 2)	422		X	
“an organization whose major operating decisions and plans for leadership succession are influenced by family members serving in management or on the board” (Handler, 1989) (p. 262)	1039			X
“controlled by one or more families (that have) a degree of influence in organizational governance sufficient to substantially influence or compel action” (Dreux IV, 1990) (p. 226)	338			X
“The ownership had to reside completely with family members, at least one owner had to be employed in the business. and one other family member had either to be employed in the business or to help out on a regular basis even if not officially employed” (Lyman, 1991) (p. 304)	378	X		

"inwardly directed or closed family-related systems. Among their managers are fewer pioneers than "all-rounders" and organizers; as a consequence, their strategic behaviour is rather conservative." (Donckels and Fröhlich, 1991) (p, 149)	974	X		
"a business where a single family owns the majority of stock and has total control" (Gallo and Sveen, 1991) (p. 181)	512	X		
"ownership is concentrated and owners or relatives of owners are involved in the management process" (Welsch, 1993) (p. 40)	143	X		
"Family businesses are basically owner-managed enterprises with the family involved within the business" (Churchill and Hatten, 1987) (p. 51)	687	X		
"Family firms are distinguished by both the active involvement of family in firm management and the intent that future ownership will remain in the hands of family members" (Litz, 1995)	929	X		
"organizations where two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights" (Tagiuri and Davis, 1996) (p 199)	1654	X		
"a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families" (Chua *et al.*, 1999) (p 25)	2921	X		
"A family can influence a business via the extent of its ownership, governance, and management involvement" (Astrachan *et al.*, 2002) (p 48)	1592	X		

**Citations recorded in February 2020*

It is widely accepted that family involvement makes family business different (Chua *et al.*, 1999). Most researchers interpret family involvement as ownership and management (Handler, 1989). One could argue that the influence the family would have on the firm would depend on many issues. But as long as there is an influence of the family on the company, that would make it different from other non-family firms and hence unique. So, requiring a significant influence of the family (as proposed by some definitions above) is not seen as necessary. According to Yilmazer and Schrank (2006), there are three basic factors that characterize family businesses: firstly, 50% or more of the firm is owned by a particular family; secondly, an emotional attachment exists between the firm and the family members; and thirdly, the firm's management structure mirrors the family structure, as family members are appointed to executive and managerial positions. Therefore, the preferred definition of family business for the purpose of this research is:

'An organization that involves a family (or families) through their ownership and management.' This definition encompasses most of the businesses in the Middle East and in Saudi Arabia, which is the main context of this research.

2.3 Theoretical Framework: Bourdieusian Theory

The purpose of this section is to clarify the theoretical framework used in this research. Pierre Bourdieu's theory has been chosen as it offers a singular theoretical lens through which to analyse the sociological phenomena of family business in the empirical settings of the research. The following discussion clarifies the reasons for choosing Bourdieu's conceptual framework as a basis for this research. Secondly, a comprehensive explanation of Bourdieu's master concepts is presented. Finally, the application of Bourdieusian theory to this research is explained in relation to the research questions.

This study aims to explore the social organization of family business in Saudi Arabia, the role of the family as a dominant group in the organization, and its role in shaping the firm's identity. Additionally, this research aims to reveal the power of the interrelationships between individuals at the micro level of the organization as a structuring force in determining the firm's strategy and to examine the typical patterns of interaction observed between business and family members involved in the business. Therefore, Bourdieusian 'field theory' and 'capital theory' and his concept of the 'habitus' serve as theoretical lenses in this research. Harvey and Maclean (2008) argue that Bourdieu's 'master concepts' of capital (economic, cultural, social and symbolic resources), field (social spaces of objective relations between positions) and habitus (internalized dispositions) have attracted much attention in organizational research. Bourdieu's sense of position suggests, firstly, a belief that there exist social structures that are detached from individual direction but are legacies of individual and social interactions that influence the ideas and behaviours of social actors. Secondly, these social structures are socially constructed in three main forms: habitus, “a system of dispositions”(Bourdieu, 1984, p. 2); field, “a network, or configuration, of objective relations between positions” (Bourdieu and Wacquant, 1992 cited in Swartz, 1997, p. 117) ; and social classes, which are groups of people “constituted by shared conditions of existence and the shared dispositions engendered by shared conditioning” (Brubaker, 2004, p. 47). Furthermore, in the application of Bourdieu’s theoretical framework, the analysis conducted is not just about the recognition of inequalities in social fields in terms of privilege and capital but also of the influence of the way that social actors play the game, how they use what they have to flourish (Maclean *et al.*, 2014).

Family businesses have been known as family-controlled organizations either directly or through the majority voices in the board of directors. A deeper analysis at the individual level allowing us to understand the working dynamic would provide an appropriate approach to describe family power. A focus on analysing the interactions between the family and the organization can be used to prove the strong influence of the family’s social capital. Bolino *et al.* (2002) suggest that there is a gap of knowledge in the understanding of the creation of organizational social capital. Hence, Bourdieu’s theoretical constructs can be used to analyse the structures of the distribution of power within a field and, in particular, Bourdieu’s concept of habitus is suitable for the study of such an organization with high intra-group (here, the family) influence on the creation of the organization’s social capital.

Bourdieu’s Concepts

Habitus:

Bourdieu's concept of habitus is based upon 'socialized subjectivity'. Throughout socialisation people accumulate a set of dispositions and meanings that form their habitus (Gaventa, 2003). Habitus involves ‘the rules of the game’ that have been established by socialization and acculturation that act upon individuals to shape current and future practices (Bourdieu, 1990, p 66-68). Thus, habitus structures the social world, and at the same time it is structured by the social world. Habitus confirms people’s tastes, practices and senses of possibility.

Bourdieu’s notion of habitus can be used to explain the way in which the experiences of social actors are absorbed and continue to affect the ways in which they act and behave throughout their lives. It explains Bourdieu’s interpretation of the influence of experience on social actors' temperaments and worldview, which subsequently influence their actions in social contexts. The feelings and behaviours of individuals in interactions are imprinted on them from their earliest life stage (Swartz, 1997). Habitus is therefore the link between the social and individual because our experiences can be both unique to us and shared with others. The habitus is affected by social interactions, as the objective (outside) becomes subjective (internalised) (Maton, 2008). It dialectically connects individuals with social contexts (Swartz, 1997) and indicates the logics or codes for the social behaviour of the field which links past fields with present fields (Emirbayer and Johnson, 2008).

Field:

Bourdieu explained the idea of the field as a social platform where agents play roles, express their dispositions, and compete for domination (Bourdieu, 1985). Positions in the field are allocated to agents depending on the interaction of several factors, such as the rules of the field, habitus, and capital (Bourdieu, 1985). Fields are frequently homologous in terms of the resonance of similar ideas across different fields, which bind together across society (Swartz, 1997). Using the notion of field, it is then possible to explore the construction of and effect of relationships therein, additionally influenced by the backgrounds of individuals (Swartz, 1997). This is because fields are denoted by particular types, combinations and volumes of capital that are of particular value in that field (Swartz, 1997). Social actors within fields compete with one another to define the value of capitals, as well as to accumulate them (Swartz, 1997). The key driver for social actions is the power differentials between actors, as different groups within any field compete among each other for legitimacy and to gain control over the field's capital. Capital is the resource that controls a particular field and determines the chances of profit within it (Bourdieu, 1985).

Through fields, analysis can be conducted of the positions and interactions of social actors, with positions driven by the habitus and capital of each (Postone *et al.*, 1993). People take positions in the field between dominant and dominated poles, internalise the field and understand the 'game' of the field in order to shift positions. They know the tacit rules. The positions of social actors within the field are not fixed or static and they are subject to struggle (Postone *et al.*, 1993). Certain social actors can be perceived as being dominant in the field, with greater resources and control of the nature of the field. Swartz (1997, p. 125) summarises a typology of field strategies delineated by Bourdieu in his analysis. "Conservation strategies tend to be pursued by those who hold dominant positions and enjoy seniority in the field. Strategies of succession are attempts to gain access to dominant positions in a field and are generally pursued by the new entrants. Finally, strategies of subversion are pursued by those who expect to gain little from the dominant groups. These strategies take the form of a more or less radical rupture with the dominant group by challenging its legitimacy to define the standards of the field." Within fields, social actors strive and compete to accumulate capital. Each field has its own rules that demonstrate the relative value of forms of capital (Sallaz and Zavisca, 2007). For example, in academia, publications represent cultural capital for the social actors therein. The notion of capital is discussed further in the following section.

Capital

Bourdieu changed the ordinary concept of capital as a materialist economic formation, to a wider view by considering resources of power including material and immaterial, economic and non-economic capital (Bourdieu, 1984). His four forms of capital are: economic "which is immediately and directly convertible into money and may be institutionalized in the form of property rights"; cultural, "which is convertible, on certain conditions, into economic capital and may be institutionalized in the form of educational qualifications"; social, "made up of social obligations ('connections'), which is convertible, in certain conditions into economic capital and may be institutionalized in the form of a title of nobility" (Bourdieu, 1997, p. 242); and symbolic, or "distinction" (Bourdieu, 1985, p. 731), which is the capital resulting from being recognised as important by others.

Figure 2.1 shows Bourdieu's four forms of economic, social, cultural and symbolic capital (Bourdieu, 1985). Economic capital has been considered the dominant form of capital across multiple social fields because it is particularly transmutable; that is, it can be used to acquire 'more', and having command of financial and economic resources is most prized in the social fields Bourdieu has studied. It is tangible, transmittable, calculable and has meaning across multiple social contexts (Swartz, 1997). Recognizing the different forms of capital in the field supports an understanding of the structure of the social world because capital represents the inherent structure of that world. The ultimate source of power in society derives from the possession of the four types of economic, cultural, social and symbolic capitals (Bourdieu, 1986; Harvey and Maclean, 2008). The power that these afford, however, is not stable and static; capital formation is an on-going, dynamic process, subject to accumulation or attrition. Agents' positioning in social space is contingent upon their "overall volume and relative composition of capital" (Anheier, Gerhards & Romo, 1995: 892).

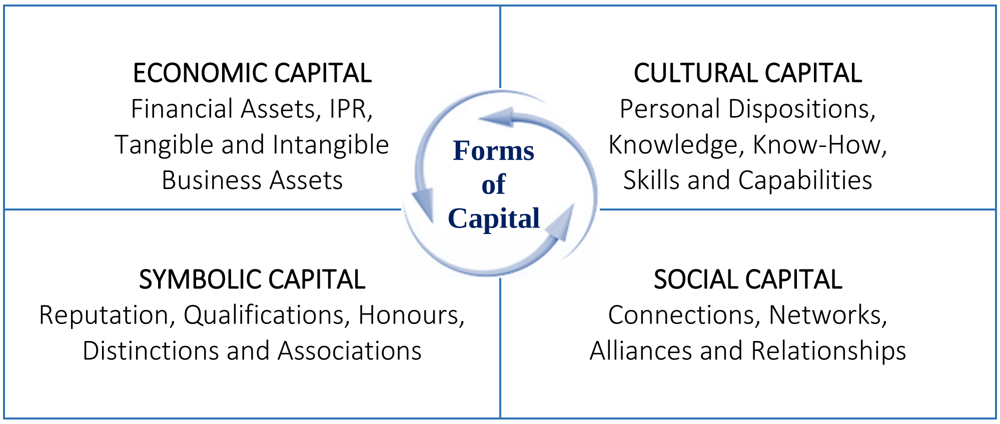

Figure 2.1 Bourdieu's concept of capital
Source: Adapted from Maclean et al. (2006, p 29)

Economic capital is potentially attainable by everyone in society (albeit with different levels and volumes), while cultural capital is unequally distributed because it needs to be transmitted to individuals through families, education and professional fields. Unlike economic capital, which is relatively established and perpetual as a form of capital, cultural capital is much more variable and inconsistent over time and across social contexts (Swartz, 1997). Economic capital also underpins all other forms of capital because it can affect their levels, taking into consideration the time, effort and cost needed to convert economic capital into other forms (Bourdieu, 1986). Therefore, capital forms can be acquired, exchanged and converted into other forms. Furthermore, the power of actors varies within and between fields, meaning that powerful actors in one field may be less powerful in another field depending on the capital they possess (Scott, 2014). Whoever knows how to process and accumulate the right forms of capital gains domination in the field. Thus, it is very important to access the right combination in order to gain power.

Applying Bourdieu's Ideas in this Research

In this thesis, an interpretation of the field of family business as a social space is reached whereby the principal social actors (family members) within the organization (family business) interact to create social value. Bourdieu's sociology provides a tool linking individual behaviour and practice to the social structures of organizations and wider society via what he termed the 'habitus' (Emirbayer and Johnson, 2008). Bourdieu suggests that people have similar life chances when they have a uniform collective habitus (Swartz, 1997). This means that all actors in the field are exposed to the same possible position-taking experience; however, their habitus determines their perspective toward which position-taking is more appropriate or desirable than others (Emirbayer and Johnson, 2008). Ideas related to socially constructed notions such as social position and social class are developed based on habitus, as habitus is apprized by collectively and individually produced notions (Swartz, 1997). Activities built upon habitus can be analysed through empirical investigation to explain the mechanisms behind the social world (Maton, 2008).

Individuals' daily practices depend on their combinations of principles, beliefs and norms. This means that interactions between field, habitus and capital will result in individual daily practice. To understand social reality, Swartz (1997, p. 141) explains this equation by defining action as the product of class dispositions intersecting with the dynamics and structure of particular fields. Practices occur when the habitus encounters those competitive arenas called fields, and actions reflect the structure of that encounter'. That explains how the cultural habitus and the field's rules shape the practices of family members in family business. The family as an organizational structure has been proven to have a significant influence on the development of the family firm (DiMaggio and Powell, 1983). Organizational identity is vital to any firm as it specifies its practices, values and mission. The family also has an influence on the firm's organizational identity, and Scott and Lane (2000) propose that organizational identity is characterised by the principles of negotiation and interactions between top managers and stakeholders, who are family members in such firms.

Family business is a special kind of organization that typically involves a dominant group (the family) who interact with the organization's other groups such as non-family employees and managers. Types of family structure could be an influential variable in structuring a business organization. A structural description of a family business can be achieved by recognising the relationships between the structural configuration of the family and the origin of various resources of the business (Kertzer, 1991). It has been demonstrated by DiMaggio and Powell (1983) that the organization becomes similar in structure to another organization according to the degree of its dependency on the other organization, and also the organization may come to resemble another organization in terms of the degree of its centralization of resources and that dependency on the other organization. This leads to the conclusion that restructure of family firm usually follows family criteria because it depends primarily on family resources such as funding, personnel and legitimacy. As a consequence of these institutional pressures, the firm will be similar to the family in structure, climate, and behavioural focus mimetically from the family's social capital. In chapter 5, Bourdieusian theory is employed to examine structural variations in family business through responses to the environmental pressure of the degree according to family affiliation.

In chapter 6, the relationships between the family's influence on strategic planning and the age and size of the family firm are discussed. Many strategy management scholars such as Nordqvist and Melin (2008) and Sharma *et al*. (1997) emphasize the effect of family values, priorities, and interests are on the family business strategy where business and family are closely intertwined (Sharma *et al*., 1997; Habbershon *et al.*, 2003). Accordingly, actors in family businesses have a dual role as they are members of the family and of the business organization. Bourdieu's theory offers the tools to understand phenomena in the two institutions of the family and the business so as to appreciate the differences and similarities in family firms. Family members' involvement in the business creates a special business relationship caused by their interaction in the business (Pearson *et al.*, 2008). However, family firms vary in the amount of family commitment to the firm and by the actual number or percentage of family members involved in the firm (Arregle *et al.,* 2007). Of course, the larger the family's involvement, especially in key positions in the firm, then the larger their influence, while the family may lose some ability to exert influence if they don't fill key positions. However, the forms of capital possessed vary between family members involved in the business, and thus their controlling roles in the business vary too. Therefore, the total quantity of capital possessed by an actor, and the relative proportions of each type will vary between actors, allowing the dominant to be distinguished from dominated (Swartz, 1997).

Furthermore, the family business system is a combination of two sub-systems, the family and the business (Sharma *et al*., 1997; Habbershon and Williams, 1999; Habbershon *et al*., 2003). 'Family in' attitudes have the perspective of combining the family with the business and it is desired that family members are involved in the business. Specifically, these businesses attempt to: introduce children to the business at a young age; gear their education toward the business; create succession plans based on promoting family members; keep the founder or older generations active in the firm; retain ownership within bloodlines; and build the business in order that it should provide pension benefits for all members of the family (Arregle *et al*., 2007). Thus, Bourdieu's theory of knowledge can be used to understand the relationship between the individuals and the social space which they are part of (Grenfell, 2004). Chapter 7 studies the intergenerational succession and transfer of power between family members with consideration given to potential conflict between them since there are interactions between different social groups in the family and the business. Therefore, Bourdieusian theory is used as a lens in the interpretation of the research data in order to answer the following research questions in the next four chapters:

RQ1. What is the role and importance of family business in the economic growth and prosperity of Saudi Arabia? (Chapter 4)

RQ2. How do wider social and cultural forces shape the structure and organization of Saudi Arabian family businesses? (Chapter 5)

RQ3. How do family members and their practices shape the strategic management of Saudi Arabian family businesses? (Chapter 6)

RQ4. What are the typical patterns of interaction between the business and family members within family businesses? (Chapter 7)

2.4 Social Organization and Governance of Family Business

2.4.1 Family Ownership and Control

Chua *et al.* (1999) argued that definitions of family business (see Table 2.1 above) vary in considering family ownership. While some definitions do not require family ownership, those that do imply, explicitly or implicitly, controlling ownership, although they differ with respect to the acceptable patterns of controlling ownership. Fernández and Nieto (2006) suggest different types of family ownership that influence corporate decision making; and thus, family control is affected by the degree of family ownership. Family members gain this effective power through ownership, management, and/or governance (Sharma, 2004). The level of the family members' power in the firm can be determined using the overlapping three-circle model proposed by Lansberg (1988) (see Figure 2.2). This model has been used by many researchers to classify family businesses (Sharma, 2004). It consists of overlapping circles where each circle represents one feature of internal family stakeholders: family membership, ownership and managerial roles. The founder is usually located at the intersection of the three circles, which makes him the dominant player in most family businesses. This position of centrality gives the founder a pervasive influence over the family firm system (Lansberg, 1988).

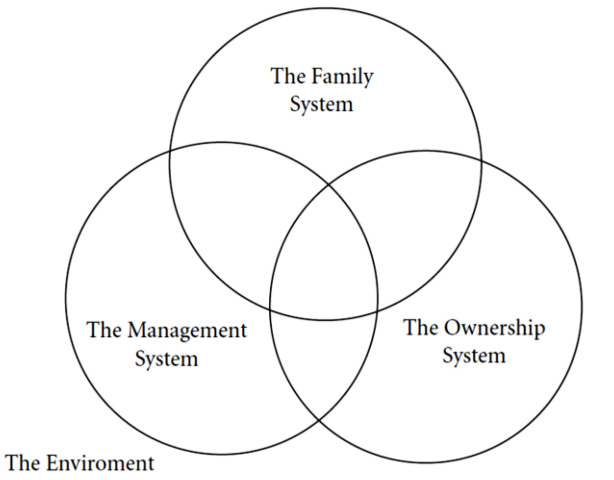

Figure 2.2 The family firm system
Source : Lansberg (1988)

The distinctive characteristics of family members and the degree of the family's involvement in the firm can have a unique positive impact on business (Zahra *et al.*, 2004; Zahra, 2005; Shinnar *et al.*, 2013). In particular, the individual characteristics of the founder may be important elements in forecasting behaviour, where family firms are reliant on a sole decision maker and control tends to be retained by the founder for longer (Feltham *et al.*, 2005; Kellermanns *et al.*, 2008). Besides this, the involvement of new generations of the family can give the firm competitive advantages in terms of change and innovation (Kepner, 1991; Gersick *et al.*, 1997; Litz and Kleysen, 2001; Zellweger and Sieger, 2012).

Furthermore, family ownership usually involves a long-term orientation based on many aspects of motivation and commitment. Ward (1997) introduced a model with a pyramid of ownership motivations abstracted from Maslow's hierarchy of motivational needs (Maslow, 1954) as shown in Figure 2.3. Starting from the bottom of the pyramid and going towards the top, ownership motivations become stronger, to provide sustainable, long-term commitment to the continuity of ownership of the business. Firstly, Maslow's comfort and security needs are comparable to the family's need to be together and to avoid passive wealth, such as by providing family members with employment or withholding liquid wealth from future generations. Secondly, Maslow's social satisfaction need is comparable to the family's loyalty to the firm. Thirdly, achievement and self-esteem needs are comparable to a strong family purpose of the legacy of values and patterns of good investment. Finally, at the top of the pyramid, the self-realization need is comparable to the firm's contribution to society; for example, ensuring the business's contribution to society or perpetuating a legacy of the family's values.

Supporting Ward's (1997) argument, Miller and Le Breton-Miller (2006) argued that family members feel a responsibility to sustain ownership and control and play a role in management to ensure that the operation of the company (which is a family asset) is aligned with the family's interests. Moreover, Fama and Jensen (1983) empirically showed that agency conflicts increase where ownership and control are combined. Therefore, concerns about family ownership are greatest when family members are in executive positions. However, family involvement in the business takes many forms, including the roles of executive manager, executive director, non-executive director, non-employed shareholder, or close relatives of any one of these (Thomas, 2002).

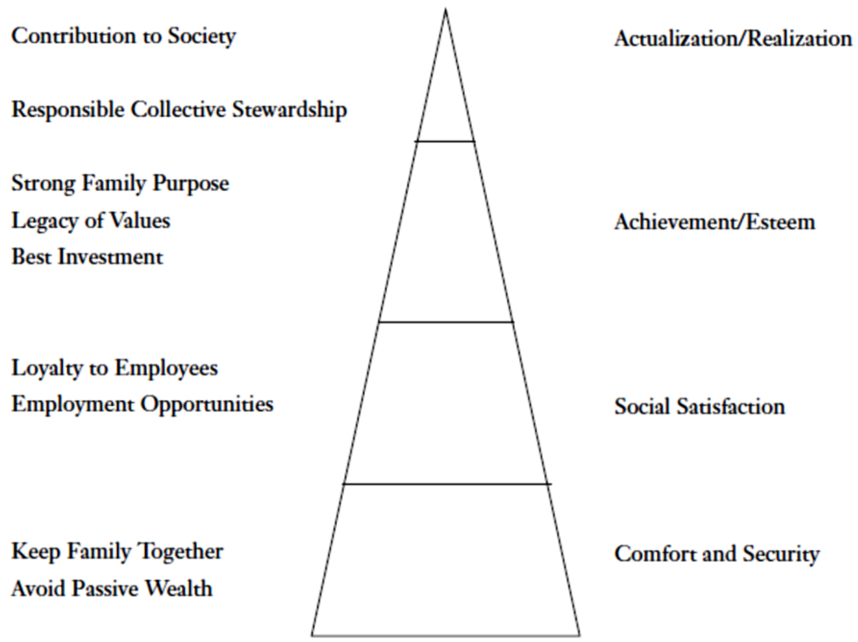

Figure 2.3 The pyramid of ownership motivations
Source: Adapted from Ward (1997)

2.4.2 The Role of the Family

Family ownership may create an organizational culture of altruism, loyalty, commitment, family ties, and stability (Miller and Le Breton-Miller, 2005). "The culture of the business becomes, at least in part, an embodiment of the founding personality, this culture then influences operational style; which in turn affects both the development of the business and its ability to respond to change" (Hollander & Elman, 1988, p. 148). Therefore, the business culture is usually affected by the family's patterns, values, and considerations concerning people, as family members bring their development and history to business management. The family's values then affect resource allocation priorities. The founding members' real concern, though often unstated, is for personal and family financial security. Any change in the family business is not only an organizational process, but also often a family process too (Kelly *et al*., 2000). Thus, the corporate culture of family businesses is inexorably influenced by the personalities, values, and beliefs of those in the founding generation. Kelly *et al.* (2000) add that a family business culture has a uniquely close relationship with the local community's culture. This means that the cultural context of family businesses resembles the overlapping of the society and the family culture. However, conflict may arise in family businesses due to the stress of interactions between the company's culture and those of the family units.

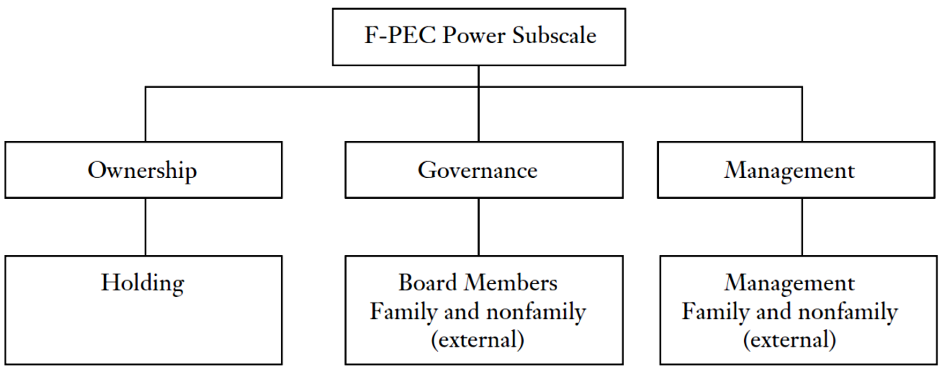

Figure 2.4 Dimensions of the F-PEC power subscale
Source: Astrachan et al. (2002)

Astrachan *et al.* (2002) have presented a validated, ready-to-use scale for use in assessing the extent of the family's influence in any business organization. This continuous scale is comprised of three subscales concerning power, experience, and culture (F-PEC scale). Particularly impressive in this study is the power scale, which articulates the interchangeable and additive influence of family power through ownership, management, and/or governance (see Figure 2.4). Meanwhile the experience scale measures the breadth and depth of dedication of family members to the business through the number of individuals and generations of family members involved in it. (Sharma, 2004).

2.4.3 Conflicts and Gender Issues

Family businesses are fertile environments for conflict. Conflict results in part from the dominant presence of the family, who set the rules and have ultimate power. There may be a lack of formalized systems and structures to deal with conflict, since there is no formal organization of structure or operating systems and a commingling of business and family roles. Harvey and Evans (1994) argue that conflict in the family business can emanate from one of three arenas: those internal to the organization; those external to the family or families involved in the organization; and from external groups such as stakeholders, bankers, investors, suppliers, distributors, and members of the board of directors. Figure 2.5 depicts these levels of conflicts.

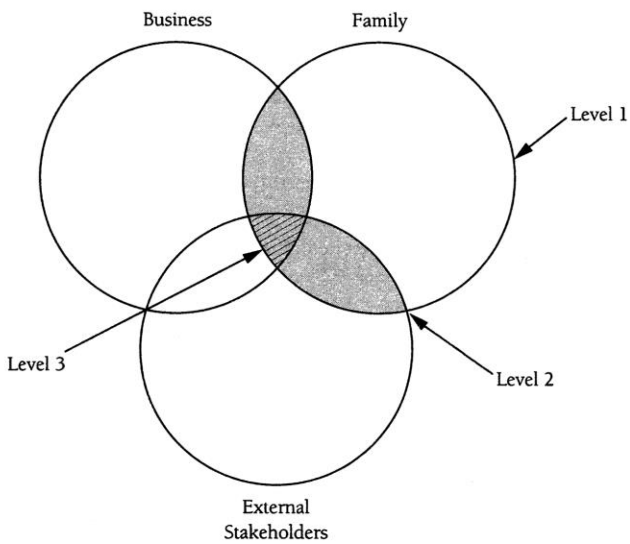

Figure 2.5 Three levels of individual and collective conflict
Source: Harvey and Evans (1994)

Level 1 conflict happens between family members. It occurs when there is no interaction among the three entities of family, business and stakeholders and therefore, the conflict does not spill over to the other components. For example, family problems and events may create conflict between family members, such as children's educational problems, but theses do not affect the business. Level 2 conflict happens between family members and external stakeholders of the business when the two entities overlap creating a more complex form of conflict. In this situation the business can be affected, and the conflict becomes difficult to address. For example, succession and gender problems could affect family relationships and stakeholders' interests. Level 3 conflict involves all the interested parties in the family business; that is, the business organization, family, and external stakeholders. For example, conflict may occur regarding the selection of a future successor, while the external stakeholders are concerned about the capability of the family member selected. Such conflicts become more complex to resolve as various dimensions need to be dealt with that include designing a business constitution.

A normal response to Level 1 conflict in the family business is for the dominant family member or leadership of the family business to exercise their high level of power or to enforce their "elite domination" to make decisions (Kabanoff, 1991). The founder is likely to be a particularly strong influence on the managerial mind-sets, motives, values, goals, and attitudes that are central to the organization. Similarly, a founder may shape the family firm's strategic behaviour and its interactions with the external environment. Thus, the founder is the most influential person in the family business at both internal and external levels (Kelly *et al.*, 2000). The managers that make up the top management group of a family business can be viewed as a social network. This top management network may be composed of managers who belong to the founder's family and of professional managers hired to fulfil particular roles. The structural position of the founder in the family firm's top management group network defines the extent to which the founder is central in the communications and decisions of the group (Kelly *et al.*, 2000).

Social capital is an important asset inasmuch as it allows the firm to gain access to other forms of capital (such as, intellectual, human, and financial capital) that are needed for a firm to survive. Families may have some unique advantages in developing social capital between the family firm and its stakeholders such as, customers, suppliers, and employees, given that they typically have the ability to cultivate and nurture long-standing relationships across generations, and the firm's stakeholders may be more likely to develop personal attachments to a family that owns and operates a business, rather than to a more abstract or impersonal firm. Commitments made by a family, which are often based on altruism, are likely to be more enduring (and more trusted) than commitments by individuals, since familial obligations are generally shared within the immediate family and maybe even to more distant extended family members. Therefore, the enduring nature of family connections and commitments may give families certain advantages in developing and maintaining social capital (Gibb Dyer Jr, 2006). The process of holding family meetings may define the family's purposes and mission, family values, and the motivations and rationale for continued business ownership (Ward, 1997).

2.4.5 Governance

Chandler (1990) argues that family business has been always stereotyped as suffering from a dearth of professional management, as some owners manage without any formal systems or overall strategies while others are driven to devote much attention to such approaches. Miller and Le Breton-Miller (2006) argued that there are four core governance dimensions that affect the governance of family business: the level and model of family ownership, family leadership, the broader involvement of multiple family members, and the planned or actual participation of later generations (see Table 2.2).

Firstly, family ownership and control mean how much the family owns and controls the firm and how much ownership and control are given to non-family members. These choices influence the family firm's governance outcomes such as in agency costs, financial performance and strategic behaviour (Miller and Le Breton-Miller, 2006). Family ownership could affect the firm positively by giving lowing agency costs, therefore leading to higher financial returns than in non-family firms. On the other hand, family ownership could affect the business negatively if there are abuses of power or resources are taken out of the business (Claessens *et al.*, 2000). Furthermore, Anderson and Reeb (2004) argued that the existence of independent directors and influential shareholders from outside the family could help in providing better financial returns through their roles as vigilant stewards over the resources of the company. However, the lower the ratio of family ownership to family control, the lower the financial returns will be due to increasing agency costs, as the interests of different classes of owners diverge (Bhattacharya and Ravikumar, 2001; Morck and Yeung, 2003). This conflict can be avoided by the use of holding companies for "pyramiding" purposes, which enables the family to have control over the other shareholders of lower-tier firms (Miller and Le Breton-Miller, 2006).

Table 2.2 Governance dimensions and their influence on governance outcomes

Governance Dimensions	Governance Choice	Expected Governance Outcomes
Family ownership and control	Family ownership	Emotional investment in the company and its people
	Family control or ownership concentration > 30%	
	Presence of strong independent directors or block holders	Non-family director-owners who serve as informed stewards
	Family control with little ownership	Less family attachment to the company, especially if pyramiding occurs
Family CEO	Family CEO	Long-term tenure, learning and interests; commitment to building business capability
	Family CEO who controls through voting power	Discretion to engage in risky unorthodox, or dangerous behaviour
Multiple family managers or owners	Multiple family members on top management team	Broader, more multifaceted stewardship
	Distributions of family ownership	Owner factions elevate local interests and carry them into the business
Multiple generations in the business	Intention to involve later generations (keep the business in the family)	Stewardship—conservative financing, invest in competencies, relationships, reputation, apprenticeships, and human resources
	Actual involvement of later generations	Dilution of stewardship, succession problems, resource depletion

Source: Adapted from Miller and Le Breton-Miller (2006, p.76)

Secondly, since most family businesses are owned or controlled by family members, some of them are also managed by the family. Family management typically takes the form of the founder or another family member acting as the firm's CEO. This management control of course has two sides, positive and negative. Jayaraman *et al.* (2000) argued that having a family CEO will reduce agency costs and therefore generate superior financial returns, thereby extending investment time horizons and building the firm's capabilities (Miller and Le Breton-Miller, 2006). Furthermore, family CEOs see themselves as secure in their jobs and therefore have a high commitment to the firms (Davis *et al.*, 1997). However, when the family CEO is left unchecked with voting control this could lead to negative effects such as using their power to extract the firm's resources, hiring incompetent relatives, or expropriation from minority shareholders (Morck and Yeung, 2003). Miller and Le Breton-Miller (2006) argued that family CEOs with voting control are more harmful to the financial returns of the business as they tend to abuse other shareholders compared to family CEOs who are influenced by other family members who are owners.

Thirdly, having multiple family managers or owners represents two different types of family involvement in the business. Family members can be involved through serving as part of the top management team or through ownership. Distributing the voting power between family members via ownership could have a negative impact on the firm, while including family members in the top management could have a positive impact on the firm (Miller and Le Breton-Miller, 2006). Family members in executive positions can easily present their vision to the leader as they share the same interests, have mutual trust, and are secure in their jobs (Lansberg, 1999). On the other hand, having too many family members in ownership leads to controversy voting that causes eliminating one another's initiatives (Ward, 2004). Therefore, stewardship over the company may be replaced by the interplay of personal interests.

Fourthly, the involvement of multiple generations of the family in the business take two forms: there can be either the intention to include the next generations in the business or their actual inclusion. Each has an impact on the firm's governance. Anderson and Reeb (2004) argue that the financial performance of the business tends to involve more conservative financial strategies such as having less debt, more liquidity, and sounder balance sheets if there is any concern about its survival.

Thus, the intention to include the next generations in the business may lead to a stronger financial position to provide successors with a healthier firm. Also, a greater intention to include later generations may strengthen attitudes of stewardship that drive the diligent management of finances, reputation, and alliances with resource providers (Miller and Le Breton-Miller, 2006). Nevertheless, the actual involvement of later generations is more likely to have a negative impact on the firm even though it has some advantages. Chandler *et al.* (2009) argued that a greater involvement of family members may drain the firm's resources more and constrain growth. Also, succession problems may arise, for example involving competition, bias in favour of family candidates, and alienating other talented managers .To solve such issues, Lansberg (1999) argued that it is better to cut away some owners and to limit ownership to close family members who are fully qualified to run the business.

2.5 Strategic Management of Family Business

The component of family involvement gives family members executive power to shape the business's strategies, structure and goals (Lansberg, 1983). This means that family involvement is essential in distinguishing a family business from a non-family firm. Moreover, family members' involvement in the business creates special business relationships caused by their interaction in the business (Pearson *et al*., 2008). Thus, family members could become strategists or help in forming strategies in the family business context (Johnson *et al*., 2003). Micro-level interactions between an organization's actors can be understood by focusing on the daily social interactions between family members. Strategic management for any family or non-family enterprise includes the formulation of organizational goals, implementation of strategies to achieve them, and then evaluation and control of the process of achieving those goals (Sharma *et al.*, 1997). It identifies the direction of the organization and is involved in specifying the organization's objectives, developing policies and plans to achieve them. However, differences between family and non-family firms appears during the process of strategic management because it includes family participants, and the owning family is likely to influence every step of the process (Ward, 1997).

Sharma *et al*. (1997) suggested a model for the strategic management process in family firms that includes the influence of the family in several parts of the process as shown in Figure 2.6. The family's influence is marked in bold italics in the figure. It appears that family interests and values affect the four steps of the process in general. First is goal formulation from the beginning of setting the goals to determining the strategies to be employed, and the family influence appears in considering family goals and the family's relationship to the business. Second, during strategy formulation the firm's longevity is one of the most important issues that needs to be considered, which includes organizing strategies for succession among family members. This means, again, the involvement of family relationships. Third is strategy implementation and the close involvement of family relationships during the implementation of strategies gives it a unique dynamics, politics, and possibilities creating a unique business culture which includes considerations of intergenerational issue and sibling relationships.

Fourth is organizational performance where decision making, and alternative considerations are affected by the family's goals that have been included among the firm's goals. Finally, in the evaluation and control of strategy evaluation and control decisions and actions involve a lot of aspects of the family culture such as family members' relationships with each other and their relationships with non-family managers.

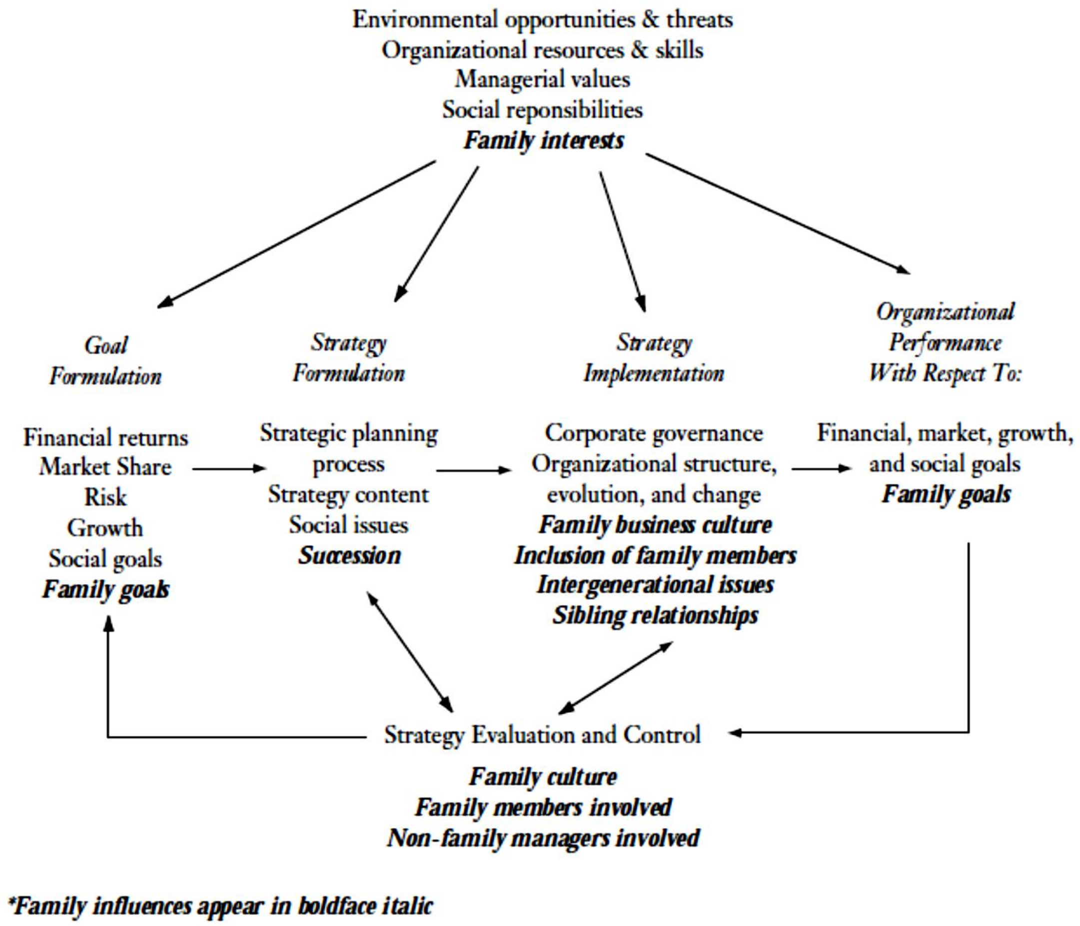

Figure 2.6 The Strategic management process
Source: Sharma et al. (1997)

Both family and business systems are highly sensitive and emotional. Family issues are very emotional and conflictual, and money issues could also be conflictual and sensitive. One of the managers and founders of a large family business asked me to highlight this sentence before starting the interview "Wherever money exists, problems exist." This implies the sensitivity and potential for conflicts associated with money and family issues by describing them as a problem. Carlock and Ward (2001) suggested a scale model to solve family business dilemmas achieving a balance between family needs and business requirements, as shown in Figure 2.7.

To achieve the correct balance, there are five issues that the family is required to identify, involving clear plans and policies for control, careers, capital, conflict and culture.

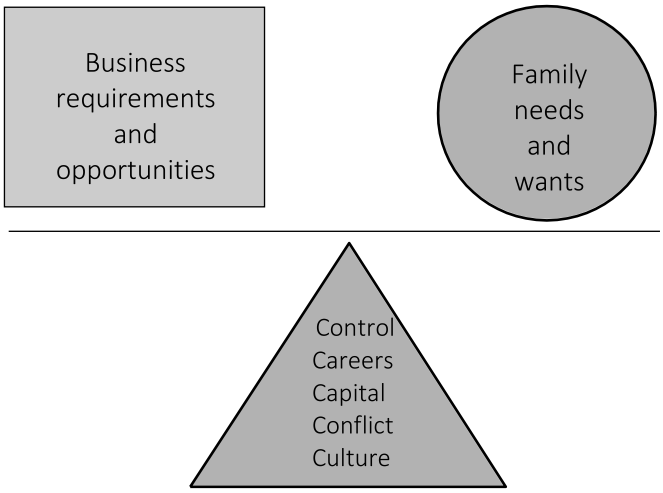

Figure 2.7: The dilemmas of family and business
Source: Carlock and Ward (2001)

Control: Family business control includes ownership, management and decision making. That means controlling the straregic direction of the firm (Astrachan and Shanker, 2003).

Careers: family memebers who are involved in the business are expecting a rewarding career in the family business. Positions in the business are availbale for them to pursue.

Capital: family business is the main investment capital for the family, but it also can be the source of other investment for family memebers without damaging the interests of the rest of the family.

Conflict: conflict happens when there is an intersection between two or more systems. For family members the business and their personal life closely intersect, which produces a lot of conflict.

Culture: the main players in family firms are family members, which means that their culture affects the business culture. Thus, the business culture reflects the owning family's culture.

Therefore, the strategic behaviour of family business is unique and distinctive because of the family's involvement in the business (Sharma *et al.*, 1997). Habbershon *et al.* (2003) emphasised that the role of the family appears in controlling the mechanisms used in the firm and determining the business vision. Such effects on the decision-making process have been referred to as ‘indirect effects’ on business strategy (Chrisman *et al.*, 2005), since they are often not immediately obvious in influencing the behaviour of a family entrepreneur.

Indirect effects on business strategy, such as of love, respect, care, interpersonal trust, relationships, or achievement motivation are generally not directly observable and often impinge on the decision-making process and its actors subconsciously and/or unnoticed by others. Thus, in order to delve beneath what is empirically observable, a method and worldview need to be chosen that allow for the uncovering of the underlying drivers of business strategy and for the explanation of how these interact to cause specific strategic action. Thus, understanding the process of strategy development in the family firms could be complicated because it needs an explanation of the interaction between the family and the business, and concepts borrowed from established disciplines of the strategy making process may not be sufficient. Thus, using the strategy-as-practice (SAP) perspective could be the best way as it depends on analysing family members’ practices as social interaction. Fletcher (2002), emphasizes the importance of understanding how individuals attribute value and meaning to the relationships they are engaged in, which will result in a better understanding of strategic processes.

Family firms have been the focus of numerous studies during the last few years due to their capacity to generate employment as well as their essential role in the wealth creation process (García Pérez de Lema and Duréndez, 2007). A lot of empirical studies have discussed the strategic process and strategic planning in family business. The literature shows many attempts to study business strategy and its process in family firms using case studies (Kassem, 1989; Ibrahim *et al.*, 2004; Craig and Moores, 2005; Salman, 2005; Kreiser *et al.*, 2006; Mazzola *et al.*, 2008; O'Regan *et al.*, 2010). However, recent research suggests that our knowledge of the strategic process in family firms is still quite limited (Upton *et al.*, 2001; Steier *et al.*, 2004) and little is known about how strategic decisions are made in family firms (Ibrahim *et al.*, 2004). There have been many calls to study strategic processes and strategy formations in family businesses, and Ward (1988) and García Pérez de Lema and Duréndez (2007) have confirmed this need. Some important relevant papers published between 1988 and 2013 are listed in Table 2.3.

Table 2.3 Literature of the strategic management of family business

Reference Listed by date	Cited*	Quantitative (surveys)	Qualitative (cases)
Ward (1988)	621		
Kassem (1989)	24		Yes
Harris *et al.* (1994)	422		
Ali (1995)	212	Yes	
Rue and Ibrahim (1996)	107		
Sharma *et al.* (1997)	1442	Yes	
Gudmundson *et al.* (1999)	232	Yes	
Davis *et al.* (2000)	81		
Upton *et al.* (2001)	457		Yes
McCann III *et al.* (2001)	281	Yes	
Ibrahim *et al.* (2004)	74		Yes
Lussier and Sonfield (2004)	54	Yes	
Salman (2005)	2	Yes	Yes
Craig and Moores (2005)	214		Yes
Kreiser *et al.* (2006)	30		Yes
Blumentritt (2006)	126	Yes	
Craig and Moores (2006)	319	Yes	
Welsh and Raven (2006)	103		
García Pérez de Lema and Duréndez (2007)	120	Yes	
Mazzola *et al.* (2008)	200		Yes
Zidan (2009)	Arabic		
Glaister *et al.* (2009)	39		
O'Regan *et al.* (2010)	23		Yes
Alwafi (2013)	1		Yes

**Citations recorded in February 2020*

The basic strategy process for both family and non-family firms is similar (Sharma *et al.*, 1997). Strategy must be formulated, implemented, and controlled in the context of a set of business goals and in relation to the business environment. Differences may exist in the specific goals, how the strategy is implemented, and the participants in the process (Sharma *et al.*, 1997). However, Rue and Ibrahim (1996) believed that family firms should not attempt to use the same techniques as those used in other firms. Strategic planning provides a framework for reconciling family and business issues and promoting open and shared decision making (Ward, 1988). Kassem (1989) considered strategic management as the process of aligning internal organizational capabilities with exogenous environmental contingencies.

Most scholars agree on the importance of strategic planning in family business (Rue and Ibrahim, 1996). Ward (1988) emphasized its important role, as a lack of strategic planning for both the family and business could be reasons for firms struggling to survive beyond a single generation in family business. There is a growing realization that strategy formulation in family firms differs from that found in other contexts (Sharma *et al.*, 1997; Chua *et al.*, 2003; Ibrahim *et al.*, 2004). The uniqueness of strategic planning in family firms arises from the family's involvement in the business (Ward, 1988; Harris *et al*., 1994; Sharma *et al*., 1997). Family involvement creates conflicts between family members that affect all aspects of the management of family businesses (Zidan, 2009), and the strategic planning practices of family firms are no exception. Blumentritt (2006) argued that the two most prevalent types of planning that occur within family businesses are strategic planning and succession planning.

However, Rue and Ibrahim (1996) stated that planning in family firms is limited in its scope and activities and there is no differentiation between operational and strategic planning. The inter-generational transfer process between family generations also influence the firm's strategy (Handler, 1994). However, Gudmundson *et al.* (1999) argued that empirical research examining this relationship is limited and has provided conflicting results. McCann III *et al.* (2001) found that family firms adopt a distinct set of business and family practices given their particular strategic focus. Typically, family firms were found to adopt conservative strategies first. During their formative years they adopt financially conservative strategies and maintain tight control of the strategic decision-making process. Then, they are pushed to embrace a more entrepreneurial posture by competitive pressure (Kreiser *et al.*, 2006).

A business mission statement is important; but so is an individual mission statement, as it helps individual family members create and preserve a unique personal identity within the family and business (McCann III *et al.*, 2001). Therefore, McCann III *et al.* (2001) stressed the importance of the acknowledgment in family firms that the relationship among business, family, and individual family members is dynamic and deserves continuous attention and work. Despite the perceived benefits of strategic planning, there has been little research that has investigated the characteristics of family business that are related to the use of strategic planning or the drivers that cause family businesses to engage (or not) in strategic planning (Blumentritt, 2006).

Little is known about how strategic decisions are made in family firms, according to Ibrahim *et al.* (2004). They called for research to consider the family dimension and its impact on the strategic making process in family firms. The analysis of strategy in family firms should examine inter-generational patterns of strategy, and Ibrahim *et al*'s (2004) study concluded that strategy significantly changes from generation to generation. Experience suggests that ownership interests and characteristics do significantly affect strategy selection (Harris *et al.*, 1994). This seems to be supported by Ibrahim *et al*'s (2004) study. Lansberg (1988) attributes the lack of research to a traditional management research bias in favour of bureaucratic rationality. Similarly, Dyer Jr and Handler (1994) argued that the traditional paradigm in management research has assumed that family involvement in a firm is antithetical to successful management.

Kreiser *et al.* (2006) looked at how family firms vary in different cultures with regards to their growth strategy. The study presented its findings by classifying the relevant actions as internal, external, opening, or closing. Therefore, the research did not focus on how strategy was formed or its process. Mazzola *et al.* (2008) looked at the strategic planning of family businesses as an educational tool for the following generations. Their purpose, therefore, was not to find out how strategy is formulated. O'Regan *et al.* (2010) recently attempted to study strategic thinking in family businesses. Their research considered what strategic thinking takes place within family businesses, and what form it takes. They also looked at differences between second and third generation family members in this respect. They found that the majority of family firms do tend to plan for the future in terms of key performance objectives. But they may not call this strategic thinking. The study, however, did not show how family firms actually came to set these objectives or how the planning was actually performed. Sharma *et al*. (1997) concluded that little is known about the process of strategy formulation and the content of strategy in family businesses, and Craig and Moores (2005) confirmed this conclusion.

2.5.1 Strategy-as-Practice

Many researchers, such as Whittington (2003) and Jarzabkowski (2004), have argued that strategy research has ignored the role of human interaction in strategy making. Johnson *et al.* (2003) shifted the traditional view and drew attention to the micro-level of the organization instead of the macro-level to develop an activity-based view. This means focusing on the daily activities, processes and practices of the organization that lead to strategic outcomes. Even though these micro-level activities could be invisible to traditional strategy research, their consequences are very visible in the organization and to its actors (Johnson *et al*., 2003). According to this view, strategy is something that people do and not something that the organization has, and this encapsulates the strategy-as-practice perspective (Johnson *et al*., 2003; Whittington, 2006). Johnson *et al.* (2003) focused strategy research on human activity. They introduced the concept of 'strategizing' as the 'doing of strategy', which thus means making strategy by relying on the process and practices that affect the organization (Vaara and Whittington, 2012). From a strategy-as-practice perspective, strategy is conceptualized as a situated, socially accomplished activity, while strategizing comprises those actions, interactions and negotiations of multiple actors and the situated practices that they draw upon in accomplishing that activity (Jarzabkowski, 2005).

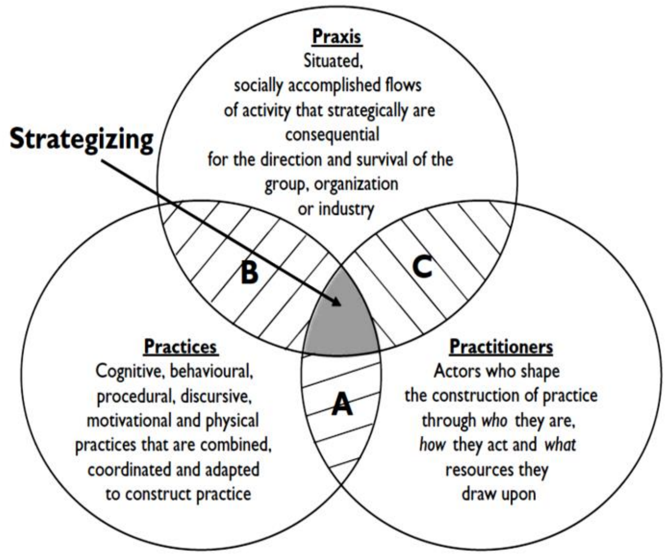

Figure 2.8 Conceptual framework for the analysis of strategy-as-practice
Source: Jarzabkowski et al. (2007)

Jarzabkowski *et al.* (2007) proposed a three-circle model of praxis, practices and practitioners (see Figure 2.8) as a conceptual framework for the analysis of data in strategy-as-practice research. As is clear in the figure, the three aspects are interconnected, meaning that they are related to each other and need to be studied together. The nexus of the three elements represents the activity of strategizing; however, researchers could study the interconnection between two of the three fields while backgrounding the third element, as shown in the figure in the areas A, B and C.

Strategy practitioners

Strategy practitioners are actors who shape the strategy of the organization (Jarzabkowski *et al*., 2007) by their practices in action. The practices of these actors depend on the ways of thinking, feeling and behaving prevalent within their society; therefore, it is important to study who they are, how they act and what practices they are engaged in. Furthermore, practitioners are the most important element among the three circles. Fletcher (1997, 2002) shows how organizational networking and cultural organizing are intertwined micro-processes with an impact on the outcomes of initiatives for strategic change. Strategic processes can be better understood by attending to how individuals assign value and meaning to the relationships in which they engage in their daily workplace activity (Fletcher, 2002). Thus, practitioners are the players who perform practices to control praxis, and so they are interrelated with practices and praxis.

Strategic practices

Nordqvist and Melin (2010) suggested three dimensions of strategic planning practices to help in understanding strategy making in the strategy-as-practice perspective. These are: planning modes, planning motives and planning arenas. A planning mode refers to all dimensions of the strategic process, such as types of strategic activity, tools and techniques used, and degree of formality (Nordqvist and Melin, 2010). Thus, it is the framework or model that shapes the strategic planning process of the firm. Meanwhile, planning motives are the motivations for planning and the reasons behind performing the process of strategic planning. In family firms, there are technical and symbolic purposes for strategic planning (Nordqvist and Melin, 2010). The strategy-as-practice approach is used to study the interactions between family members and the business system to generate strategy work that stems from the motivations of the owner-family. Finally, planning arenas are places where strategic planning progress occur, including formal and informal meetings, which may be physical places, social situations, atmospheres and other settings.

Strategic praxis

Praxis is the actual activity that constitutes strategy, such as formal and informal meetings, acting, creating tables, presenting and negotiating. These activities include the interaction between strategy actors who may belong to different social, political, and economic institutions, which affects their contributions in praxis (Jarzabkowski *et al*., 2007). This interpret why are particular strategic practices are adopted by organizational actors (Whittington, 2006).

2.6 Intergenerational Relationships and Succession

This section returns to the literature to present a comprehensive review of family business succession, culminating in a discussion of gaps in the literature and the presentation of a conceptual model of the family business succession process. It is therefore even more important to closely investigate the succession process, and to reflect on the advances and limitations of existing academic research in order to move towards a more accurate understanding of this phenomenon.

2.6.1 Importance of Succession in Family Business

Succession is considered to be one of the most critical issues and challenges facing family businesses (Handler, 1994; Ibrahim *et al.*, 2001; De Massis *et al.*, 2008). It is also considered to be a most important area for family business research (Chua *et al.*, 2003; Sharma *et al.*, 2003; Blumentritt *et al.*, 2013; Steier *et al.*, 2015). Many researchers have shown the importance of succession planning in assuring the continuity of the family business through the generations (Trow, 1961; Hershon, 1975; Barnes and Hershon, 1976; Dyer, 1986; Ward, 1987). In addition, succession play a crucial role in shaping the future success or failure of the family firm, and some researchers, such as Sonnenfeld (1988), Handler (1990), Morris *et al.* (1997), Ward (1997), Davis and Harveston (1998), Shepherd and Zacharakis (2000), De Massis *et al.* (2008), and Dalpiaz *et al.* (2014) have argued that most family businesses fail during the period of the succession process, either before, during or after succession itself.

Therefore, the succession process is a very important phenomenon that needs more consideration and deeper investigation. However, Lansberg (1999) doubts the capability of family firms to perform the transformation of the business between generations successfully. Correspondingly, studies show that only a few family firms prepare succession plans (Handler, 1989). Empirical evidence also suggests that little consideration is given to succession planning in family businesses worldwide. For example, surveys in the USA show that two-thirds of family firms fail to plan for generational succession (Cliffe, 1998) and only 30% of them are successfully transferred to the second generation (Beckhard and Dyer Jr, 1983; Ward, 1987; Filser *et al.*, 2013), while only 10% to 15% are successfully transferred to the third generation (Ward, 1987; Filser *et al.*, 2013). Evidence from Australia suggests that 11% of family firms survive to the third generation, and only 6% to the fourth generation (Smyrnios and Romano, 1994). A study from the United Kingdom shows that only 24% of family businesses transfer to the second generation and that merely 14% survive to the third generation (Stoy Hayward, 1989; Handler, 1994).

2.6.2 Definition of Succession

Succession has a simple definition in the Oxford Dictionary, which is the action or process of inheritance. This means that succession could be either an action or a process with sequential steps. In family businesses, therefore, succession can be defined from two points of view: either as the action of transferring leadership and ownership; or as the process of transferring leadership and ownership. Scholars such as Sharma *et al.* (2001) and Elamin and Alomaim (2011) defined succession as "passing the baton". In other words, succession automatically occurs when the founder transfers leadership and ownership to an heir without prior planning. On the other hand, scholars such as Handler (1990, 1994), Tatoglu *et al.* (2008), and Gilding *et al.* (2015) argued that succession starts at early stages of the life of the family business, implying that succession requires time and preparation as it is a process involving several stages.

Succession in non-family businesses is related to the exchange of leadership, whereas in family businesses it is related to handing over leadership from one family member to another family member (De Massis *et al.*, 2008). This is what distinguishes family businesses from others, and makes succession planning the main strategic activity of the firm that requires a massive amount of energy, capacity, and hard work (Ward, 2004; Aleem and Islam, 2009). Therefore, succession is a series of processes more than a single event and a suitable definition of succession is "the deliberate and formal process that facilitates the transfer of management control from one family member to another" (Sharma, *et al.,* 2003, p.25). Succession can also be defined as a process that involves the transmission of both ownership and management between the generations (Lansberg and Astrachan, 1994; Gersick *et al.*, 1997; Gersick *et al.*, 1999). Venter *et al.* (2005) agreed that succession is not a single event, but a process that requires planning and a sequence of strategies executed over time to avoid unexpected problems. Moreover, Sharma *et al.* (2003) argue that it is irrational to have a single succession model that applies to all family businesses due to the complexity of the succession process and the distinctive nature of family firms. Thus, the family business literature contains many models of the succession process that have been developed by scholars, and the main models are introduced next.

2.6.3 Succession Models

Father-Son succession process model

Longenecker and Schoen (1978) proposed the father-son succession process model, which consists of seven stages of the succession process: the pro-business, introductory, introductory-functional, functional, advanced functional, early succession and mature succession stages. The first three stages occur before the successor actually enters the business as a full-time employee, and the last four stages take place after his or her intensive involvement in the business. Figure 2.9 shows Longenecker and Schoen's father-son succession process model.

Pre-business	Introductory	Introductory-Functional	Functional	Advanced Functional	Early Succession	Mature Succession
		Entry of Successor		Transfer of Presidency		
Successor may be aware of some facets of the organization or industry. Orientation of successor by family members, however, is unplanned or passive.	Successor may be exposed by family members to jargon, organizational members, and environmental parties prior to part-time employment in firm.	Successor works as part-time employee in organization. Gradually, the work becomes more difficult and complex. Includes education and work as full-time employee in other organizations.	Successor enters organization as full-time employee. Includes first and all subsequent non-managerial jobs.	Successor assumes managerial position. Includes all supervisory positions prior to becoming the president.	Successor assumes presidency. Includes time successor needs to become leader of organization or more than *de jure* head of organization.	Successor becomes *de facto* leader of organization.

Figure 2.9 Father-son succession process model
Source: Longenecker and Schoen (1978)

The first stage is pre-business, and at this stage the successor may have some awareness of the business and critical information about it. Secondly, in the introductory stage, the successor becomes more aware of the firm from contact with family members involved in the business, although the successor is not yet a member of the organization and not even a part-time employee. Then in the introductory-functional stage, the successor becomes partly involved in the family business such as by working as a part-time employee. In the functional stage, the successor becomes fully involved in the business as a full-time member of the organization but not in a managerial position. In the subsequent advanced functional stage, the successor is supposed to become a leader and might be assigned to a managerial position with executive responsibilities. Following this, in the early succession stage, the successor assumes the presidency, which means being trained to obtain the variety of skills needed to manage the business as the future leader. Finally, in the mature succession the successor actually becomes the head of the organisation (Longenecker and Schoen, 1978; Handler, 1994).

In summary, the above-mentioned model consists of two fundamental events, the entry of the successor into the business, and the successor gaining a leadership role within the business. These events are further explained in the seven stages of the model.

The life cycle model

The life cycle model was developed by Churchill and Hatten (1987) to describe the succession process in family business. They claimed that succession stages in family business are shaped by the interaction between two different generations in the company represented by the father and son working with each other in the same place (Handler, 1990). Succession represents a mutual process of role adjustment between the founder and next-generation family members.

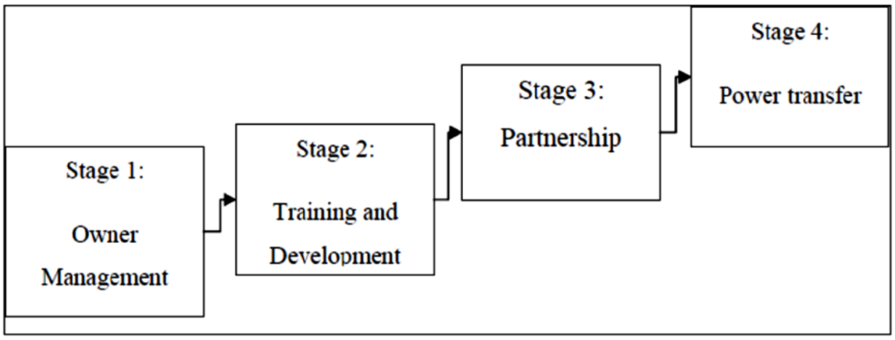

Figure 2.10 Life cycle model
Source: Churchill and Hatten (1987)

This model consists of four stages describing the interactions between the father and son (see Figure 2.10). The first stage is owner-management where the father/owner is the only family member involved directly in the business. At this stage the founder tends to manage everything himself and he is therefore the most important element in setting the organizational culture (Handler, 1994; Sharma *et al.*, 2001). Then, in the training and development stage, the development of the next generation occurs and the offspring learn about the business. This includes learning from childhood onwards in family meetings and learning from work experience in the family firm to gain the relevant skills and knowledge. The third stage involves partnership between father and son where the next generation develops competences and comes to deserve to be delegated some responsibilities and to participate in the decision-making process. The final stage is the power transfer stage which means transferring responsibilities to the successor and a new generation now leads the company. The founder withdraws from the business to help smooth the process of succession (Churchill and Hatten, 1987; Handler, 1994).

Thus, the life cycle model concerns the interaction between the founder and the successor working at the same company, where the successor develops and gains experience until the founder passes leadership on to him/her.

Mutual role adjustment model

Handler (1989) developed the mutual role adjustment model of the succession process from empirical findings after interviewing thirty-two next-generation family members. She proposed that the succession process includes multiple stages according to which the founder decreases his or her role and involvement in the business over time. The most important elements of Handler's model are the founder and successor, who are responsible for changing their roles in the business depending on changes in the business environment (Handler, 1989). Cater III and Justis (2009) also argued that the succession process is affected by the time taken by the founder and successor to modify their roles. This means that the succession process could take place later if it takes longer for role modification to occur.

Handler's model is based on the life cycle model proposed by Churchill and Hatten (1987) (see Figure 2.10). Handler suggests that family members take up precise roles throughout the succession process, and those roles change over the stages of the transition (Handler, 1990). As Figure 2.11 indicates, Handler's model has four stages of the founder's and successor's roles that change in parallel. However, the adjustment of the founder's role influences the development of the successor's role, who becomes increasingly involved in the business throughout successive stages. However, founders tend to take a longer time to change role, which means that the successor could move to a new role while the founder still holds their position. In addition, transferring leadership experience, authority, decision-making power, and equity between generation is a slow process (Handler, 1990).

In the mutual role adjustment model, the succession process involves joint role adjustment between the predecessor and next generation family members. This consists of four phases that describe the interaction of the founder and the next generation. However, each phase has its own characteristics. The first phase is the sole operator phase that takes place when founding the business where the founder does not yet think that a succession plan is needed. In this stage also members of the next family generation are not involved in the business, for many reasons; in particular, the patriarchal culture that enables the family leader or founder to assume all authority for decision making and business operations in a hierarchical relationship with other people involved (Handler, 1990; De Massis *et al.*, 2008).

The second phase is the founder as monarch and the helper-successor as helper, where the next generation gain skills and experience from the founder. In the third phase the founder becomes an overseer/delegator and the successor takes a managerial role. In this phase the successor is not able to move to this position until the founder agrees to transform himself into an overseer, which is a very critical and sensitive transition that includes stepping away and sharing and delegating responsibilities (Gilding *et al.*, 2015). Finally, the most critical stage for the founder is when he becomes a consultant and the successor becomes a leader. That reduces the founder's involvement in business activities, and he could be involved only as a member of the board of directors in the firm.

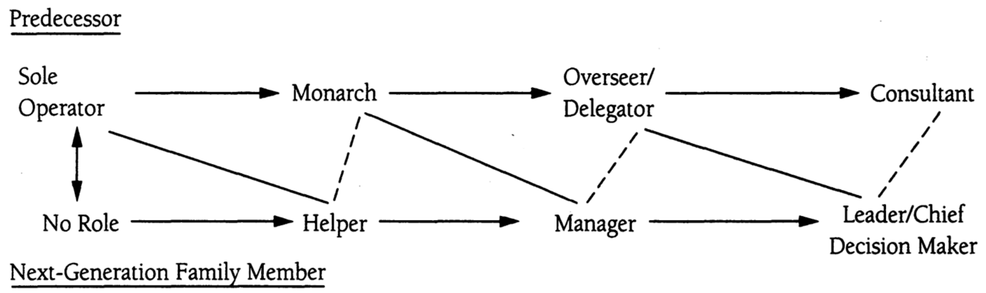

Figure 2.11 Mutual role adjustment model
Source: Handler (1989, p. 194)

Meanwhile, the successor takes over control of the company as manager and leader (Handler, 1989; Handler, 1990; Koffi *et al.*, 2014). However, in the real world, many founders never move from the second monarch stage and stay in control of the company. On the other hand, many successors also never move beyond the second stage of the helper role as their parent resists giving them authority, power and control (Handler, 1990). Thus, even though the mutual role adjustments model introduces the interactions and relationship between the founder and next generation in the succession process, many firms fail to achieve succession because of the founder's resistance. Factors preventing succession are discussed in depth later in this chapter.

Stepping-stone model for family business transfer

The stepping stone model for family business transfer was proposed by Lambrecht (2005) from his empirical research involving ten case studies of family businesses. He suggested a model with six steps for transferring the family business and presented them as the steps of a ladder starting from bottom to top (see Figure 2.12). The steps concern entrepreneurship, study, formal internal education, external experience, the official start in the family business, a written plan and agreement, and finally taking over the family business. Lambrecht (2005) clarified that the first step of entrepreneurship refers to supplying the next generation with professional knowledge about the business such as management values, leadership style and entrepreneurial characteristics

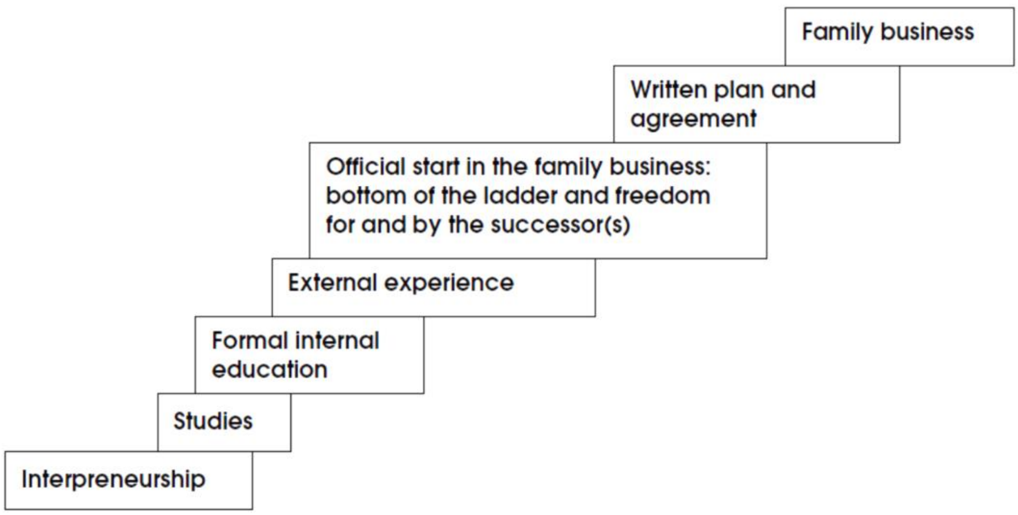

Figure 2.12 Stepping-stone model for family business transfer
Source: Lambrecht (2005)

The second step refers to the successor's education, as most successors tend to seek a formal academic degree before joining the family business as full-time employees. This may enable them to be better prepared to run a business. The third step of formal internal education' refers to teaching successors everything about the business through practice in attending business meetings or internal training programmes. The literature demonstrates that larger family businesses sometimes provide formal internal education for family members at a young age (Tifft and Jones, 2000). The fourth step is external experience and knowledge that the successor gains from working experience outside the family firm. Following that, the successor's official start in the family business is the fifth step in the model, referring to a full-time job of the successor in the family business which leads to a fuller understanding of the business and self-confidence is gained about joining the business (Lambrecht, 2005; Koffi *et al.*, 2014). Finally, the sixth step of written plans and agreements refers to official written procedures taken in the case of transferring ownership, supposing that the successor has been well-trained to take over its leadership and ownership (Lambrecht, 2005). This model has multiple steps describing the process of preparing the succession plan, which include the preparation of a programme for the next generation.

Table 2.4 The four models of the succession process

Succession model	Author	Cited	Based on empirical study	Study sample	Interactions between founder and successor
Father-Son Succession Process Model	Longenecker and Schoen (1978)	397	No	-	No
Life Cycle Model	Churchill and Hatten (1987)	682	No	-	Yes
Mutual Role Adjustment Model	Handler (1989)	1013	Yes	32 interviews with next generations	Yes
Stepping-stone Model for Family Business Transfer	Lambrecht (2005)	327	Yes	10 case studies; data from: observation, interviews, stories of family businesses and articles	No

Table 2.4 presents a comparison of the four models of the succession process. Some of the models have been based on the literature and some have been developed based on empirical study. Also, some models consider the relationship between the founder and successor, while others focus on the steps involved. These differences between models lead to a good variety of framework choices depending on the purpose of research. The father-son succession process model focusses only on the successor's role and preparing the successor without considering the founder's role and his actions concerning succession. Even though the model emphasises the importance of socialization and the relationship between the father and his son in order for succession to occur, no connection is made between the roles of the founder and

the successor. Churchill's subsequent life cycle model gives more consideration to the interactions between the founder and the successor. The model's stages show the development of the relationship between them until they reach the stage of full power transfer. However, the model consists of only two dimensions: time and the individual's ability to take the opportunity. More factors should be included to give a complete analysis of a complex phenomenon such as succession.

Handler (1989) developed the mutual role adjustment model based on her empirical findings after interviewing thirty-two next-generation family members. The crucial factor in the model is the interaction between the founder's role and the successor's role, which depends on the founder. The model shows mutual connections between the two roles throughout the process. The model sheds light on the importance of the capacity for self-reflection on the part of both the founder and the successor, while the successor needs to understand the pain of the founder in giving up leadership and power. The founder also needs to understand the importance of succession planning (Handler, 1994). Thus, the previous models help in applying an effective succession process; however, there are a number of factors and issues associated with the process that might influence it (Ibrahim and Ellis, 1994; Lee *et al.*, 2003; De Massis *et al.*, 2008). These factors include the founder's role and resistance to succession, which are discussed in the next section.

2.6.4 Succession-related Issues

De Massis *et al.* (2008) introduced an inclusive list of factors that play a role in the succession process drawn from a comprehensive review of the literature in family business including variables involving management, economics, anthropology, history, psychology, sociology, and law in addition to case studies from the main databases. The authors argued that not all factors are unique to family firms, as succession in family firms implies passing the leadership from a family member to another while in non-family firms succession includes any changes in leadership. In addition, they argued that factors in succession do not necessarily prevent succession from taking place. Factors affecting and preventing intra-family succession in the family firm could include those associated with the individual, relationships, the context, finances, and the succession process itself (De Massis *et al.*, 2008).

Individual factors could be related to the incumbent and successor and concern the individual's profile and motivation. Succession problems mostly occur at the individual level see, for example, Kets de Vries (1985), Kets de Vries and Miller (1984), and Levinson (1971). Financial factors are related to the internal and external financial resources and opportunity costs, which may play a role in preventing succession (Parrini, 2000). Since management succession is usually accompanied or followed by ownership succession, the tax burden associated with the transition, for example in inheritance, could exceed the family's liquid resources (Perrini, 1998; Parrini, 2000). A lack of the financial resources necessary for such an undertaking may prevent succession (De Massis *et al.*, 2008). Furthermore, if succession requires professional manager(s) to be hired because the potential successor is not endowed with the same level of managerial skills that the incumbent possessed, the family business will incur agency costs (Eisenhardt, 1989). Contextual factors are associated with changes in the business environment such as in business performance, the scale of the business, or suppliers. Pfeffer and Salancik (1978) contend that context can influence succession because uncertainties and contingencies in the business environment affect the distribution of power and control within firms, and this distribution in turn influences the selection and replacement of successors. De Massis *et al*.'s (2008) main five succession factors cover most of the succession issues that have been introduced in the literature. The most commonly cited factors affecting succession are discussed below.

Even though succession is a most important issue in family businesses and a thoroughly researched field, little attention has been given to the reasons that prevent succession occurring (De Massis *et al.*, 2008). Many factors could be behind resistance to the transfer of managerial control from one family member to another, but generally the main reason is the founder's negligence or underestimation of the issue. Miller *et al.* (2003), Westhead (2003) and Royer *et al.* (2008) argued that first-generation founders are usually not willing to develop a succession plan for the next generation. Bachkaniwala *et al.* (2001) thought that family business leaders do not view succession as a threatening factor that risks the survival of the business, and therefore do not give it careful consideration.

De Massis *et al*. (2008) introduced an inclusive list of factors that play a role in the prevention of intra-family succession in family firms, including individual, relationship, context, financial, and process factors. Other scholars have also discussed resistance to succession, such as Lansberg (1988), Handler and Kram (1988), Davis *et al.* (1997), and Sharma *et al.* (1997), yet the literature is highly fragmented (Venter *et al.*, 2005). Furthermore, no study has classified the reasons associated with specific family business actors. Thus, from De Massis' list of factors, this section considers reasons for resisting succession mentioned in the literature classified according to the actors concerned and their relationships.

The role of the founder

Most succession research focuses mainly on the founder's role (Barnes and Hershon, 1976) because the founder has the greatest power and influence in making succession decisions (Handler, 1994; Sharma *et al.*, 2003). Many studies have been conducted to analyse the founder's characteristics and their influence on the succession process (Handler, 1994). Kets de Vries (1993) and Corbetta and Montemerlo (1999) emphasize the founder's role in selecting and conveying a set of well-established values to potential successors as a way to facilitate a successful succession process and to achieve the growth and success of the firm. The role of family business founders and owners is similar to that of the CEO and could follow one of the CEO's succession perspectives developed by Sonnenfeld (1988): monarchs, generals, ambassadors, or governors. He argued that the first two styles of monarchs and generals never leave work unless they are forced to do so. The ambassador may accept the need to leave while taking a consultancy role in the business in their retirement. Lastly, a governor would be willing to leave before retirement so as to pursue other interests.

The founder's resistance to change is the first and most common succession problem. Many scholars such as Levinson (1971) Kets de Vries (1985) and Dyer (1986) have argued that it is in the nature of an entrepreneurs to resist giving up what they have established and directed, in addition to the entrepreneur's desire for independence. Running the business gave the founder power and high status that may be lost due to the succession (Kets de Vries, 1985; Lansberg, 1988). Thus, the founder's fear of losing a central role in the family can be responsible for resistance to succession. Additionally, the patriarchal culture of the family business (Dyer, 1988) means that the father is supposed to be the leader of the family. Moreover, some founders resist succession by staying at the workplace and not retiring because of lack of a trust in the capabilities of successors (Brown and Coverley, 1999) or rivalry and jealously toward potential successors (Levinson, 1971; Lansberg *et al.*, 1988). García-Álvarez *et al.* (2002) argued that founders are often mistaken when thinking that their successors are inadequate and still in need of their advice. Founder self-centred personality could cause doubts regarding the capabilities of the younger generation. However, succession resistance could happen unintentionally due to the founder's ignorance or irrationality or being too busy conducting day-to-day tasks (Trow, 1961; Hershon, 1975; Rosemblatt, 1985; Lansberg *et al.*, 1988). In consequence, some founders continue to work in the family firm after the delegation of leadership to the successor, which gives them the ability to control and influence the firm's critical decisions (Davis and Harveston, 1999). That could cause a blurring of the boundaries of individual authority and responsibility that could harm the business.

On the other hand, some studies have discussed parent-child relationships in this context (Davis and Tagiuri, 1989; Dumas, 1990; Handler, 1990). Founders seek the continuity of their business through next-generation family members: children first, followed by other family members (Iannarelli, 1992; Kets de Vries, 1993; Corbetta and Montemerlo, 1999) and then non-family insiders or other alternative solutions when next-generation successors are unavailable (Ward, 1987). The successor's existence in the firm is necessary for the founder's existence, providing a longer term outlook for the firm (García-Álvarez *et al.*, 2002). Moreover, the transfer of implicit knowledge, social networks, and social capital across generations is important in succession (Duh, 2012). Additionally, the owner/founder of a family business will retain a substantial amount of distinctive knowledge and long experience (Cabrera-Suárez *et al.*, 2001; Steier, 2001; Lee *et al.*, 2003; Tatoglu *et al.*, 2008).

The role of the successor

The second most influential actor in the succession process is the successor, who is a key factor in the process (Rogal, 1989; Dyer Jr and Handler, 1994). Many researchers argue that the leadership ability of the successor could lead to positive succession (Barach *et al.*, 1988). The more a next-generation family member has fulfilled needs associated with career interests, psychosocial factors, and life stage needs in the context of the family firm, the more likely it is that that individual will have a positive succession experience (Handler, 1994). Dyck *et al.* (2002) argued that the effectiveness of succession depends on the appropriateness of the successors' skills and experience, timing, the method of achieving succession, and communication between the founder and successor. When the next generation family members participate in strategic planning, this may qualify them to obtain essential implicit business knowledge. This experience, along with interactive work relationships between the founder and next generation, helps to construct a sense of trustworthiness and the acceptance of the next generation within the business (Chrisman *et al.*, 1996; Mazzola *et al.*, 2008). The process of the induction of the successor into the family business plays a crucial role in the succession process (García-Álvarez *et al.*, 2002).

However, some children may refuse to join the family business for reasons such as fear or other career interests (Ward, 1987); however after joining the business, the pressure to become the successor then arises. Stavrou (1999) argued that the offspring's intentions to take over the family firm are formed after the decision to join the firm (Handler, 1992; Stavrou, 1999). In contrast, other researchers argue that a potential successor may not wish to be included in the succession process because of conflict with the founder (Dumas, 1990; Handler, 1990). Furthermore, the gender of a potential successor could be a reason for resistance, and Handler (1994) pointed out that there is still an assumption that it is the sons who will take-over the family business despite the increasing numbers of daughter successors.

Conflicts and gender issues

The relationship between the founder and the successor is critical. Santiago (2000) argued that the consistency of values between founder and successor could be more effective than having a formal succession plan. Lansberg *et al.* (1988) noted that the quality of the relationship between the incumbent and the potential successor is essential for succession. Family harmony is assumed to help the succession process (Churchill and Hatten, 1987). In contrast, Handler and Kram (1988) advised that lack of trust, respect or open communication in their relationship could cause resistance to succession. Hubler (1999) also agreed that poor communication can lead to preventing family members from expressing their feelings and wishes, which may become factors affecting succession. However, discussing succession implies the founder's mortality (Lansberg *et al.*, 1988; Kets de Vries, 1993), which may cause unpleasant feelings in the family. To avoid conflicts between family members, Harvey and Evans (1994) suggested the early preparation of siblings by providing entry strategies and succession planning. García-Álvarez *et al.* (2002) also declared that family business continuity depends on the good preparation of possible successors in the socialization processes. Thus, it is important to provide siblings with equal opportunities to challenge to become potential successors, whether they are male or female (García-Álvarez *et al*., 2002).

Iannarelli (1992) found that young girls are often treated differently from their brothers during this socialization process. Specifically, they spend less time at the business, develop fewer skills, and are encouraged less than their brothers. Choices are often made for them at an early age without their knowledge of the options available. This may help explain why there is still a gap between the number of men and women in leadership roles in family firms. Barnes (1988) found that, because of family hierarchies where younger sons and daughters rank in lower positions, they have to confront unique challenges when trying to participate in the family business. If the daughter receives a higher title inside the firm than a male sibling, this can be incongruent with the family hierarchy. According to the literature, daughters historically have not been considered for succession into management positions in family businesses (Keating and Little, 1997; Stavrou, 1999). Keating and Little (1997) found that gender was the main factor when determining a successor, with males being preferred. Stavrou (1999) also found that daughters, even when first-born, are not often considered for leadership roles in family businesses, with some owners preferring to sell the business rather than putting the daughter in a leadership role. Dumas (1992) found that daughters were primarily brought into the family business to perform lower-level tasks. These findings taken as a whole suggest that women in family businesses are not being groomed for future leadership roles.

Between 1997 and 2002, the number of women owned businesses increased by 14%, reaching 6.2 million companies which are primarily located in the retail and service sectors (Centre for Women's Business Research, 2002). However, that figure mostly represented businesses started by women rather than inherited by them (Vera and Dean, 2005). Because of the expected increase in turnover of ownership in family businesses in the coming decade, and the gradual increase in numbers of female successors, it is important to understand the issues women face in the succession process and to understand why so few women currently head family businesses (Vera and Dean, 2005).

In contrast, researchers have found that father-to-son successions are more likely to be affected by issues related to control, power, and competition (Rosemblatt, 1985). Some evidence suggests that a son's need for power and control may cause succession to take place too quickly, not allowing the father to follow his own pace of relinquishing control (Vera and Dean, 2005). García-Álvarez *et al.* (2002) argued that the rule of the first-born son was mentioned some years ago as the most frequent pattern; however, female candidates are considered as potential successors primarily when all of the founder's descendants are female or when they are the first-born.

2.7 Family Business in the Middle East

Sharma *et al.* (1997) set out some points that must be kept in mind while researching family businesses. One relevant point is that family businesses are not a homogeneous group, so that what applies to one does not necessarily apply to others. As such it is important to clarify the types of family, business and business environment being studied. Therefore, the general characteristics for each sample company in this research are mentioned. Glaister *et al.* (2009) stated that there have been many arguments about the impact of culture on management practices. They argued that empirical evidence on strategic planning that compares practice in different countries is very limited, especially in studies that examine the strategic planning processes of firms in developing market economies and those located in transitional economies.

Ali (1995) argued that there is a general agreement among management scholars that no theory of management is free from culture influence. There are even calls to conduct studies at country/regional level to account for cultural differences (Davis *et al.*, 2000; Welsh and Raven, 2006). Therefore, strategic planning in the Arabic world is likely to be different from that in the western world. The Middle East is a diverse region, with a myriad of unique cultures (Welsh and Raven, 2006). Saudi culture is notoriously conservative and generally is considered to be one of the most conservative cultures amongst Arab societies, specifically concerning issues relating to gender (AlMunajjed, 2006; Fatany, 2007; Durie, 2010). Davis *et al.* (2000) looked at challenges facing family firms in the Gulf region. They concluded that more needs to be written about successful family companies in the region in order for local companies to learn from them. Indeed, not many researchers have attempted to address business strategy in family firms in the Arab world.

Since the discovery of oil in the Gulf region in the 1930s, the Middle East has been in transition. The population of the Middle East has grown very rapidly in the past 30 years—faster than any other region of the world except sub-Saharan Africa (Dhonte, 2000). The subsequent increases in revenue have resulted in drastic changes and significant industrialization within these countries (Ali and Al-Shakhis, 1986; Ali, 1990; Abbasi and Hollman, 1993). Kassem (1989) affirmed that the knowledge gap mentioned above is particularly true for Arabia. This environment has plentiful opportunities for study, but these have to be found and researched.

Davis *et al.* (2000) argued that, more than any other area in the world, business in the Arabian Gulf is viewed as a way to enhance a family‘s social standing rather than as an impersonal, wealth-generating, market-driven activity. This is compatible with Ali's (1995) findings about Arab tribal society and culture. Tribal societies have long focused on the family as the unit of interest. Families predominate in both politics and society (Ali, 1995). This importance of the family extends to businesses, where approximately 98% of commercial activities in members of the Gulf Cooperation Council, which includes Saudi Arabia, Kuwait, and most of the other Gulf states, are family-run (Fadhel, 2004). Hickson and Pugh (1995) cited four major influences on Arab management: Bedouin tradition and the wider tribal inheritance, Islam, foreign rule, and the West's need for oil.

There is surprisingly little empirical work that has examined the techniques, tools, and approaches to planning that are actually being used in family firms (Rue and Ibrahim, 1996). Kassem (1989) studied strategy formulation in the Arabian Gulf using case studies with convenience sampling. His sample included different sectors including banks, airlines, hospitals, hotels, schools, and IT and consultancy firms. Semi-structured questionnaires were used to interview the top management of family firms in the Arabian Gulf to study their strategy formulation. Ali (1995) described several social qualities and elements in Arab culture and their organizational implications. In terms of culture, Ali (1990) argued that there are five factors that appear to be significant and affect management in the Arab world. These are Islamic influence, tribal and family traditions, the legacy of colonial bureaucracies and the Ottoman Empire, increasing recent contact with Western nations, and government intervention and political constraints. However, some of the behaviour of Saudi family firms observed in Rue and Ibrahim's (1996) research seems to accord with the findings of the existing literature in other parts of the world. Welsh and Raven‘s (2006) study suggested that managers and employees of family-owned businesses in the Middle East behave in ways similar to those in Western countries; however, there are differences, probably related to cultural characteristics.

Welsh and Raven (2006) called for research to expand our knowledge about family business and its cultural variations. In particular, they called for research to include Saudi Arabia, Bahrain and the UAE as there is a need to understand Middle East management techniques and culture. After acknowledging the various definitions of family firms offered by different authors, Welsh and Raven (2006) opted for the most simple and loose definition of family business in the Middle East as family-owned and -managed. They affirmed that this covered most businesses in the Middle East. Zidan (2009, p.14) noted that some Western family businesses are not 100% owned by the family, while this would not be the case in most family businesses in the Arab World where 100% ownership is predominant. Salman (2005) proposed a model of strategic planning for family business in Saudi Arabia. He first listed what he called critical factors in the formulation of strategic planning in such family businesses. Then, the model was developed to address these factors before attempting verify the model. The model was based on Carlock and Ward's (2001) parallel planning model, and Salman's results indicated that 86% of the sample did not have any organised method of strategic planning. Therefore, only 11 firms did do some type of planning. Further, four of the companies studied in detail did not have a strategic planning process as defined by the researcher.

However, although the Saudi economy has grown rapidly, its human capital has not developed so quickly. There are large numbers of non-Saudis in the workforce and large numbers of family-owned firms lack human resources management (HRM). The Saudi government is aware of the lack of HRM in family businesses due the impact of family dynamics on business operations. This is one of the disadvantages of family business management. When there are no particular rules for employee training and hiring, decisions are made to fulfil family preferences rather than the firm's (Sharma, 2004; Debicki *et al*., 2009). Therefore, in a family business it is hard to control the recruitment system and it is hard for management to exert influence on recruitment strategies because most senior positions go to family members, and so preference in hiring relates to genetics rather than competence (Debicki *et al*., 2009).

2.8 Conclusion

After delineating the body of literature drawn upon in the research, gaps in knowledge have been identified in several areas. Firstly, the theoretical framework used in this thesis is Bourdieusian theory. Bourdieusian 'field theory' and 'capital theory' and his concept of the 'habitus' have been chosen to serve as theoretical lenses in this research. They help in exploring the social organization of family business in Saudi Arabia and the role of the family as a dominant group in the organization and its role in shaping the firm's identity. Additionally, Bourdieu's capital theory supports an understanding of the power of the interrelationships between individuals at the micro level of the organization as a structuring force in determining the firm's strategy, and the typical patterns of interaction observed between business and family members involved in the business are examined.

Secondly, definitions of family business derived from the literature are presented. A preferred definition of family business for the purpose of this research has been obtained from the literature. The definition encompasses most of the businesses in the Middle East and in Saudi Arabia as the main context of this research. Thirdly, studies of the social organization and governance of family business have been reviewed. Family ownership may create an organizational culture of altruism, loyalty, commitment, family ties, and stability. Therefore, investigating the family as an organization will help in understanding the social organization and governance of family businesses in Saudi Arabia. Fourthly, research into the strategic management of family business is summarised with a concentration on strategy-as-practice. There are many calls for shifting the traditional macro-level view to an activity-based consideration of strategy making, drawing attention toward the micro-level of the organization. That means focusing on the daily activities, processes and practices of the organization that lead to strategic outcomes.

Fifthly, intergenerational relationships are considered and some of the main succession models which have been proposed are described. Succession in family businesses is related to handing over leadership from a family member to another family member. Thus, the relationship between the founder and successors is investigated, including the founder's personality and preparation methods for the next generation. Finally, studies of family business in the Middle East are surveyed to identify the gaps in this particular literature. Many scholars have noted that there are differences between family business in the West than in the Middle East as there are no culture-free management studies. Thus, there are many calls for greater knowledge of family business and its cultural variations. In particular, research intonations such as Saudi Arabia, Bahrain and UAE is needed to understand Middle East management techniques and culture.

Chapter Three:
Methodology

3.1 Introduction

This chapter describes the methodology employed in this study of family business in Saudi Arabia. It shows the steps taken to establish a suitable framework for the conduct of my research in order to achieve the research objectives. It also presents in detail the research design, data collection methods, tools and analytical methods in the following order. Firstly, the philosophical approach to the research itself is identified by setting out a general discussion of ontology and epistemology and then determining the research strategy, which in essence is inductive. Secondly, the research design and stages, which are intended to deliver objectives are elaborated accrue of the research context. Thirdly, the data collection process is thoroughly explained following Kvale's (2008) recommendations for research steps in conducting successful interviews, all relevant issues are discussed such as data management, transcription and translation. Fourthly, a preliminary data analysis is conducted to explore the data and categorize the sample businesses, such as business type, sector and company age and each participant gender, education and role. Finally, methodological limitations and ethical issues are discussed to conclude the chapter.

3.2 Research Philosophy

Research philosophy is a very important stage in conducting research as it determines the way knowledge is going to be gained. Guba (1990) argued that the researcher's fundamental beliefs affect the way he/she perceives reality. This forms the research paradigm and therefore defines the direction of the research. Thus, it is important to determine the philosophical assumptions that lie behind this research. Easterby-Smith *et al.* (2015) emphasised the importance of the research philosophy for the following reasons. Firstly, it helps the researcher to decide on the research design. Secondly, it helps in distinguishing between potential research approaches to determine a suitable one. Thirdly, it helps the researcher to adopt a research design that avoids unnecessary constraints. Therefore, the adoption of a research philosophy depends on the nature, purpose, context of the research and the question asked.

A research paradigm is defined by Harré (1987, p. 3) as “a combination of a metaphysical theory about the nature of the objects in a certain field of interest and a consequential method which is tailor-made to acquire knowledge of those objects.” The importance of deciding the research paradigm at an early stage is that it informs all that follows (O'Gorman and MacIntosh, 2014). A research paradigm consists of several elements, the most important of which are ontology, epistemology and methodology (Guba and Lincoln, 1994). Ontology means what reality actually is, while epistemology means how we perceive and describe reality, and methodology means the methods, tools and instruments we use to detect that reality.

The ontological premise of this thesis is interpretivism, which means that reality in the domain of family business depends on the actors in the field. Therefore, there is no single reality which applies to all. Instead, reality is created by the interaction between the researcher and actors in the social world (Lincoln *et al.*, 2011). Angen (2000) argued that understanding a social reality cannot be separated from its context. He emphasised that interpretive research requires interpretation of the interactions of the people involved (the researcher and social actors) in the lifeworld through their language, and local and historical situations. Furthermore, he argued that consideration should be given to temporal and social contexts during an interpretation of reality, which makes it subject to re-interpretation (Angen, 2000).

This research aims to discover the role of family members in family businesses in Saudi Arabia. I am concerned with the ways in which social norms and expectations shape the roles played by family members in business. In addition, I am aiming to discover more about the intergenerational relationship and interactions between family members. Understanding the effect of social factors on the role of family members in family firms requires sensitivity to the historically and socially determined predicament of women in Saudi society. Therefore, the interpretivist epistemological approach is suitable for this research, in which a flexible approach is taken in gathering and interpreting data. This will help in considering all of the factors shaping outcomes, thereby reducing potential error in the findings. It suggests that methods should considered which measure phenomena from several angles. In the interpretivism paradigm, reality can be understood through the interactions of individuals within a group, taking subjective factors seriously (Sarantakos, 2013). Accordingly, researchers embrace the contexts that frame individuals and help explain their behaviour and worldviews (Sarantakos, 2013).

Interpretivism empowers researchers to observe situations and collect data in natural contexts rather than in an artificial way, lending depth and richness to the analysis (Easterby-Smith *et al.*, 2015; Bryman, 2016).

The relationship between theory and research activity is connected in the determination of the research strategy to be used. That means defining the structure of the process of the research in order to deduce or hypotheses that are subjected to empirical scrutiny. Bryman (2016) distinguished between deductive and inductive approaches in a way that shows the relationship in a simple diagram shown in Figure 3.1. In a deductive approach theory and hypotheses deduced from it come first and drive the process of gathering data. The inductive approach, on the other hand, works in the opposite direction, where the research findings are used to infer theory about what prompted the phenomena observed (Bryman, 2016).

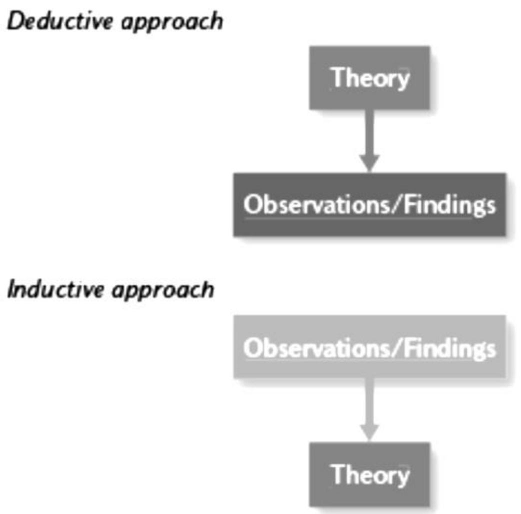

Figure 3.1 Deductive and inductive approaches to the relationship between theory and research
Source: Bryman (2016) p. 26

Inductive research is inspired by observation and then a conclusion is reached driven by them. This means that the research starts with empirical data which then leads to concepts, models, and eventually theories. Leedy and Ormrod (2005) argued that the researcher draws a conclusion about a particular population by observing a sample of that population. The inductive approach is commonly associated with sciences qualitative methods of data collection in the social (Easterby-Smith *et al.* (2015). Thus, inductive research enables the researcher to gain a closer and deeper understanding of the research participants, allowing the researcher the research process identified as the study requires.

To discover the views of family members interacting in family businesses in Saudi Arabia, with their different positions and roles, it is crucial to understand that there could be several interpretations of their actions. Therefore, to achieve the aims of this research, an inductive approach is employed, starting with data collection and comparison of patterns found with those reported in the relevant existing literature to identify similarities and differences, leading to the discovery of relationships that help in answering the research questions.

3.3 Research Design and Methods

Research philosophy can be considered as quantitative or qualitative and deductive or inductive; yet, it is important to note that these approaches are a significantly related to each other (Riege, 2003). Thus, the research approach and data collection method used depend on the nature of the research itself and the type of information required (Byrne-Armstrong *et al.*, 2001; Creswell, 2013). The research design is considered to involve "organizing research activity, including the collection of data, in ways that are most likely to achieve the research aims" (Easterby-Smith *et al.*, 2015, p.67).

My research is focused on family member interactions and relationships in family businesses in Saudi Arabia, and therefore the study uses methods that enable participants in family businesses to be examined from a range of perspectives in order to determine their roles and the cultural factors influencing them. "A society's culture consists of whatever one has to know or believe in order to operate in a manner acceptable to its members, and to do so in any role that they may accept themselves" (Goodenough, 1964, p36). Thus, culture is a collection of behavioural patterns and beliefs that works collectively to determine what is, what can be, how one feels about it, what to do about it and how to go about doing it (Patton, 1990). A qualitative methodology is most suitable for addressing and understanding these phenomena within their cultural context.

Qualitative research is defined as "a research strategy that usually emphasises words rather than quantification in the collection and analysis of data" (Bryman, 2016). Bryman (2016) highlighted that qualitative research is associated with asking "Why?" questions and by collecting comprehensive data and, therefore, qualitative research tends involve a descriptions and explanations of or phenomena studied. That gives the researcher an opportunity to understand the behaviour of members of a group in their particular background and context. Moreover, qualitative research is suitable for studying a small population and for studying difficult issues that involve progressions of modification (Bryman and Bell, 2015). Focusing on a small population enables research to achive a richness of detail rather than statistical generalizations. Therefore, qualitative methods such as observation and involvement, rich description and the identification of emergent concepts and theories are good investigative tools that can be sused to provide a deep understanding of a phenomenon (Maxwell, 2012; Bryman and Bell, 2015). In other words, qualitative research methods involve collecting, analysing, and interpreting data by observing what people do and say. This means that data in its raw form is voluminous, detailed and unstructured.

However, there are some limitations to qualitative data collection and analysis. The most common relevant issues are subjectivity, flexibility, and lack of rigorous experimental control and determinism, which makes it inapplicable to certain types of research. On the other hand, Bryman (2016) argued that one of the greatest advantages of qualitative over quantitative research is the ability to add any necessary details or missing data during and even after data collection, enabling the researcher to follow up leads that come into view. However, there are some concerns about its validity and poor reliability due to personal involvement and interpretive analysis (Wertz, 2011). According to Lee (1992), one of the most fundamental distinctions is that quantitative approach is objective and the qualitative approach is subjective. Table 3.1 shows the distinguishing characteristics of quantitative and qualitative research in terms of Leedy and Ormrod’s (2005) linking of data and methodology.

Since the mode of any qualitative inquiry depends on the subject matter of the research, Creswell (2013) proposed four main qualitative data collection methods: interviewing, observation, and analysis of documentation, and audio-visual material. The value of each depends on the research question to be answered. Yin (2018) also emphasised that research design is a planned choice regarding the targeted data, collection methods, samples, and data analysis. The empirical domain of my thesis is the role of family members involved in family businesses in Saudi Arabia. Focusing on capturing Saudi cultural identity from the participants’ perspective and reflecting upon Saudi nationals’ views and lifestyles is essential if we wish to gain greater clarity about the dynamics of Saudi family business.

Table 3.1 Typical characteristics of quantitative versus qualitative approaches

Question	Quantitative	Qualitative
What is the purpose of the research?	• To explain and predict • To confirm and validate • To test theory	• To describe and explain • To explore and interpret • To build theory
What is the nature of the research process?	• Focused • Known variables • Established guidelines • Preplanned methods • Somewhat context-free • Detached view	• Holistic • Unknown variables • Flexible guidelines • Emergent methods • Context-bound • Personal view
What are the data like, and how are they collected?	• Numerical data • Representative, large sample • Standardized instruments	• Textual and/or image-based data • Informative, small sample • Loosely structured or nonstandardized observations and interviews
How are data analyzed to determine their meaning?	• Statistical analysis • Stress on objectivity • Primarily deductive reasoning	• Search for themes and categories • Acknowledgment that analysis is subjective and potentially biased • Primarily inductive reasoning
How are the findings communicated?	• Numbers • Statistics, aggregated data • Formal voice, scientific style	• Words • Narratives, individual quotes • Personal voice, literary style (in some disciplines)

Source: Leedy and Ormrod (2005) p. 99

Therefore, interviewing is a good method for incorporating the participants' knowledge and perspectives in the study. Interviews are better than surveys for examining such complex issues (Watson, 2011). According to Patton (1990), ethnography is usually used to discover the culture of a group of people. Watson (2011) also confirmed that the best way to investigate matters of human identity and strategic practice in organizational and managerial settings is by close observation and workplace interaction with research 'subjects'. Thus, my research data is collected through semi-structured in-depth interviews, oral histories, and ethnographic observation. All are considered appropriate data gathering methods for interpretive research (Patton, 1990).

Sarantakos (2013) introduced two essential phases that all research needs to go through. First is the planning phase that involves creating the research design and establishing the research plan. Second is the execution phase that involves the actual actions of the researcher in gathering and analysing the data. Babbie (2015) also stressed the importance of the planning phase so that researchers can reach their objectives by adopting a proper research design that includes what they want to find out. In this research my objective is clear: to gather insightful information to understand the nature of the family business in Saudi Arabia and identify its dynamics in the Saudi context using a qualitative approach. Therefore, on this basis, the research design selected for this study involves, please see Figure 3.2.

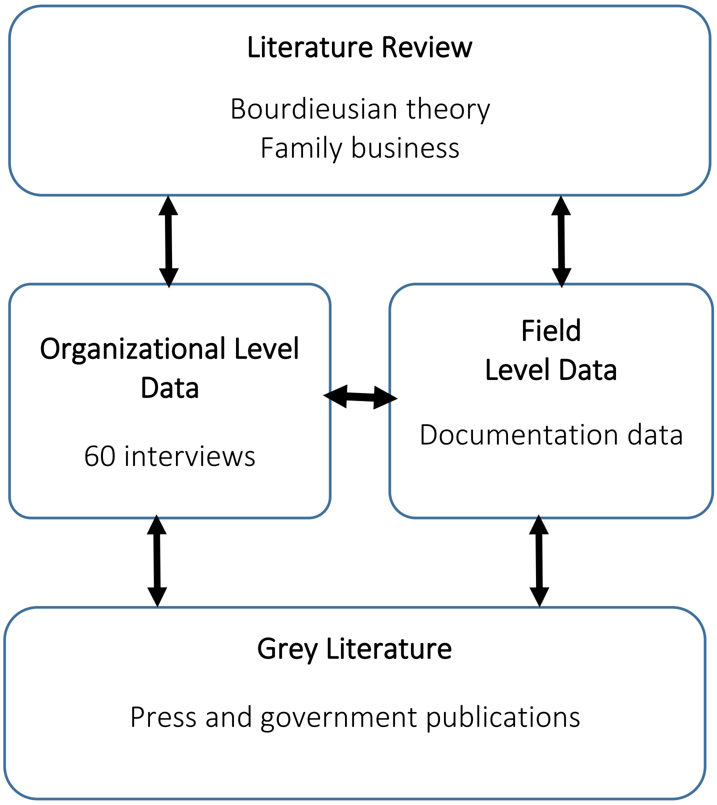

Figure 3.2 Research Design

3.4 Data Collection

There are three basic types of interviews: structured, semi-structured, and unstructured (Kvale, 2008). Selecting one of these depends on the research questions and the philosophical and theoretical approaches taken. Thus, semi-structured interviews are a form of conversation between the interviewer and the interviewees about the subject of the study using open-ended questions (Creswell, 2013). These questions are generated by the researcher who is interested in learning about and understanding the participants. Various forms of interactions during semi-structured interviews can be analysed to construct knowledge, including questions, gestures, socially fabricated talk, jokes and personal stories (Warren, 2002).

In this research I elicit responses and personal stories from members of a very conservative society in which the tendency to not respond is common. Face-to-face interviewing is a good choice for overcoming non-responses. According to Sekaran (2016), the rate of response is expected to be high in interviews compared with other methods due to the presence of the interviewer who can eliminate confusion about questions. Recorded interviews are a good way of collecting rich descriptive data, as in oral history (Jong *et al.*, 2008). Thus, social culture and heritage can be revealed through information gathered from interviews about a particular social phenomenon.

My semi-structured interviews have been adapted to the Saudi context, where typically men and women do not meet or interact as equals on a daily basis. As Finch (1984) argued, in feminist research it is better for female interviewers to interview other females to gather more and better data. In the Saudi context this is true because female-to-female interviews create a calm environment that gives participants more freedom to express themselves and their experiences. Creswell (2013) suggested that semi-structured interviews are useful for exploring problems that are relatively new, and thus where very little research has been conducted. This research is considered a relatively new research subject, so semi-structured interviewing is a suitable method to discover rich information about it (Luo and Wildemuth, 2010). Such interviews give the participants a balance between order and freedom because they are not as constructed as in a survey, but still provide more uniformity across all participants than unstructured interviews (Luo and Wildemuth, 2010). Finally, interviews are useful when the research subjects cannot be directly observed.

Kvale (2008) suggests seven steps for a successful interview procedure, including effective thematising, designing, interviewing, transcribing, analysing, verifying, and reporting.

Thematising

Thematising is a preparation stage to arrange interviews before they actually occur. That includes preparing the sample, questions, and themes. This stage also includes familiarizing the researcher with different interviewing skills such as questioning techniques to be used during the actual interviews (Kvale, 2008). As a researcher I firstly prepared my official paperwork and letters from the organizations I am part of to make them available during the fieldwork as needed. Then, I developed my skills by reading about performing interviews, attending workshops, watching some videos and finally participating in several studies as an interviewee.

Being an interviewee was an enormous help in enriching my knowledge and expectations about performing interviews. After that, the interview questions were selected carefully depending on the research question in order to draw information from participants specifically to answer the research questions (RQs) (see Table 3.2).

Table 3.2 Interview schedule with relationship with the research questions

	Interview Schedule	FB theme	RQ served
1	First: Introducing Welcoming Thanking	---	---
2	Second: Questions about the business background. (sector, activity, history and founding)	The Business	RQ1
3	Third: Questions about the individual background. (joining the business, position, tasks and feelings)	Individual	RQ2, RQ3
4	Fourth: Questions about daily work dynamics and interactions	Strategy as practice	RQ3
5	Fifth: Questions about family effects (role of the founder and family members)	Family effect on the business	RQ3, RQ4
6	Sixth: Questions about the role of family members and especially women	Role of founder, women and family members	RQ2, RQ3
7	Seventh: Questions about the effect of Saudi culture and tradition	Effect of culture and tradition	RQ1, RQ2
8	Eighth: Questions about the future of/ and succession in the business	Succession	RQ4
9	Ninth: Thanking again. Appreciation gift!	---	---

The interviews are semi-structured, which gives the researcher and participants more freedom to talk beyond than the listed questions depending on the situation and the atmosphere. Moreover, it is not necessary to follow the sequential order of the questions, so as to give the interviewee more freedom to express him/herself. For example, at the beginning of the interview the questions were designed to be about the business and the individual's background, but sometimes the interviewees answered these questions with stories about the obstacles facing them, so as an interviewer I would go along with them and then go back to ask my other questions.

Designing

Designing the interview means planning the procedures and the techniques used (Flick, 2008). Designing also includes the interview protocol, which means the manner of asking questions and recording answers during the interview (Creswell, 2013). Creswell (2013) suggested some components to be included in the interview protocol, including a heading that includes the date, place, interviewer, interviewee name, instruction, for the interviewer to standardize the interviews with all participants, the questions themselves, probes for the questions, spaces between the questions to record responses, and a concluding statement.

Becker (2008) argued that it is impossible to study all cases of the context we are interested in, which makes sampling a problem for any researcher. The challenge facing researchers is to choose a sample that describes in general the whole population, and this confirms the argument that sampling is a significant element in determining research validity and reliability. In choosing the participants, snowball sampling has been used to identify potential participants because it is an effective technique to reach participants that are hard to locate in a specific population (Babbie, 2015). Snowballing is an accumulation process as each located subject suggests other potential subjects (Babbie, 2015). The researchers make the effort to find the first few participants, and then ask them for referrals to other members they know. This approach allows the researcher to reach a number of well-respected, influential figures in family businesses in Saudi Arabia.

The snowballing technique played a crucial role in the success of the fieldwork in this research; more so than expected. It enabled me to meet with elite figures through referral telephone calls. It also enabled me to reach as many participants as possible through referrals. The data collection period took three months from December 2017 to February 2018. Sixty interviews were conducted in 30 different family firms in different industries and sectors, such as manufacturing, services, distribution, oil and gas, retail and food. The selection of participants was random although depending on referrals. Walliman (2005) argued that random sampling aids reliability as it presents the real population naturally, while non-random sampling could follow the research assessment and is therefore not reliable for generalizations to be made. The sample includes large, medium and small family firms and a variety of participants, including males and females, founders, fathers, first and second generation family members, sons, daughters and siblings.

Interviewing

Interviewing is the stage of performing the interviews to produce knowledge through personal interactions between the researcher and participants (Kvale, 2008). However, that interaction requires a lot of skills in order to gain the knowledge required. In general, it is difficult for the researcher to understand an issue from a participant's point of view unless the researcher has appropriate interviewing skills (Easterby-Smith *et al*., 2015). Interviewing skills include questioning skills to encourage the interviewee to talk more about a specific issue; listening skills to be aware of key words; empathy skills to reinforce interactions with interviewees and so on. Easterby-Smith *et al.* (2015) suggested a couple of questioning techniques including 'laddering' techniques when an interviewer tries to intensify questioning by asking the reasons behind responses, and the 'probing' technique when the interviewer goes deeper.

The external environment is also an important element in performing an interview because it directly affects what takes place. Securing a quiet site for the interview is important to avoid distractions and to retain the participant's full attention, and background noise might affect the clarity of recordings. Thus, it is important to book a safe, quiet, convenient place for both the interviewer's and interviewee's sakes.

In this research the interviews took place in two different major cities in Saudi Arabia, Jeddah and Riyadh, in the business location of each firm. I, as researcher, arranged appointments with the interviewees and drove to their locations. Due to the sensitivity of the information related during the interview, and due to the difficulty of managing the interview and writing down information received at the same time, it is better whenever possible to audio record the interview. Luo and Wildemuth (2010) suggested that the interviewer takes notes in a two-stage process: sketching the notes, and then revisiting the notes to fill them out in greater detail. Creswell (2013) recommended that, even if recording devices are used, the researcher should take notes manually in case of technical failure.

However, the recording of an interview needs to be agreed in advance by the participant. This can be included in the invitation letter to participants. There should be a consent form seeking permission for interviews to be digitally recorded for reasons of data collection only, which clearly states that participants will receive a copy of the transcribed interview for checking, and that they may at any time withdraw from the study. Longhurst (2010) cautioned researchers to be very careful with their interview recordings and transcriptions; the subject's confidentiality should never be jeopardized.

At the beginning of this research, it was expected that some of the interviews would not be recorded and that participants would refuse to allow recording due to the conservative nature of Saudi culture. An alternative plan was put in place to hire a third party to observe, listen, and write down the interview. However, surprisingly, all of the participants allowed me to record the interviews and even shared personal stories. The database of this research contains 60 voice interviews, on average lasting 45 minutes each. All interviews were semi-structured in nature, face-to-face and tape-recorded and were conducted individually with a total of 60 family members from various businesses. Interviews were in the Arabic language and were then transcribed by professional engaged for this purpose, and were later have been translated into English.

As Saudi culture includes being generous and trading gifts, after each interview I thanked every participant and provided a souvenir gift. Additionally, as a researcher, I received a lot of welcoming gifts from business owners, mainly their own business products such as jewellery, a pen, perfume, a garment and sometimes an invitation to lunch or coffee. The fieldwork was performed professionally and smoothly with no obstacles, either in term of access to the participants or in performing the interviews. It was an absolute success and a big achievement in the short time period of three months available.

Transcribing and Translating

Transcribing an interview means transferring the content from oral recorded form to written text and in some cases translating it from one language to another language (Kvale, 2008). In this research two transcription issues that needed consideration: transforming the audio-recorded speech data into written material and then translating the interview. Since the interviews and notes were taken in Arabic, the interview materials needed to be translated into

English. Translating qualitative research data between languages involves issues such as the translator's identity, competence and knowledge. There is a debate over whether it is better to have an external translator or for the researcher to do the translating. Temple and Young (2004) argued that both are acceptable depending on the research epistemology. If the research depends on an objective epistemology, meaning that the researcher is just a transmission tool, then the translation process needs to be done by someone else to eliminate bias (Temple and Young, 2004). On the other hand, in a subjective research epistemology, it does not matter if the researcher carries out the translation or if someone else does it (Temple and Young, 2004).

In this research the interviews were performed and recorded in the Saudi Arabic tongue, which is slightly different from the formal Arabic language, and therefore I have done the transcription and the translation myself as no agency service could do it due to language differentiation. That was beneficial for my research due to my reflexive research approach. It is also an advantage in that I have the same culture as the interviewees because there are some words which have special meanings in some cultures different from their typical meaning in a dictionary. Simon (1996) clarified that translation is not found in dictionaries, instead it is about the meaning, and some words have a cultural use which a translator would never find in a dictionary.

Analysing

Data analysis is a process that involves developing a set of codes to organize the responses given in the interviews. A code means "a word or short phrase that symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data" (Saldaña, 2015). Creswell (2013) suggested recording both expected and unexpected codes. After coding, data can be categorized in larger categories that could be subcategories depending on the data. If the category contains clusters of coded data, it could be then divided into subcategories. Finally, the thematic, conceptual, and theoretical coding of data will be achieved through comparing and consolidating the major categories with each other in various ways to transcend the raw "reality" of the data (Saldaña, 2015). The codifying process usually follows a streamlined scheme in the code-to-theory model illustrated in Figure 3.3.

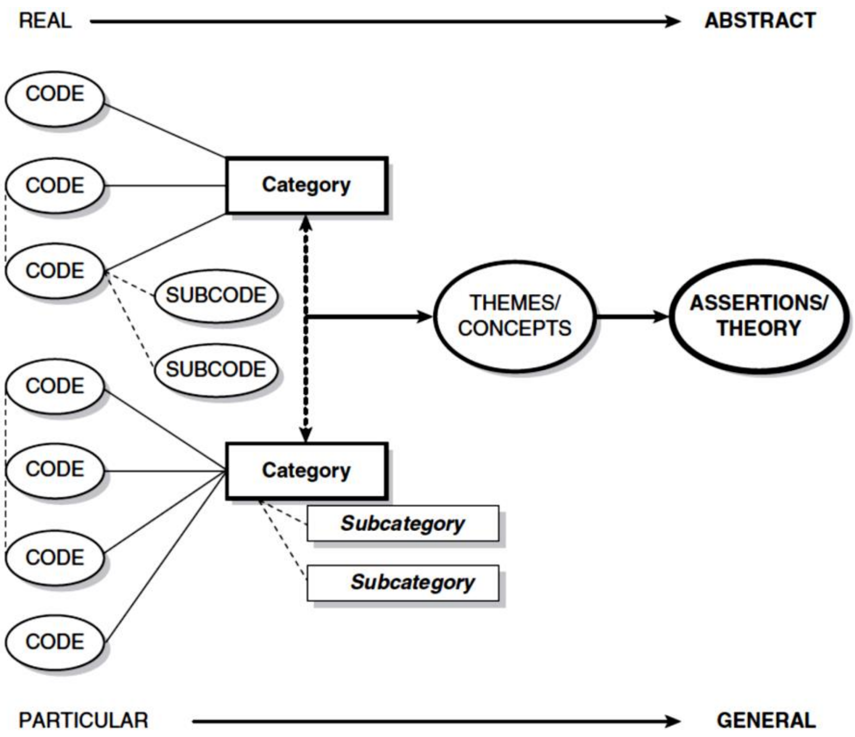

Figure 3.3 Streamlined code-to-theory model for qualitative inquiry
Source: Saldaña (2015)

Gioia *et al.* (2013) argues that using coding in a studying of organizations enables participants' voices to be heard in the early stage of data analysis, which creates rich opportunities for the discovery of new concepts rather than the affirmation of existing concepts. They argued that using the traditional approach of depending on previous knowledge could hinder the researcher's more important work of concept development in the study. In order to produce rigorous qualitative research, the researcher should focus more on the organization members' understandings and construction of their own experience (Gioia *et al.*, 2013). However, that does not mean ignorance of the previous literature, because the researcher can instead connect human organizational experience in terms that are adequate at the level of meaning of the experience of living people in corresponding to scientific terms in the literature.

Therefore, this research follows two phases of data analysis. In the first phase the data is coded using descriptive codes following the above method of Gioia *et al.* (2013) and the timeline of Saldaña (2015), and the second phase includes using the concepts from the first phase to interpret meanings following the process of the articulation of grounded theory developed by Gioia *et al*. (2013) that connects data with theory.

In the first phase, NVivo software has been used as a data management tool to categorize the content of direct quotations from the interviewees. This technique is called 'descriptive coding', which means assigning labels to summarise content into topics. Firstly, codes were grouped according to their relevance to the interview questions. Secondly, they were categorized into themes depending on the research questions. This analytic technique enabled me as a researcher to develop a general view of the data at a more abstracted level.

In the second phase of analysis, the concepts generated in the data structures were used to formulate dynamic relationships, involving a transformation of static data into a dynamic grounded theory model (Gioia *et al.*, 2013). The interviews can be organized by themes, and from these themes findings can be elucidated. Thus, I refined the data by connecting the thematically grouped data to the relevant literature so as to define concepts and relationships. Finally, I conducted an interpretive analysis in relation to the purpose of the research. At the end of this stage I reached an evaluation of the research data along with the literature to fulfil the research objectives and to extract real meaning from the interviews.

Using this technique of free interpretation, it is hard to separate the researcher's personal views from actual research observations. According to Babbie (2015), a researcher's beliefs and assumptions influence the way that she thinks about the phenomenon being studied. Therefore, researchers should adopt reflexive thinking, which means being aware that one's own pre-existing understanding may influence the research (Haynes, 2012). New theoretical knowledge is built upon the researcher's new understandings achieved during the research process and by modifying the researcher's prior assumptions (Giddens, 1993). A complete and detailed presentation of the data analysis process is presented in section 3.5.

Verifying

Verifying means checking a procedure's validity and reliability (Kvale, 2008). In social research, the generation of theory goes hand in hand with verifying it (Glaser and Strauss, 1967). Golafshani (2003) argued that qualitative analysis results in a different type of knowledge because of the dependence on the researcher and the philosophical nature of each paradigm. However, Patton (1990) argued that the involvement of the researcher is essential to qualitative research because the real world is subject to change and the researcher needs to record these changes. Thus, in qualitative research "the researcher is the instrument" (Patton, 1990, p. 14). Therefore, the research validity and reliability depend on the ability and effort of the researcher. This leads to an important question: "How can an inquirer persuade his or her audiences that the research findings of an inquiry are worth paying attention to?" (Lincoln and Guba, 1985, p. 290). To solve this problem, Healy and Perry (2000) stressed that, to judge the quality of research, each paradigm should be judged on its own terms. Therefore, Golafshani (2003) argued that reliability and validity in qualitative research are the same thing and they should be redefined in order to reflect the multiple ways of establishing truth. For example, while the terms reliability and validity are essential criteria of quality in quantitative paradigms, in qualitative paradigms the terms credibility, neutrality or conformability, consistency or dependability, and applicability or transferability are the essential criteria of quality (Healy and Perry, 2000).

In this research, in order to to assure validity and reliability, I pursued the achievement of a full understanding of the constructed realities provided by the sample of family members involved in family businesses in Saudi Arabia. They are the original actors in the field and their contributions are the core of this study, and thus this research provides trustworthy, valid practical results from the Saudi environment. Merriam (1998) argued that the strength of validity in qualitative research stems from its dependency on multiple sets of mental constructions of human beings used to discover reality, as the research depends mainly on the interpretations of human subjects. However, it is important to mention that this research does not aim to identify the laws of human behaviour in order to achieve reliability, but instead attempts to understand the realities and experiences of Saudi family businesses.

Reporting

Reporting means creating a report of the interview from its beginning until are generated the final finding. This report should offer guidance for readers who are interested in the same research methodology. Kvale (2008) suggested that readers can use the interview report as guidance when they are interested in the validation and generalization of the interview findings. In this study the data are labelled anonymously according to the profile information of the firm. This includes an anonymous abbreviation of the firm's name and other identification information about the firm such as its age, the year of founding, its legal form and the business sector. Table 3.3 introduces the list of all 30 firms included in this research sample with some identification information useful for the data analysis of the research. On the other hand, the 60 research participants are identified according to their generation and position in the firm along with the name of the firm they belong to.

Table 3.3 List of firms in the research sample with some identification information

	FB name	Year founded	age	Legal form	Business sector
1	MS Corporation	1898	119	Partnership	Manufacturing and retail
2	FT Holding Group	1907	110	Listed company	Manufacturing and retail
3	FS Corporation	1907	110	Sole proprietorship	Manufacturing and retail
4	AN Holding	1950	67	Listed company	Mining (oil and gas)
5	BL Holding	1952	65	Partnership	Manufacturing and retail
6	OT Holding	1956	61	Partnership	Manufacturing and retail
7	FQ Group	1957	60	Listed company	Agriculture
8	KH Group	1957	60	Listed company	Mining (oils and gas)
9	BB Company	1965	52	Partnership	communications
10	BS Corporation	1970	47	Partnership	Retail
11	TQ Group	1970	47	Partnership (NF)	Investment house
12	AJ Company	1974	43	Partnership	Manufacturing and retail
13	SR Company	1977	40	Partnership (NF)	Services
14	NY Group	1977	40	Sole trader	Catering
15	OM Corporation	1977	40	Partnership (NF)	Manufacturing and retail
16	SG Ltd. Company	1977	40	Sole trader	Manufacturing and retail
17	HI Corporation	1978	39	Sole proprietorship	Retail
18	RD Group	1979	38	Sole proprietorship	Publishing
19	JR Group	1979	38	Listed company	Retail
20	KJ Company	1979	38	Partnership	Manufacturing and retail
21	FZ Ltd. Company	1980	37	Sole proprietorship	Retail
22	FL Company	1981	36	Sole proprietorship	Hospitality
23	SL Group & Co.	1983	34	Partnership (NF)	Conglomerate
24	ZL Company	1985	32	Partnership	Manufacturing and retail
25	SN Company	1986	31	Listed company	Real estate
26	TN Company	1989	28	Sole proprietorship	Manufacturing and retail
27	RW Group	1990	27	Partnership	Education and training
28	DH Ltd. Company	1992	25	Partnership (NF)	Education and training
29	HR Company	2001	16	Partnership (NF)	Education and training
30	OX Corporation	2006	11	Sole proprietorship	Education and training

Six types of data were generated by the end of the research process. The following list summarises the data and how it was subsequently stored and accessed.

1. Interview recordings (60 sound files).
2. Interview transcripts in both languages, Arabic and English (120 Word files).
3. Fieldwork notes (Word files).
4. A data spreadsheet that includes 30 firms' profiles and information.
5. Data analysis files and tables.
6. The NVivo database.

All files are stored in Newcastle University infrastructure under my personal user profile. No data has been stored on my personal PC or laptop. Also, no hard copies of any interview have been printed; even the fieldwork notes were written the computer after each interview. This means that the data will be kept for one year after graduation or until the University suspends my account. This process was stated in the consent form to all participants, guaranteeing that their information and interviews content would be anonymous and securely held. Due to the sensitivity of the information included in the interviews and the research notes, and due to my promise to the participants, none type of the data will be publicly available even to other researchers.

3.5 Data Analysis

A key research objective of this study is to understand the field of family business in Saudi Arabia. Therefore, the data analysis includes the development of a general overview of the field by analysing the data and the participants' responses. As stated earlier, this research sample contains of sixty interviews conducted in 30 different family firms, typically with two interviewee per firm but it could be more or less.

3.5.1 Demographic Information

1. Sectors

Out of the thirty family firms 12 are in the manufacturing sector, representing 40% of the total, followed by 20% of the firms (6 firms) in the services sector, 13% in the finance and real estate sector (4 firms), and 10% in the mining sector (3 firms).

Table 3.4 Firms' sectors categorization

Sector	No. of Firms	%
Retail	4	13 %
Mining (oil & gas)	2	7 %
Agriculture, Forestry and Fishing	1	3 %
Construction	1	3 %
Manufacturing	12	40 %
Communications	1	3 %
Finance, Insurance and Real Estate	3	10 %
Services	6	20 %
Total	30	100 %

2. Age of the firms

According to the research data, the ages of family businesses in Saudi Arabia sample range between 11 to 119 years old. Thus, they are classified as follows:

1 – 39 years → Young business

40+ years → Old business

Upon dividing the businesses into old and new firms, I found that manufacturing businesses are usually old, while service businesses are new firms. That could be an indicator of the country's industrial revolution and the modernization it is going through, and this is discussed excessively in chapter four.

Table 3.5 Relationship between sector and age of the firms

Firm's sector	Old business 40+ years	New businesses < 40 years
Manufacturing	8	4
Mining (oil & gas)	2	0
Finance and real estate	2	2
Services	1	5
Retail	1	2

3. Size of firms

The size of the family business is determined in terms of the number of employees in the firm. In the United Kingdom, the Department of Trade and Industry applies the following classification: a micro firm has 0-9 employees; a small firm (including micro) has 0-49 employees; and a medium firm has 50-249 employees. In the USA and Canada, a company is considered to be an SME (small and medium enterprise) if it has less than 500 employees. This research follows the USA classification as it matches with the research data:

1 – 200 employees → Small business

201 – 500 employees → Medium business

501 – 501+ employees → Large business

According to the research data, 50% of the Saudi family businesses are large businesses while the other half are SMEs with 37% medium-sized and only 13% small (see Table 3.6). That makes the majority of family businesses large with more than 500 employees.

Table 3.6 Sample firm size categorization

The Firms' sizes		
Large	Medium	Small
15	11	4
50 %	37%	13%

4. Ownership

Family businesses in Saudi Arabia are family-dominated with 100% of stores is controlled by the owning family or shareholding family members through their board voting power, management or CEO positions. Table 3.7 shows the types of family firms in term of the ownership of the business. There are four types of family firms: sole proprietorships, partnerships (in a nuclear family), partnerships (multi-family) and companies.

The first type of sole proprietorship is where the head of the family who is usually the founder owns all the firm's equity alone, and the sample includes 10 family firms with sole equity owners. The second and third types are both considered partnership firms where multiple family members share the firm's equity. However, the data shows variation in this type of firm between nuclear family ownership and multi-family ownership. In a single nuclear family ownership is usually held by the head of the family owning the majority of the equity and leaving a small percentage to be shared between the other family members, as he is the family leader and guardian. The sample contains 6 firm under this type and where the family leaders own between 70 to 90% of the firm's equity. On the other hand, in multi-family ownership firms, the head of the family owns a similar share of the equity as the rest of the family members under a certain type of governance that applies to all family members. The sample contains 8 family firms under this type. Final type of family firm is the company, where the family owns more than 50% of the firm's equity and the rest is owned by non-family shareholders, and the sample contains 6 firms of this type.

Table 3.7 Family firm ownership types

Type of firm	Type of ownership	% family owns	% Non-family owns	% Head of the family ownership share	% The rest of the family members ownership share	No of firms
Sole proprietorship	Sole equity owner	100	0	100	0	10
Partnership	Multiple family members Equity owners (Nuclear family)	100	0	70 - 90	10 - 30	6
Partnership	Multiple family members Equity owners (Multi-families)	100	0	Shares vary	Shares vary	8
Company	Family owns more than 50% of the equity	50 - 80	20 - 50	Shares vary	Shares vary	6

Dividing the shares between family members in the second and third types of ownership depends on the family governance pattern that is affected by the family's values. The data shows three ways of dividing shares: equally between family members; following Islamic *Sharia* law which gives males double the shares of females, or finally dividing the shares according to the capital assets of each family member. Further, discussion of cultural influences is presented in chapter five.

5. Gender of Interviewees

In general, the research sample contains a majority of males. Out of 60 interviewees there were 50 males and only 10 females (Table 3.8). However, categorizing the participants according to their business generation, the first generation participants were all males. On the other hand, later generation participants included more female involvement (10 females and 22 males) meaning that all female participants in this study are from the second generation or after (Table 3.9). This could be an indicator of the gendering issues and work involvement in Saudi society that are discussed in chapter four.

Table 3.8 Genders of Sample participants

Gender		
Male	50	83%
Female	10	17%
Total:	60	100

Table 3.9 Participant's genders and generation

Participant's generation and gender		
First generation interviewees	28 Males	100 %
	0 Females	0 %
Later generation Interviewees	22 Males	69 %
	10 Females	31 %

6. Education

To give a specific idea of the family firms' social structure, the educational level of their members has been specified for each active generation. This means not only counting individuals with Bachelor degrees, for example, but instead identifying that a particular firm in has a senior generation with Bachelor degrees and later generations who have Postgraduate degrees. Table 3.10 shows the educational levels of the members in each firm.

Table 3.10 Educational levels of family members per firm

Educational Level	Senior Generation (No. of firms)	Later Generations (No. of firms)
No School	2	-
School	6	-
Bachelor degree	19	27
Postgraduate degree	7	7

A majority of Saudi family firms have been established by non-educated members who have not attended school, as the country did not have public education in the past. They established their business depending on their basic skills and communications with a limited ability to read and write. However, considering only the active current senior generation and later generations, the data shows high educational levels of family members even in the senior generations. Only two firms still have a non-educated senior generation member, 6 have high school graduating members, 19 Bachelor degrees and 7 postgraduate degrees. Therefore, the majority of firms (19 firms) have senior generation with Bachelor degrees. On the other hand, the data shows high levels of education in the later generations who have Bachelor degrees in 27 firm and postgraduate degrees in seven firms.

7. Family members' involvement in firms

This section introduces the level of family member involvement in firms, as reported by the interviewees, and the roles they play in the business. Table 3.11 shows the positions of members in the family and their positions in the business in addition to the frequency of each position held. The table presents the positions of the family members in relationship to the head of the family as he is the most important member of the family and the firm and all other members are identified in terms of their relationship with him.

In each family firm there should be a family leader, which means that the sample includes 30 individuals as the heads of families who always occupy the firm's chairman role, CEO, or both. In arranging family members by their role in the business, brothers of the family leader usually occupy the important roles of board member, CEO or executive. Next in importance is the role of the first son who occupies positions of board member, CEO, executive or manager. Thirdly, other sons who could be members of staff in addition to the previous roles of the first son. Fourthly, the other family members such as daughters, nephews, nieces and grandchildren usually work as executives, managers or staff. It is worth mentioning that the data contains only one case of a son-in-law working in the family business where the family leader had no sons and only has daughters. In this individual case the son-in-law occupies a seat of the board and has an executive role in the business.

Table 3.11 Family members' involvement in the business

Position in the family	Role in the business
Head of Family (n=30)	Chairman CEO
First Son (n=6)	Board member CEO Executive Manager
Other Son (n=38)	Board member CEO Executive Manager Staff
Son-in-law (n=1)	Board member Executive
Daughter (n=17)	Executive Manager Staff
Grandchildren (n=9)	Executive Manager Staff
Brother (n=35)	Board member CEO Executive
Nephew (n=37)	Executive Manager Staff
Niece (n=5)	Executive Manager Staff

3.5.2 Thematic Analysis

This research includes 60 interviews, and each transcribed interview consists of 1,500 – 6,000 words, constituting a massive amount of data to be analysed. Therefore, a data reduction technique has been used to reduce the volume of data and to concentrate the information. The main guiding factor in this step was the research questions. Focusing on the data that might include answers for the research questions, the data was coded and analysed using thematic analysis in terms of compatibility with the research questions. To achieve rigour in this phase of the analysis De Massis and Kotlar (2014) suggested using qualitative data analysis software as it supports researchers in systematically coding and organising voluminous amounts of data and in managing the analysis of emerging categories, tracing linkages between concepts, and understanding relationships among categories. Thus, NVIVO software has been used to categorize all data and then large tables of categorized data has been saved to distinguish between codes as follows:

Table 3.12 Thematic analysis of data

Interviewee	RQ 1	RQ 2	RQ 3	RQ 4
Interview 1 to Interview 60	Data that includes codes related to RQ1	Data that includes codes related to RQ2	Data that includes codes related to RQ3	Data that includes codes related to RQ4

As broader themes/categories began to emerge from the data, each part of the data has been divided in a separate file ready for systematic analysis using the Gioia method. The analysis of the data indicated four dominant themes compatible with the research questions: the importance of family business to the Saudi economy, social organization and governance, strategic management, and intergenerational relationships and succession. In order to produce a rigorous qualitative findings, researcher should focus more on the organization members' view of understanding and constructing their experience (Gioia *et al.*, 2013). However, that does not mean ignoring the existing literature, but instead the researcher can connect human organizational experience in terms that correspond at the level of meaning of the people living that experience with scientific terms in the literature. Maclean *et al.* (2012) suggested achieving this aim using sense-making processes when examining the data by assuming an inductive approach to combine the categories emerging from the data and their resonance with concepts in the literature. Thus, the researcher iteratively analysed the qualitative data by moving back and forth between the data and an emerging structure of empirical evidence and theoretical arguments in response to the research questions.

De Massis and Kotlar (2014) argued that the qualitative study of family business using multiple lenses will allow the phenomenon to be revealed and understood in its many facets. They also argued that family business is a heterogeneous field, meaning that multiple levels of analysis are needed depending on the methodology used and the theoretical lenses applied. However, to achieve suitable interpretations of the data, the present research followed the Gioia method as a systemic tool of data analysis tool. Firstly, first-order concepts have been quoted from interviewees that contain codes identified in the previous step. Secondly, from those first-order concepts, second-order themes have been derived to identify themes in common between data. Lastly, aggregate dimensions are identified depending on the specified themes. Figure 3.4 illustrates the structure of the data analysis process using the Gioia method.

These steps of the data analysis have been processed by applying theoretical concepts from Bourdieusian theory in order to conceptualize the data in a focused academic way. For example, using Bourdieusian concepts, family business is seen to exemplify a stratified field, where positions in the field occupy a hierarchy depending on the capital possessed by the large businesses and SMEs and the actors are Saudi family organizations. Applying the theoretical framework to the research data enables the researcher to demonstrate explanatory predictive functionality in term of how the family business dynamics work. During this process it became increasingly clear to the researcher that such a theoretical analysis of the core features of family business dynamics could prove useful as a conceptual framework in developing generalized way of thinking about and understanding the field in a holistic way. Such a conceptual framework thus guides and focuses thinking and is capable of further refinement.

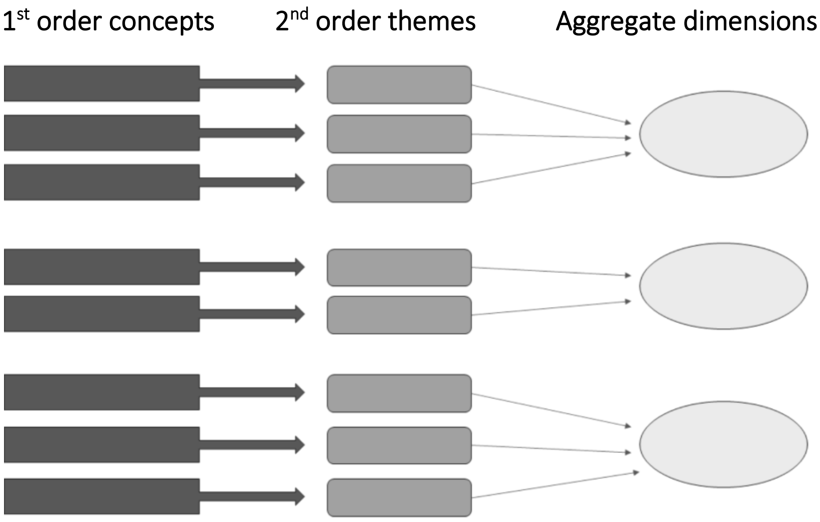

Figure 3.4 Data structure using the Gioia method
Source: Gioia et al. (2013)

Discussion and research findings are achieved through the analysis of informants' narratives; quotations from them have been used in the data structure model shown in Figure 3.4 to demonstrate the connection between data and theory. In addition to the theoretical framework used in interpreting the data, the researcher applied her own thinking to explain findings to reach novelty. The researcher's contribution is a core element in developing theory using Maclean *et al.'s* (2012) sensemaking process that goes through three stages of locating, meaning-making, and 'becoming'. Locating concerns referencing self in time and space, and narratives provide 'spatial syntaxes' that regulate the transitions from one context to another, that has been achieved during the semi-structured interviews by letting the informants express themselves freely at their own convenience. Meaning-making enables the interviewee to express and deliver the meaning they create (Maclean *et al*., 2012). Becoming is the direction toward what lies ahead. The relationships between the three sense-making processes and the narratives in the data are used to create an impression and express the emergence of new knowledge inductively.

3.6 Limitations and Ethical Issues

Collecting data using ethnographic observation and interviews has some limitations. The major limitation is that these methods are costly and time-consuming, especially when geographical limitations are involved. Also, during the interview, the presence of the interviewer may influence the respondent's answers (Creswell, 2013). On the other hand, sometimes interviewees guide the interview towards their own agenda. The data collected from the interviews is secondary, originating from the interviewees, and what is referred tp is not directly observed (Creswell, 2013). To mitigate these problems, in this research a variety of family members from different job positions, ages, and classes have been interviewed in order to get different perspectives and viewpoints regarding the same subject (Creswell, 2013).

Bryman and Bell (2015) highlighted four areas that imply ethical concerns when conducting business and management research: whether or not harm is caused to participants, a lack of informed consent, an invasion of privacy, or deception. In this research, ethical issues were given utmost consideration by the researcher throughout the whole process of the research, starting from the research design to data collection and analysis.

Avoiding the possibility of harm to the research participants and gaining their informed consent was solved by providing an ethical approval form submitted to Newcastle University Business School. This includes the researcher's commitment to providing the participants with a consent form and a covering letter that includes information about the research and the researcher and the organizations she is part of. The safety of the participants is a high priority; therefore, as a researcher I explained to them verbally their right to withdraw from the research at any time and included this in the signed consent form prior to performing the interviews. Moreover, the consent form was provided in both Arabic and English languages to suit the participants. The form included of the information they needed about the nature of the research and how the data would be gathered and their rights, including their right to ask questions, withdraw and be anonymised so as to avoid any invasion of privacy and deception.

Moreover, Saunders *et al.* (2006) highlighted an important concern that appears in the analysis stage, which is the researcher's objectivity. They argued that lack of objectivity during data analysis could damage the conclusions and any sequence of work that may result from the study (Saunders *et al.*, 2006). In this research, this has been avoided by adopting a reflexive research approach, following Haynes's (2012) proposal that the researcher should be aware of how his/her own pre-existing understanding may influence the current research. Then, the researcher can build new theoretical knowledge upon the researcher's new understandings achieved during the research process to modify the researcher's prior assumptions (Giddens, 1993).

3.7 Conclusion

To sum up, this chapter has discussed the ontological and epistemological underpinning of the research. It then linked this with the choice of methods used and the methodological approach of the study. Qualitative research methods have been chosen as these are suitable for addressing and understanding the phenomenon investigated within its cultural context, which enables the researcher to fulfil the core objectives of this research. The research sampling technique used has also been introduced, including the criteria for selecting the sample and the snowballing referral technique. Interviews are the chosen method of data collection in this research. The whole data collection process has been explained fully, starting from preparing for the interviews to reporting them. In addition, this chapter introduced the techniques used to analyse the data using a thematic approach. Its implementation is described in the following empirical chapters 4, 5, 6 and 7 in reporting the research findings.

Chapter Four:
Family Business in Saudi Arabia

4.1 Introduction

In order to have a full understanding of the theme and focus of the present research, a general background to Saudi Arabia is given here. Hence, this chapter provides a brief overview of the country's geography, climate, population, political system, economic environment and developments in family business. This information is value in providing a basis for later interpretations of the role of the government and the culture of Saudi Arabia in shaping its family businesses. The chapter also gives some background of the strategy of the country and the five-year development plans of the country. A summary is provided of the impact of the national strategy on family businesses and female participation in the business and workforce.

4.2 The Importance of Saudi Arabia

> *"Our country (Saudi Arabia) has three pillars of power, the first pillar is our status as the heart of the Arab and Islamic worlds. Our Kingdom is the Land of the Two Holy Mosques, the most sacred sites on earth, and the direction of the Kaaba (Qibla) to which more than a billion Muslims turn at prayer. The second pillar is our strong investment capabilities, which we will harness to stimulate our economy and diversify our revenues. The third pillar is our unique strategic location into a global hub connecting three continents, Asia, Europe and Africa. Our geographic position between key global waterways, makes the Kingdom of Saudi Arabia an epicentre of trade and the gateway to the world."*
> Prince Mohammed bin Salman Al-Saud
> from the Saudi Vision 2030 (Saudi Gazzette, 2016)

The Kingdom of Saudi Arabia is one of the largest and most important countries in both, the Arab world and the whole world. Saudi Arabia is the heart of the Arab and Islamic world, an economic leader, and a hub connecting three continents (Al-Rasheed, 2010). Its oil wealth places the country as one of the most important in affecting the global economy (Ramady, 2010). Saudi Arabia is the largest country in the Middle East, the second largest of the Arab countries and the fifth biggest in Asia. It occupies a land area of approximately 2.15 million km^2, which covers over 80% of the Arabian Peninsula. The Peninsula has held importance during earlier periods of history as an important route for trade with further regions such as Greece and Egypt and also holds importance in terms of its roots in Islamic civilization. Thus, Saudi

Arabia's location gives the country geopolitical importance and political security, as it has an effective role in regional and global decision-making.

The founder of Saudi Arabia, King Abdul-Aziz Al-Saud, may God have mercy on him, realized the importance of unity for any country in order to establish political authority. He devoted his efforts to unifying the Kingdom and consolidating its borders from the north to the south to the east and west. Since its establishment, Saudi Arabia has also secured solid relationships not only with Islamic nations and countries, but also with more economically advanced nations (Al-Maghrabi *et al.*, 2011). It is one of the fastest-growing countries worldwide, as the country has recently seen many improvements in its competitiveness and extensive development in infrastructure (Schwab, 2010). The political significance of Saudi Arabia stems from the country's great economic potential. It produces 10.2 million barrels of oil per day, which makes it one of the most important pillars of the world economy (Aramco, 2017). The language of economics is the most tyrannical language in this age of the market economy and globalization. Some could argue that there are other oil countries which are close to the importance of Saudi Arabia in terms of their populations and national income, but they do not have the same political importance as Saudi Arabia. In addition, the religious sanctity of the Kingdom is a significant economic and political factor, as it is the heart of the Islamic world and houses the two most holy mosques for all Muslims. The Saudi government considers this to be a religious responsibility of the Kingdom rather than a privilege, and based on this the king of the country is called the custodian of the two holy mosques with what is seen as a historical responsibility towards Muslims.

The impact of the economic situation of Saudi Arabia on foreign policy cannot be ignored. Saudi Arabia is one of the main suppliers of energy to industrialised countries and is also responsible for protecting the policy of moderate global oil prices (Niblock and Malik, 2007). All these factors qualify Saudi Arabia to play a strong political role in coordination with world powers. Its economic potential reinforced by the religious characteristics of the Kingdom is not everything; the important factor is the ability to achieve a balance between these features and develop them to be used in the right place to enhance national strength and continuity. I explain extensively below the three factors that give importance and power to the country which are geography, religion and economics. These are the sources of wealth to Saudi Arabia and the effectiveness of the country's strategy. The Saudi crown prince Mohammed Ibn

Salman talked about these three factors in his plan for the Saudi vision 2030 describing them as the three pillars of power and the vision of the country.

4.2.1 Geography and Population

Saudi Arabia is located in southwest Asia, at the crossroads of Europe, Asia and Africa, and is thus connected to leading geographic positions across the globe (see Figure 4.1). It is bounded to the north by Jordan, Iraq and Kuwait; to the east by the Arabian Gulf, Bahrain, Qatar and the United Arab Emirates; to the south by the Sultanate of Oman and Yemen, and to the west by the Red Sea (Ministry of Information, 1992). This location in the Gulf region, where all of the Gulf States border Saudi Arabia, in addition to the coastline on the Red Sea and the Arabian Gulf, means it is in a political position that allows it to play an important geographical role at both regional and global levels. Accordingly, the role and vital importance of Saudi Arabia stems from the role it plays in the surrounding area. Looking at the a of the location it occupies, it is clear that the Kingdom has established three circles of influence based on mutual trust that constitute its political depth: the Gulf countries, Arab countries and the globe. Saudi Arabia has good political and commercial relationships with neighbouring countries and strong global relationships starting from the Asian continent through Europe and to the United States (Ministry of Foreign Affairs, 2018).

Figure 4.1 Location of Saudi Arabia
Source: The World Atlas (Bartholomew, 1985)

Climate

Saudi Arabia is a country with a mostly desert surface; it has the world's largest sand desert, the 'Empty Quarter'. Therefore, a desert climate prevails throughout the country, with the exception of mountainous areas in the west and south-west where the climate is moderate in the summer with some rainfall. The central regions are hot and dry in the summer and cold and dry in the winter, with large sandstorms throughout the year. The highest temperature recorded in Saudi Arabia was 54°C (129°F), and the lowest was 11°C (12°F) in 1973.

Population

The population of Saudi Arabia is now more than 30 million people, and approximately 97% of the population is Muslim. Islam is the national religion; typically, all Saudi citizens are Muslim and Saudi residents are mostly Muslim with a small percentage of foreign workers from different faiths. The national language of the country is Arabic, and English is the second language. It is an Islamic state under the rule of Islamic law *'Sharia'* that derived from the *Qur'an* (the holy book of Islam) and the *'Sunnah'* (the traditions of the Islamic prophet Muhammad, peace be upon him). The social setting of Saudi Arabia is based primarily on these religious norms and values with a heavy influence of local customs and traditions.

Saudi Arabia is one of the fastest-growing countries worldwide financially, industrially and economically. its General Authority for Statistics has revealed that the population of Saudi Arabia is estimated to be 33,413,660, according to the results of the 2018 population census, compared with 30,874,231 people in 2016. The average annual growth rate of the population is 2.52%, and the total population distribution in 2017 by sex is as follows: males 57.48% and females 42.52% (Figure 4.2). The statistics show that the population has doubled in 25 years; Saudi Arabia's population was only 16,948,388 in 1992. In a report issued by the United Nations in 2017, the Kingdom of Saudi Arabia ranked 24th in the world in terms of population growth between 2010 and 2015, with an increase of 826,000 people. However, some experts have argued that the rate of population increase in Saudi Arabia will slow in the future, due to economic and social factors such as the pressure of living expenses and women's moves for empowerment enabling them to join the Saudi workforce (General Authority for Statistics, 2016).

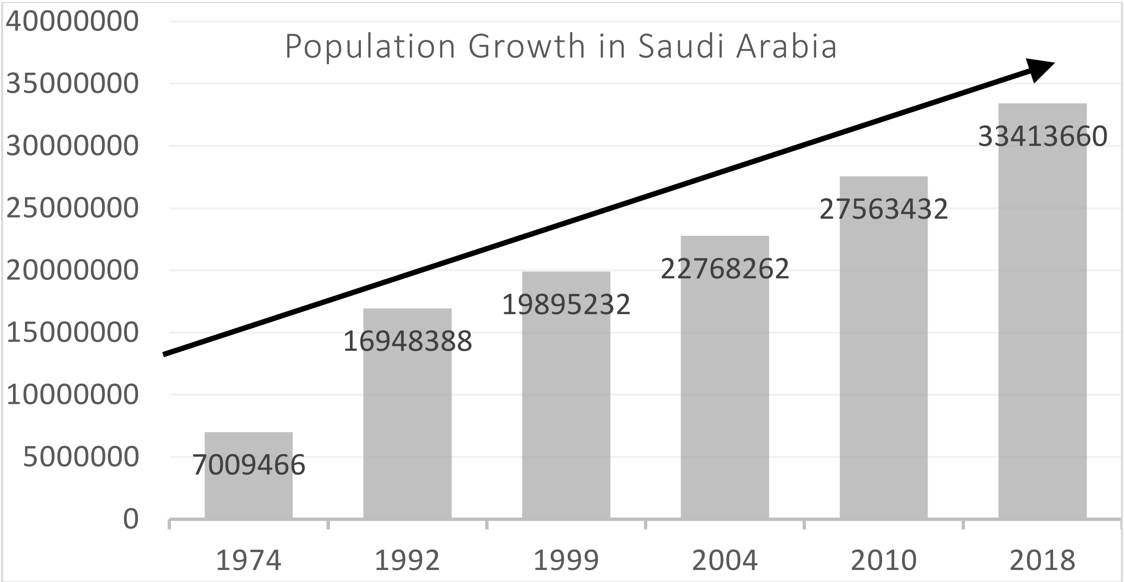

Figure 4.2 Population growth in Saudi Arabia
Source: Compiled from the General Authority for Statistics (2018)

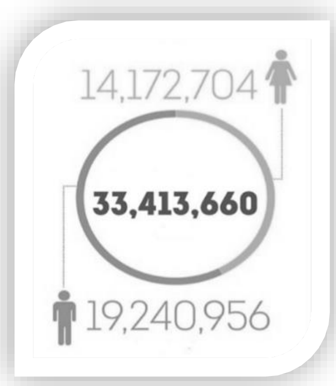

Figure 4.3: Saudi population with percentages of males and females
Source: The General Authority for Statistics (2018)

4.2.2 The Heart of the Islamic World

Saudi Arabia is the centre of Islamic civilization is and known as the birthplace of Islam due to the birth of Prophet Mohammed (peace be upon him) in Makkah; he first spread his message from there until it reached the whole of the Arabian peninsula. Saudi Arabia is home to the most sacred cities and mosques that are the destination of the annual Hajj pilgrimage by more than two million Muslims, which forms a large annual income source for the country. Also the *Qiblah*, the direction faced by all Muslims when praying every day, is located in the city of Makkah in Saudi Arabia. Islam emerged in Saudi Arabia in the early 7th century with the prophet Muhammad (peace be upon him) who united the population of Arabia and created a single

Islamic religious polity. From that date until now Saudi Arabia has been an Islamic country. Virtually all Saudi citizens are Muslim and almost all Saudi residents are Muslim. Thus, Saudi Arabia is the Islamic centre for all Muslims, which means it is strictly Islamic.

The Saudi government is proud of this position and considers it an honour. Thus, since 1986, the king of Saudi Arabia has been referred to as the Custodian of the Two Holy Mosques, a title that emphasizes the Islamic duty of the monarch, which he fulfils for all Muslims, not only citizens of Saudi Arabia (Zuhur, 2005). Since all Muslims turn their faces to Saudi Arabia when praying every day towards the *Qiblah*, the whole Islamic world is looking towards Saudi Arabia with great expectations for more Islamic services. Saudi Arabia's government is honoured to serve Islam around the world, starting from serving the pilgrims in Makkah to supporting large Muslim organizations across the world (Alsaleh, 2016). Saudi Arabia provides a lot of support to the Arab-Islamic economy and non-Islamic countries regardless of religious affiliation or ethnic origin.

According to a comprehensive report prepared by the Saudi Foreign Ministry, the Finance Ministry, the Saudi Development Fund and the United Nations Development Program, external Saudi humanitarian aid has reached more than 14.5 billion US dollars over the past two decades, which accounts for 1.9 per cent of the gross national income of the country. This aid was provided in response to the needs of 83 countries impartially, regardless of religious affiliation or ethnic origin, and even included Nepal in 2015 and Haiti in 2010. According to the Official Development Assistance report, Saudi Arabia ranked as the seventh largest humanitarian donor in the world in 2014 in terms of its assistance in partnership with the United Nations. Also, Saudi Arabia ranked fourth most generous donor country after America, Britain and Germany. In terms of the proportion of gross national income, in 2014 Saudi Arabia ranked first among the countries exceeding the United Nations' target percent of age total national income.

4.2.3 The Saudi Economy

Saudi Arabia is considered one to be of the richest countries in the world and one of the most important countries in the global economy (Al Rajhi *et al*., 2012; Samargandi *et al*., 2014). According to the Council of Saudi Chambers (2013), the Saudi economy is of global significance for several reasons. The Kingdom is ranked first in the world in terms of oil reserves, production and exports, and is fourth place regarding gas reserves. Saudi Arabia is the largest producer of petrochemicals in the Arab world and is rated as one of the 20 largest economies in the world (Council of Saudi Chambers, 2013). It is in the top 15 exporters of goods in the world and is ranked among the top 30 importers of services in the world (Council of Saudi Chambers, 2013). Finally, it is a member of the World Trade Organization (WTO) and many international, regional and Arab organizations.

Oil wealth has placed Saudi Arabia in a prominent position in the global economy and in a leading position in the Organization of Petroleum Exporting Countries (OPEC), among other organizations. The nation has experienced remarkable growth over a short period, spurred by the discovery of oil in the 1930s. Saudi Arabia has the world's largest estimated oil reserves and is also the largest oil exporter. It is a member of the G20, is the world’s largest oil exporter and derives about 90% of its government revenue from oil (Samargandi *et al.*, 2014). Furthermore, the country is second to the former Soviet Union in petroleum production, which shows the continuing significance of Saudi oil production in the world economy. The Gulf Cooperation Council (GCC), which includes six countries – Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain and Oman – controls 45% of the world's oil reserves.

The Kingdom has sought to develop a system of security and military cooperation between Gulf countries. The oil resources have a significant impact in Saudi Arabia; the country is estimated to be one of the central economic and political forces in the region (Niblock and Malik, 2007). The enormous monetary resources generated by oil revenues have allowed the Saudi government to administer its budgetary programmes efficiently and create a flourishing economy (Samargandi *et al.*, 2014). The people of Saudi Arabia now enjoy a high standard of living based on an increasingly diversified economy and have access to the most modern amenities and services.

Dependence on oil

The country has harsh and barren terrains, with very few supplies of the natural water that could change the fate of sand-laden desert areas. However, Saudi Arabia's main resource is its oil capacity, which is responsible for the growth the Kingdom has achieved. Since petroleum remains an integral part of the Saudi economy, all possible measures have been taken to utilize petroleum products as a factor in economic growth, which has enabled Saudi Arabia to be a prominent oil producer and global exporter (Trading Economics). According to the Saudi

Ministry of Commerce and Investment, the Saudi economy depends on four sources listed from the most important to the least:

- Oil and gas
- The industrial sector represented by the chemical, petroleum and cement industries
- Metals such as silver, gold, lead, copper, platinum, and zinc
- The agricultural sector, including the most important agricultural crops of dates, white corn, and wheat

In recent times, the industrial sector, which includes oil, petroleum, manufacturing, construction, utilities and agriculture, has accounted for about 75 per cent of gross domestic product (GDP). Commerce, transport, finance and other components of the services sector make up the other 25 per cent. Saudi history has shown that any decline in oil prices or in the country's production of oil can prove disastrous for the economy in terms of budget deficits (Nawwab *et al.*, 1995; Anderson Jr, 2014). This uncertainty is due to the economy's heavy reliance on a single export commodity. It is clear that the oil boom that followed nationalisation has created a unique set of economic conditions for single export producers like Saudi Arabia and Kuwait (Al-Yousif, 2000). There are even harder times ahead for countries that depend on oil as the major source of foreign exchange revenues (Cross, 1997). Dependence on oil will lead to successive oil crises, or 'oil shocks'. As noted previously, Saudi Arabia has not yet broken free from its dependence on oil revenues. However, in the last two years, as prices have risen, the issue of oil dependence has become a global concern. Organizations such as OPEC and the GCC are aiding Saudi Arabia and other oil producers to achieve a balance between fluctuating global demand for oil and fixed levels of production. It is expected that further agreements between the Council members should facilitate more extensive non-oil trade between the GCC and foreign nations, such as the USA and the European Union (EU). There has even been recent discussion concerning the formation of a wider free trade area between the GCC and the EU.

4.3 History, Culture and Society

History

Even though Saudi Arabia is a young country, it has a very rich history. It could have one of the most ancient histories on earth, as human history in the region extends back as far as 20,000 years ago. The establishment of Saudi Arabia can be traced to the 18th century in the central region of the Arabian peninsula (Vassiliev, 2000). The peninsula was predominantly tribal and mainly populated by Bedouins around oases, and their main source of income remained the trade between Greece and Egypt (Kechichian, 2001; Wynbrandt, 2010). In 1744, the two powerful groups in the area united to establish political power in Saudi Arabia, the Al-Saud family as the military power and Muhammad ibn Abdul-Wahhab the Wahhabi religious leader (Ministry of Foreign Affairs, 2018). Together, the Al-Saud and Wahhabi families established political foundations primarily based on religious power in the city of Riyadh which was called the first Saudi state. In 1824, the Al-Saud family appeared again to establish the second Saudi state in Riyadh after the first had failed. The second Saudi state continued on the same basis and foundations upon which the first Saudi state was based in terms of its reliance on Islam, the establishment of security and stability, and the application of Islamic law. Science and literature flourished under the second Saudi state. After the second failure to establish a lasting Saudi state, finally a new page in the history of Saudi Arabia was started by King Abdul-Aziz bin Abdurrahman bin Faisal Al-Saud. In 1902, King Abdul-Aziz was able to retake Riyadh and return his family there to start a new political authority. This was a major turning point in the history of the region. It led to the establishment of a modern Saudi state, and broad cultural achievements in various fields.On September 23, 1932, a royal order was issued to declare the unification of the country under the name "The Kingdom of Saudi Arabia" and this day became the National Day of the country. This declaration came after King Abdul-Aziz's great efforts to unite the country and establish a stable state based on the application of the provisions of the Qur’an and Sunnah. The Kingdom of Saudi Arabia is an Islamic state with Arabic designated as its national language and the Holy Qur'an as its constitution. From its establishment, Saudi Arabia has been an absolute monarchy, and it is effectively a hereditary dictatorship governed along Islamic lines. The official ruling family of Saudi Arabia, ‘Al-Saud’, extends long into the Arab past and is linked to a history dating back to the period of ancient tribes. The Al-Saud family belongs to the Bani Hanifa tribe, which is considered to be one of the most ancient tribes of the Arabian Peninsula before the Islamic era (Vassiliev, 2000). The Bani Hanifa are the sons of Hanifa ibn Lujaim ibn Sa`b ibn Ali ibn Bakr ibn Wael ibn Qasit ibn Hanab Ibn Afsay ibn Zaidi ibn Jidail ibn Asad ibn Rabia bin Nizar bin Ma'ad bin Adnan.

The Saudi state has been established by the power of the Al-Saud family along with the reformist Islamic call. This call is based on applying the principles of Islamic law and reforming the faith that prevailed in the early days of Islam. This was the goal of King Abdul-Aziz during his long struggle to establish the law of God from pure sources as stated in the Holy Qur'an and the Sunnah (Ministry of Foreign Affairs, 2018). The AI-Saud family also took part in spreading Islamic law across the Kingdom (Al-Rasheed, 2010). Thus, Saudi Arabia is an Islamic country and Islam is the religion of the vast majority of the Kingdom's citizens. Furthermore, Saudi Arabia is one of the founding members of the United Nations, and it has a system that depends on factors such as fairness, equity and transparency, which the country applies regarding economic, social and political factors. According to the Ministry of Foreign Affairs, the official constitution of the Saudi regime declares that:

> "The Kingdom of Saudi Arabia has a system of absolute monarchic rule. The rulers are the sons of the founder king Abdul-Aziz bin Abdul Rahman Al-Saud and their sons. The most eligible of them can be chosen and pledged under the book of God and the Sunnah of his messenger, peace be upon him. The King chooses the Crown Prince and exempts him by Royal Order. The Crown Prince shall be a full-time successor to the king's orders. The Crown Prince shall assume the powers of the King upon his death until the official pledge is made."

The Kingdom of Saudi Arabia's constitution is based on the Holy Qur'an and the Sunnah of the Prophet Muhammad, and therefore Sharia law (Johnson and Vriens, 2014). The King is Prime Minister and the Head of the Government, as well as being viewed as the most powerful person in Saudi society (Huyette, 1985). Saudi Arabia has had seven kings since its establishment. King Abdul-Aziz was the first king and his sons followed him: King Saud, Faisal Khaled, Fahad, Abdullah and King Salman. King Salman, the current ruler of Saudi Arabia, is the seventh king to rule the country. His son, Mohammed ibn Salman, is the current king's crown prince (see Figure 4.4). In addition, as part of the government, there is a Council of Ministers and a Consultative Council, or Shura, consisting of 150 members selected by the King, which has the authority to set the country's economic system (Huyette, 1985).

Since state laws are prescribed largely by the Holy Book of Muslims, the Qur'an, and Islamic Sharia law, all related aspects are also defined by these guidelines. Therefore, Islamic teachings greatly influence the social norms and day-to-day activities of Arab people. The cultural norms of Saudi Arabia vary from tribe to tribe, but similarities can be seen in their customs for marriage, with high regard given on festivities, the family structure, and the role and importance of the male as the head of the family and the decision maker. The social setting of Saudi Arabia is based primarily on religious norms and values with a heavy influence of local customs and traditions.

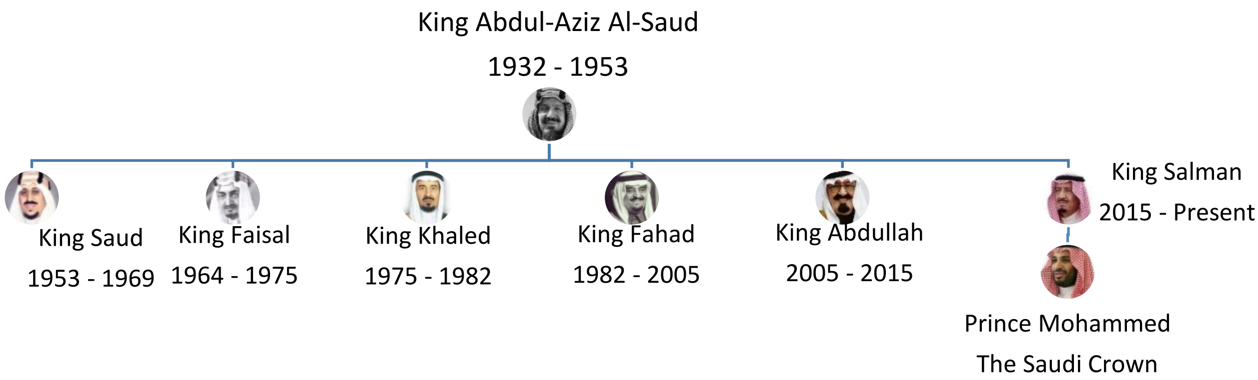

Figure 4.4 Saudi Arabia's kings
Source: Ministry of Foreign Affairs (2018)

Business in Saudi Arabia is the responsibility of two government agencies:

- The Ministry of Trade and Industry presents commercial registration certificates and controls all types of businesses and governs all private sector activities.
- The Saudi Arabian General Investment Authority (SAGIA) is an organization that assists international investors to start up their business in Saudi Arabia, working with organizations from the United States, the United Kingdom and Japan (Zuhur, 2005).

Culture

As mentioned earlier, Saudi Arabia has been established upon the Islamic movement of the 'Wahhabi', and so it is an Islamic country and Islam is the national and only religion of the country. Therefore, Islam plays an important role in defining cultural boundaries. Moreover, since the Arabian Peninsula is the original Arab homeland, the vast majority of Saudis are Arabs and belong to Arab tribes, which makes Saudi society very tribalistic. People are classified according to their tribes; tribal descent unites individuals and is the basis of social loyalty (Zuhur, 2005). The culture of Saudi Arabia is very different from Western culture and society. It is a mixture of Islamic and Arab values. Most Saudis believe that there is no separation between religion and politics (Al-Rasheed, 2006). Therefore, Islamic law controls most of society's practices and traditions.

Unlike other Islamic countries such as Egypt and Jordan, where governments have not generally permitted Muslims to force practices on others, in Saudi Arabia the government believes that it is the duty of the ruler to command the good and forbid the evil (today, the state). Islamic rituals can be practised publicly; for instance, there are a lot of mosques everywhere and the 'azan' is announced loudly five times a day. On the other hand, other faith groups who are non-Muslims working in Saudi Arabia are not allowed to worship publicly. This is not only because of state law but also because Saudi society has always been a single-religion society. There are Islamic restrictions, such as the Muslims must not drink alcohol, not simply since it is a forbidden substance but because it clouds alertness and judgement and makes it impossible to pray. Alcohol is therefore strictly forbidden in Saudi Arabia, and severe punishments are meted out to those who illegally import it.

The tribes in the Saudi Arabia region constitute the largest social organizations. This can be seen in the great presence of tribal culture in the society. Many small villages and towns are inhabited by members of one tribe. These communities give these tribes a distinct social presence that leads them to maintain their cities and villages and give them special attention. Even though there are other kinds of social groups in Saudi Arabia, the tribe remains the preferred social groups in terms of its economic and political role. The historical depth of the tribe is the driving force of tribe members, as they feel proud of their roots. Society depends on the fundamental issue of the tribal formations in shaping and building its organizations and culture.

One of the most important Arab traditions that is generated from Islam is generosity, such as treating guests in their best capacity and usually going to all lengths to make guests comfortable. Arabic coffee is a symbol of generosity, and it replaced the camel's milk in ancient Arab traditions. It is a special kind of coffee that is gold and has a beautiful scent of cardamoms and is served in small portions. Saudis are very proud of their coffee and serve it to all guests, including royal and political guests. There is a special servant who remains standing at all times ready to serve coffee to guests; he can sit only after making sure that all guests have had enough coffee. During my data collection in this research, conducting interviews with family members in family firms, I have been treated like a guest and been offered coffee and sweets. Some interviewees had to ask the coffee servant to leave the room so we could conduct our interview freely. Also, in 27% of the firms where I conducted interviews I was given expensive gifts worth over £100, which was a generous welcome for a research student. The Saudi people are very particular about strengthening their roots and incorporating the culture into their daily lives, even though they have advanced in terms of their living standards and their basic approach towards life (Long, 2005).

Families in Saudi society

Saudi Arabia's culture is male dominated, which is obvious in regular day-to-day activities. A male member of the family is the head of the family and the breadwinner, since women are not generally welcome in workplaces. Therefore, gender differentiation is observed in every organization operating under Saudi influence (Bjerke, 1993). The society is conservative and protective towards women and children in particular, emphasizing the dress code, certain boundaries of socialization, and a limit to the involvement of women in decision-making and activities like driving or even travel. Modest behaviour is required of both men and women. This is interpreted as requiring the segregation to prevent contact between unrelated men and women. The presence of male blood relatives is necessary for women to travel, as females are not allowed to socialize and travel alone (Long, 2005). Women experience discrimination when entering non-traditional fields of employment and are isolated from their male counterparts. This underlies the requirement for women to wear the 'abaya' over their clothing and cover their hair with the hijab. Some women also wear a face veil. This is not a statement of fashion but one of religiosity.

The male-dominated ultra-conservative mindset may have a negative impact on female participation in Saudi family businesses. Syed *et al.* (2013) categorize societies that emphasize values such as arranged marriages at an early age, dutiful daughters and obedient wives as patriarchal societies. In these societies, the law reinforces discrimination against females by limiting their freedom of choice and speech. From a global perspective, females in Saudi Arabia are stereotyped as unfortunate, repressed individuals. Through Saudi culture, women in Saudi society have been publicly absent for generations and have not fully participated in contributing to economic growth through employment. According to a report issued by the World Bank in 2007, the labour market in the Gulf countries has the highest levels of labour force growth, but at the same time the lowest levels of female participation.

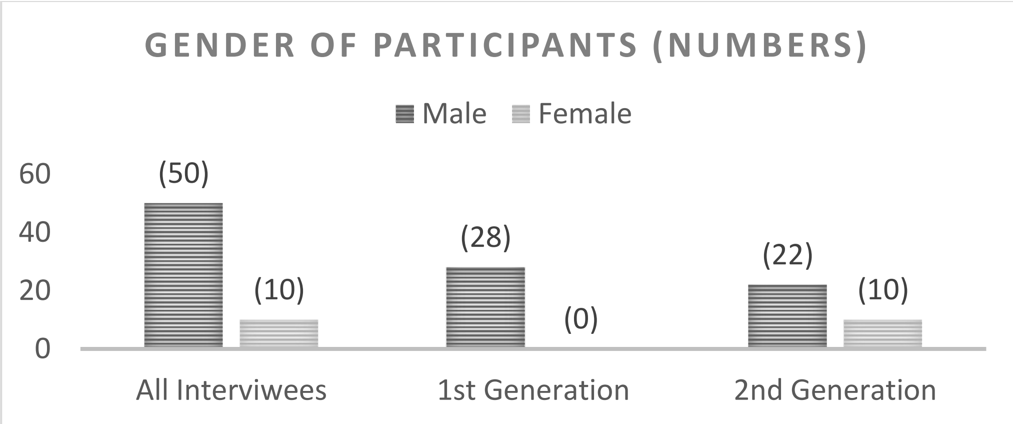

Figure 4.5 Research participants genders

However, the male-dominated Saudi society differs from most other male-dominated societies due to the high levels of female educational attainment. Female participation in the Saudi workforce has increased, causing a ripple effect and desire for change. In conducting this research, I noticed a good level of participation from women in family businesses in Saudi Arabia (Figure 4.5). I carried out 60 interviews with family members involved in family businesses, and 17% of my participants were female. However, looking at the participants from another angle, female participation was 0% among the first-generation interviewees but 31% in the second generation, which indicates that female participation in the Saudi workforce has increased.

4.4 Strategy of the Country

Over the past decades, Saudi Arabia has made significant progress in budgets and policy expansion and development through five-year plans (Almana, 1982). This series of plans began in 1970 and provide a framework for budgetary strategy and cover all aspects of the Saudi economy, including agricultural, commercial and industrial needs, improvements in infrastructure, and the development of future strategy (Niblock and Malik, 2007). One objective of the development plans is to establish a successful system for expanding the non-oil market and a system of government that nurtures and supports private enterprise. The 1980s in particular provided massive amounts of capital for the country from oil revenues (Samargandi *et al.*, 2014). Despite attempts at diversification, the problem remains that oil exports are still the mainstay of the economy, and so fluctuations in both global oil prices and the amount of oil revenue have adversely affected the fiscal balance of the country. This makes it all the more difficult to adjust to more modest circumstances when oil prices decrease. It has proven difficult for Saudi Arabia to develop a consistent expenditure plan, because of the economic fluctuations that have occurred in the last two decades in levels of oil production and prices. Thus, the Saudi government recognises the need for an effective and flourishing private sector. It intends to define what the private sector needs for its effective operation. Guidelines for the management of progress in all areas have been worked out and outlined in the plans.

4.4.1 Oil Revolution

The first five-year plan was in 1970, forty years after the establishment of the Saudi state in 1932 and 20 years after the discovery of oil in 1950. The first plan focused on developing the economic and social policy and maintaining Islamic values under Islamic law, which remains fundamental for the Saudi state (Niblock and Malik, 2007). Also, providing the Saudi citizens were to be provided with economic and social provision to improve their living standards and give them more stability. The price of oil per barrel jumped from $1.21 in 1970 to $13.00 in 1974 (Ministry of Petroleum and Mineral Resources). The government has tried to reduce dependence on oil by diversifying the income sources, but it was quite hard in the beginning. They spent the oil money on education to raise the educational level of Saudi citizens and provide the market with skilled Saudi workers instead of foreign workers. Therefore, the trend to reduce dependence on oil went completely the opposite way. With the sudden increase in oil prices 'the oil revolution' the Saudi government became fully dependent on oil wealth to improve the country.

While the first plan focused mainly on urban development, agriculture, trade and services, the second set of five-year guidelines emphasized economic resources, social development, administration, defence and subsidies. The plan focused on improving the Saudi citizens' level of education and providing the country with a strong workforce by focusing on human resources. The other focus was again to reduce the dependence on oil revenue by diversifying other resources such as agriculture and the industrial sector. But the price of oil leapt again to reach $38.63 per barrel in 1980, leading to a budget surplus. Government funding and loans, finances for infrastructure and the education of employees, as well as the development programmes, all led to a generally increased dependence on oil revenues. The second five-year plan was successful in terms of improving the workforce, agriculture and industry, but it failed to achieve the goal of reducing dependence on oil, given the dependence on government money to fund, subsidize and give loans for infrastructure, education, the private sector and development programmes. Nevertheless, the most important achievement of the second five-year plan was the nourishing of free enterprise and the private sector.

Table 4.1 List of the 30 family businesses in the research

	Year Founded	Age	Sector*	Activity	City
1	1898	119	Manufacturing and retail	Fine Jewellery	Jeddah
2	1907	110	Manufacturing and retail	Fine Jewellery	Jeddah
3	1907	110	Manufacturing and retail	Fine Jewellery	Jeddah
4	1950	67	Mining (Oil and Gas)	Oil & Gas Field Services	Riyadh
5	1952	65	Manufacturing and retail	Food & Kindred Products	Riyadh
6	1956	61	Finance, insurance & Real Estate	Real Estate Dealers	Riyadh
7	1957	60	Agriculture	Agricultural & Animal Specialties	Makkah
8	1957	60	Mining (Oil and Gas)	Oil & Gas Field Services, NEC	Riyadh
9	1965	52	communications	Electric Power Distribution	Riyadh
10	1970	47	Retail	Retail-Grocery Stores	Riyadh
11	1970	47	Finance, insurance & Real Estate	Investment house	Riyadh
12	1974	43	Manufacturing and retail	Clothing	Riyadh
13	1977	40	Services	Travel & Tourism	Riyadh
14	1977	40	Manufacturing and Retail	Miscellaneous Food Preparations	Riyadh
15	1977	40	Manufacturing and retail	Offices Furniture	Riyadh
16	1977	40	Manufacturing and retail	Iron & Steel Foundries	Jeddah
17	1978	39	Retail	Cosmetics Retail Stores	Riyadh
18	1979	38	Manufacturing and retail	Book Publishing and printing	Riyadh
19	1979	38	Finance, insurance & Real Estate	Investors	Riyadh
20	1979	38	Manufacturing and retail	Clothing	Riyadh
21	1980	37	Retail	Educational Equipment Retail Stores	Riyadh
22	1981	36	Hospitality	Hotels & Haj Services	Jeddah
23	1983	34	Finance, insurance & Real Estate	Investment house	Jeddah
24	1985	32	Manufacturing and retail	Construction Materials	Riyadh
25	1986	31	Construction	Real Estate	Riyadh
26	1989	28	Manufacturing and retail	Household Furniture	Riyadh
27	1990	27	Services	Education & Training	Riyadh
28	1992	25	Services	Education & Training	Jeddah
29	2001	16	Services	Education & Training	Makkah
30	2006	11	Services	Education & Training	Jeddah

* Sectors are identified using the standard industrial classification (SIC) system.

Looking at Table 4.1, which includes the 30 family firms sampled in this research, 25 firms were established in 1985 or before. Most of them had been subsidised by the government and clarified that the main reason for establishing their business was this government support. Also, as a result of the oil revolution, the sizes of cities started to increase radically as the Bedouins began to settle in cities. Therefore, there was a large demand for building materials such as cement, glass, steel and electrical equipment, which created a potential investment market. The best investments at that time were real estate, construction, communications and transportation. A lot of successful family businesses started in that period of time and have invested in these in-demand fields. Considering the businesses established between 1965 and 1985, 50% specialized in construction, investment, real estate, construction materials and furniture.

After a decade of following five-year plans, the Saudi government gained more experience in designing policy. The time period of the third plan was one of the most prosperous in the history of Saudi Arabia. The plan built on the previous plans in terms of aiming to achieve more stable economic prosperity. The most important goal was conserving oil and gas resources to ensure long-term economic health (Aldagheiri, 2008). Moreover, the government focused on improving the educational and skills levels of Saudis in order to achieve an optimum deployment and performance of human resources, and also to ensure that all managerial and senior administrative positions were held by Saudi citizens and reduce the need for foreign workers. Close attention was paid to Saudi citizens, such as free education and health services, along with an increase in vocational programmes and welfare projects. Governmental subsidies were reduced except for social services projects. Yet the expected growth in the domestic employment rate did not occur. With all these large development projects in many fields, a lot of job opportunities were there, but the Saudi workforce couldn't fulfil the requirement in terms of experience and skills. Even though the Saudi policy was clear, to preserve Islamic values and national security, the government had to welcome forging labour and technology to improve its non-oil economy.

4.4.2 Diversification of the Economic Resources

A worldwide economic recession occurred during the period of the fourth plan. The recession occurred because of the reduction in demand for oil due to the increase in oil production by non-OPEC countries. Accordingly, oil prices fell radically. According to statistics published by the Ministry of Petroleum, the price of oil per barrel was $27.68 and then fell to $11.52 in 1988. Providentially, the oil wealth from higher oil prices in the previous decade had helped Saudi

Arabia to maintain a healthy economy. A lot of the improvement goals in the past plans had been achieved, including the development of infrastructure that gave the government a chance to support agriculture and industry to diversify the economy. The private sector was heavily nourished and became more involved in business. Furthermore, the Saudi workforce was ready and prepared with experience and education to hold key positions in public jobs and the government could reduce the volume of foreign labour. The fourth five-year plan focused on maximising the capability of the Kingdom to use its own resources in carrying out its own operations, and placed emphasis on promoting private sector growth and economic development. The plan was successful in achieving its goals of promoting economic and social development. The private sector received close attention in that area.

Table 4.2 Estimated GDP contribution by private sector

	Value Added	Estimated Private Sector Share	Estimated Private Sector Value Added	
	(SR Billion)	(%)	(SR Billion)	
Year	1989		1989	1994
Producing Sector	88.0	79.4	69.9	92.1
Manufacturing	33.1	48.6	16.1	22.9
Services Sector	82.8	74.9	62.0	74.0
Non-oil Producing Services Sector	170.8	77.2	131.9	166.1
Government Services	56.2	-	-	-
Non-oil Sectors	227.0	58.1	131.9	166.1
Crude Oil/Gas Sector	122.3	-	-	-
GDP	349.3	37.8	131.9	166.1

Source: Ministry of Economy and Planning

The financial crisis that happened during the fourth plan period highlighted the importance of the private sector in diversifying the economic resources in the country. The government gave special attention to improving the private sector in the fifth plan. The plan emphasized continuing economic and social development. However, having provided many social services for citizens in previous plans, the challenge was now the further development of the economy. The plan included a promise from the government to provide a diversified competitive economy in which the private sector would pursue a wide range of opportunities. The fifth plan's strategy was to present major challenges and opportunities for the private sector, which was expected to play a key role in the diversification and expansion of the Saudi economy and the generation of new employment opportunities for the Saudi labour force. The private sector has in fact proven to contribute more than expected to the GDP. For example, according to Table 4.2, it was estimated that the private sector's added value in the 'producing sector' would be 69.9 billion Saudi Riyals in 1988, but the actual contribution was 88.0 billion Saudi Riyals. The estimated GDP contribution by the private sector was 37.8 per cent. However, one of the concerns was the heavy dependence of the private sector on government support. Therefore, the government wanted to develop policies to strengthen business capabilities broadly within the private sector. For example, the fifth plan implemented a policy to create supporting programmes to help SMEs in various ways, such as with educational programmes, and supporting communities.

4.4.3 Developing Human Resources

One of the main focuses of the sixth development plan was to develop the private sector so as to create more job opportunities, leaving regulatory bodies to concentrate on fulfilling the social welfare duties that were still largely the responsibility of the government. The specific labour market priorities of the sixth development plan were to encourage the private sector to generate job opportunities for Saudi nationals in order to replace non-Saudis. Policies were designed to address key issues constraining the achievement of these objectives. According to the annual reports of the International Monetary Fund, the average rate of employment had risen by 8% rather than the planned rate of 1.2%, which is much higher than expected. Table 4.3 shows Saudi new entrants to the labour market, educational levels of the Saudi working age population and civilian labour force projections. The training and reshaping of available human resources in accordance with the plans caused dramatic changes in the make-up of the Saudi workforce, although significantly more training still needed to be implemented (Yavas, 1999). One of the difficulties stated in the plan was limited female participation in the workforce.

Saudi women are not less educated than Saudi men and the percentage of Saudi male graduates is 10.5% compared to 7.5% of females (General Authority for Statistics, 2016). However, there is a significant difference in participation in the workforce: 54.7% of the male population are working while only 5.8% of females have joined the workforce. The government noticed this difference and future development plans will give more attention to women in the workforce.

Table 4.3 Saudi new entrants to the labour market, educational levels of the Saudi working age population and civilian labour force projections (in thousands)

	1993			1999			Increase in Labour Force		
	Working Age Population	Participation Rate %	Labour Force	Working Age Population	Participation Rate %	Labour Force	Number	%	Average Annual Growth
Male	3,986.2	54.4	2,168.6	4,796.3	54.7	2,622.7	454.1	88.8	3.9
Female	3,919.1	5.5	215.6	4,715.5	5.8	272.7	57.1	11.2	4.8
Total	7,905.3	30.2	2,384.2	9,511.8	30.4	2,895.4	511.2	100.0	4.0

Source: Ministry of Economy and Planning (2017)

Successive five-year development plans have increasingly emphasized the development of the private sector within the context of a free market economy, with the aim of preparing this sector to become a major pillar of economic activity. The main objective of the seventh development plan is to continue the spending rationalization policy adopted by the government over recent years because of fluctuations in the oil market, which means that public spending may not exceed $200 billion in the next five years, while encouraging the private sector to increase its investment so as to balance government spending. Saudi Arabia has sharply cut public spending in the sixth five-year plan between 1995 and 1999 in its economic reforms to about $235 billion, compared with more than $300 billion in previous years allowed by the surplus income from high oil prices.

To achieve the healthy development of the private sector, the government has adopted a set of policies, incentives and regulatory initiatives that contribute to expanding the private sector's role in the national economy and steadily increasing its economic efficiency. The seventh development plan adopts several initiatives to support SMEs while complying with the Kingdom's commitments under World Trading Organization (WTO) rules; for example, establishing a special fund with government and private sector participation to facilitate access to loans by SMEs and to develop Islamic financial instruments to further broaden finance opportunities available to these enterprises. This has been positively reflected in the sector's response to the government directive related to privatization, thus contributing to the credibility of relevant economic forecasts and the selection of the best available policies, measures and initiatives to enhance the role of this sector in the coming phase of the development process. Table 4.4 shows the achievements realized in the expanded role and diversification of the private sector over the past three decades. The added value of the manufacturing industries sector increased during this period by a real average annual growth rate of 15 per cent from 1970 to 1990, more than doubling its contribution to non-oil GDP.

Table 4.4 Main indicators of the private sector's role in the national economy (1970–1999)

Indicator	1970	1999
Number of Operating Factories	199	3123
Number of Private Sector Companies	923	9302
Contribution in GDP	33.3%	50.6%
Contribution in Non-Oil GDP	67.9%	74%
Contribution in Fixed Gross Capital Formation	47.3%	67.3%
Employment in the Private Sector (million)	1.83	6.16
Private Sector Employment as % of Total Employment	-	85.9

Source: Ministry of Economy and Planning (2017)

4.4.4 Women's Empowerment

The eighth five-year plan is the first to cover the national economy over the next 20 years in four consecutive five-year plans that make it a landmark in the strategic planning of the country. The plan constitutes a new methodological departure. While the past plans prepared long-term general objectives to define the strategic development goals, the eighth development plan defines more precise quantitative targets wherever possible, and clearly spells out implementation schedules and the ensuing responsibilities of implementation agencies, with the aim of effecting tighter coupling among issues, policies and objectives. The eighth development plan endeavours to identify and address challenges and constraints, seeking to attain the objectives of the Kingdom's future vision of "a diversified and prosperous economy that ensures a supply of rewarding job opportunities and economic welfare to all citizens, provides good quality education and healthcare to the population, and helps manpower acquire the necessary skills; while maintaining the Kingdom's Islamic values and cultural heritage" (Ministry of Economy and Planning, 2017).

To achieve this vision, the plan includes both economic and social policies. One of the highest priorities is human resources and women's empowerment, considering people to be the means for and the beneficiaries of development. Accomplishing human resources development and the provision of job opportunities by providing education, training, and social and health services has the aim of strengthening the capabilities and raising the productivity of the national workforce. In addition, the plan emphasizes the development of knowledge and technical skills in order to enhance the ability of Saudi manpower to harness the benefits of rapid technological developments. Furthermore, 824,200 job opportunities were created for Saudi citizens during this period; a significant achievement that came close to the plan's target. It is worth mentioning that the policy of the 'Saudization' of jobs and replacement of non-Saudis with Saudi manpower, where qualifications are equal, made major inroads in a number of important sectors.

The private sector played an important role in achieving Saudization and human resources development goals Table 4.5. With all this attention and effort towards increasing the qualifications of Saudi manpower, there has been greater demand on human development skills. Interestingly, the main activities of family businesses in my research sample that have been established in 1990 and after involve education and training (see Table 4.1). That explains the awareness of founders of family businesses concerning society and market demand during the period of establishing the business. Private firms had to replace their foreign workers with qualified Saudis, leading to big pressure on SMEs and family firms.

Table 4.5 National and expatriate employment (2000–2004) in thousands

Year	Private Sector Employment			Share of Saudis %
	Saudis	Non-Saudis	Total	
2000	1912	4234	6046	31.6
2001	2043	4411	6454	31.7
2002	2156	4946	7102	30.4
2003	2312	4800	7113	32.5
2004	2512	4564	7076	35.5

Source: Ministry of Economy and Planning (2017)

In spite of the great progress made in the contribution of the private sector to economic development, the participation of women in the private sector is still limited. There are several strong and unique features of female employment in Saudi Arabia, which are good indicators of future trends. As shown in Figures 4.6 and 4.7, the ratio of working Saudi women of working age (15 years and older) to total Saudi women in 2008 was 8.4%, and their participation in the labour force was 11.5% of the total. Even though this percentage is low, the ratio of working women holding third level certification (i.e., diplomas, bachelor's degrees and higher) to the total was 81.8%, compared with only 29% for males. In addition, there is a close linkage between occupation and academic specialization for this group of working women. These statistics indicate the high educational level of Saudi women, but the social culture looks upon women's work as an impediment to carrying out full family duties. However, changes in the culture have enabled many women to combine family duties with work outside the home.

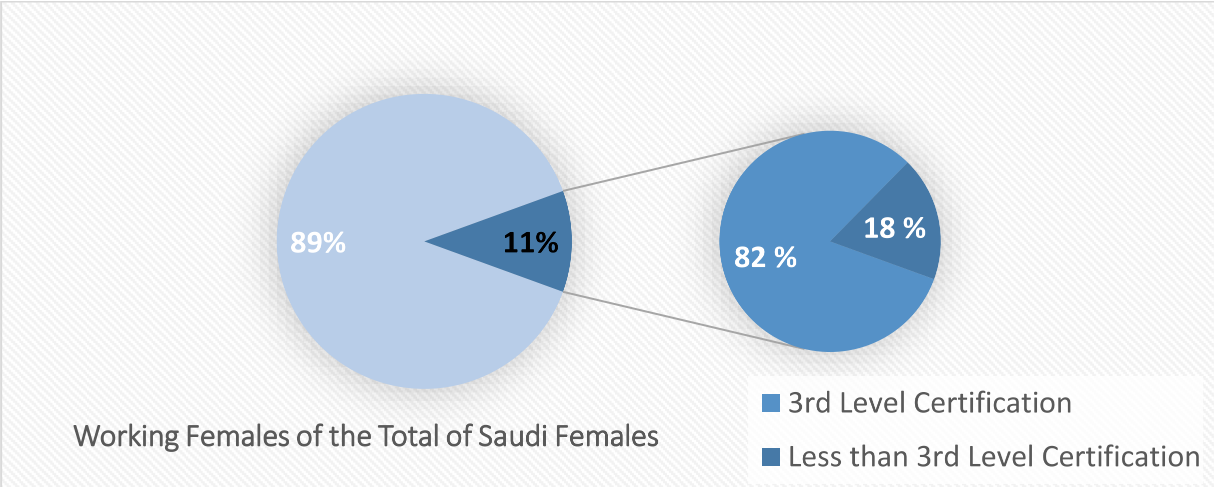

Figure 4.6 Working Saudi females with educational levels
Source: General Authority for Statistics (2018)

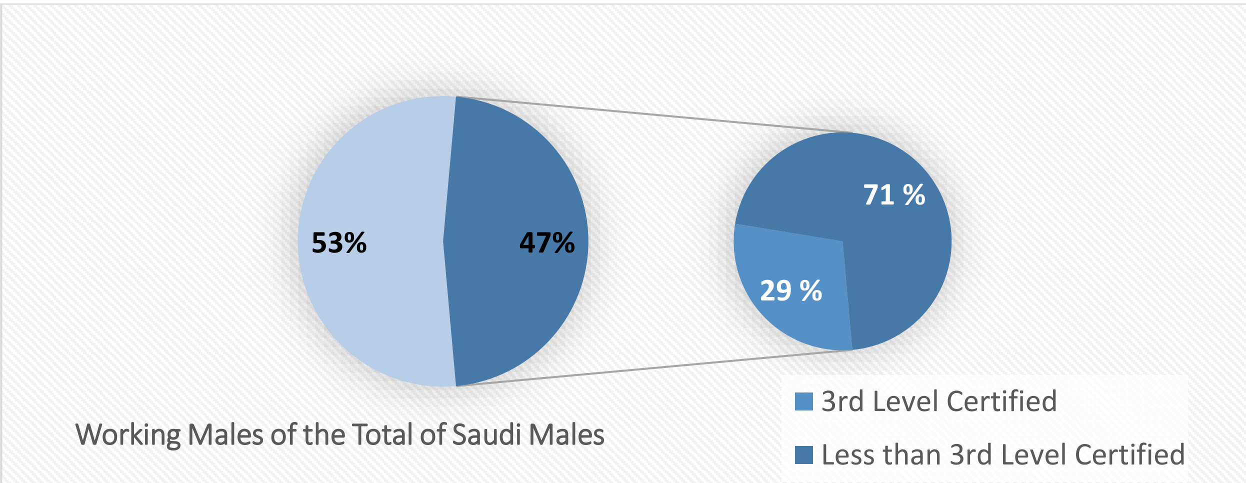

Figure 4.7 Working Saudi males with educational levels
Source: General Authority for Statistics (2018)

Women's empowerment has a big role in the ninth development plans. It could be a turning point in dealing with issues pertaining to women. Saudi culture is notoriously conservative and generally considered to be one of the most conservative cultures among Arab societies, specifically in issues relating to gender (AlMunajjed, 2006; Fatany, 2007; Durie, 2010). Saudi women are qualified for professional jobs, as the government provides educational opportunities for women on a par with their male counterparts. The number of women attending higher education has increased in recent decades (Ramady, 2012). Saudi Arabia has changed a lot due to globalization and modernization, which has had an impact on women and their expectations, such as occupying managerial positions and working in professional positions (AlMunajjed, 2006).

However, there are limited kinds of jobs available to Saudi women as they are not allowed to work in many fields. According to Saudi culture and government regulations, Saudi women are only allowed to work in the following fields: education, health care, and social services (Fatany, 2007). Therefore, most Saudi women prefer to work in a family business or have their own businesses as entrepreneurs, which has placed Saudi women at the top of the list of wealthy women in the Gulf area. According to the GCC, the wealth of Saudi women represents 48% of the total wealth of women in the Gulf countries (Fatany, 2007; Acs and Virgill, 2010). Accordingly, in my research sample I interviewed ten women family members working in family firms. Ninety per cent of those women joined the family business in 2010 or afterwards, indicating that the rate of increase in female involvement in the business matches the development plans of the country (see Table 4.6).

Table 4.6 Year of women joining the family business

Business sector	Year of establishment	Year of first women joining the business
Manufacturing and retail	1952	2010
Manufacturing and retail	1977	2010
Manufacturing and retail	1977	2010
Investment, real estate and retail	1979	2000
Investment, real estate and retail	1986	2010
Manufacturing and retail	1989	2005
Education and training	1990	2010
Education and training	2006	2010

4.4.5 Saudi Vision 2030

Coinciding with the tenth development plan, Crown Prince Mohammed bin Salman initiated a vision for the Kingdom called “2030 Vision”, which expresses the long-term goals of the country including six programmes in financial development, public investment, the quality of life, privatization, national transformation, and fiscal balance. The country's vision is focused simply on diversifying the country's economy to reduce dependence on oil revenues. Nurunnabi (2017) suggested that improvements were needed in six key areas to achieve a developed knowledge economy in Saudi Arabia: human capital, innovation, information and communications technology (ICT), the economy, education and employment. These are compatible with the goals stated in the original 2030 Vision document. It provides insights into what the country's knowledge economy looks like today and potential policy issues related to how the economy might evolve in the future. Depending on the three pillars of the country's power of strong economy, its geographical location and Islamic position, several challenges are identified relating to human capital, research and unemployment among university-educated females.

Some of the most important goals of the Vision are to increase the private sector's contribution from 40% to 65% of GDP; increase the SMEs contribution to GDP from 20% to 35%, lower the rate of unemployment from 11.6% to 7% and increase women's participation in the workforce from 22% to 30%. The private sector in Saudi Arabia is rapidly growing, due to the existence of many profitable investment opportunities. Along with this growth, family businesses have had the chance to develop. Another important challenge to radically reduce the foreign labour force and to replace them with qualified Saudi workers. According to government data, more than 667,000 foreigners have left Saudi Arabia since the start of 2017, which is the largest departure of foreign workers in history, after high taxes were imposed on foreigners. However, there is a government policy which facilitates the transformation of private firms into shared companies to ensure that they survive this difficult challenge. Finally, women's empowerment forms a big part of the country vision. However, as mentioned earlier, Saudi society is tribal with Arab culture, and it is very hard to change this kind of society as its norms are part of the tribe repetition. For example, the case of women driving was a social issue rather than government policy. Crown Prince Mohammed bin Salam has clarified this many times before officially permitting women to drive in Saudi Arabia in July 2018.

4.5 Family Business in Saudi Arabia

The number of firms managed by Saudi families has reached 621,400, representing approximately 90% of private sector companies in Saudi Arabia according to the latest statistical information from Saudi Arabian Monentary Authority (SAMA) (Saudi Arabian Monetary Authority, 2010). Also family-owned firms constitute 45% of companies in the list of the top 100 businesses in Saudi Arabia (Achoui, 2009). However, not all family businesses span many generations, and only 5% extend to the third generation. The Saudi government is aware of the lack of HRM in family businesses due to the impact of family dynamics on business operations. This is one of the disadvantages of family business management. When there is no particular rule for employee training and hiring, decisions are made to fulfil family preferences rather than the firm's needs (Sharma, 2004; Debicki *et al.*, 2009). Therefore, in family businesses it is hard to control the recruitment system and difficult for management to exert influence on recruitment strategies because most of the senior positions go to family members, and so the preferred criterion in hiring is genetics rather than competence (Debicki *et al.*, 2009).

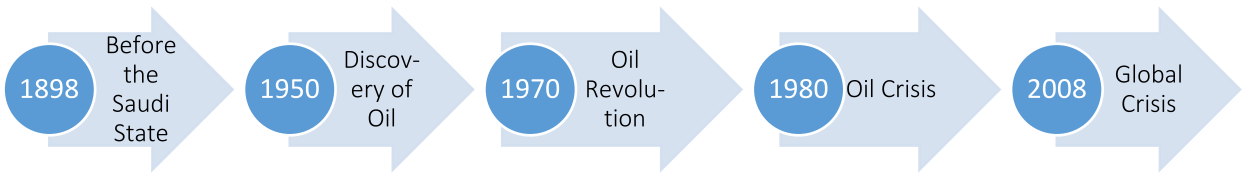

Figure 4.8 Timeline of Saudi Arabia

In this research, the data show that family business activity follows the patterns of the country's timeline and financial development (see Figure 4.8). Also, Table 4.7 shows that all of the sample businesses which started before the establishment of the Saudi state are craft activities such as jewellery. Even though jewellery businesses are considered part of the manufacturing and retail sector, I decided to categorize them separately because these businesses been established before the Saudi Arabian state. This shows that business in the Ottoman Empire period was affected by the Turkish cultural of valuation of fine jewellery. Those family businesses started with silver and gemstones as their main materials. After 1970, and the oil revolution and economic boom in Saudi Arabia, their trade improved considerably and converted to gold and diamonds business. The period between 1950 and 1970, after the discovery of oil and the economic boom, most family businesses are part of the manufacturing and retail sectors, which coincides with the industrial revolution in the country.

Table 4.7 Family business activities over time in Saudi Arabia

Period of Establishment	Sector	No. of Firms	Percentage
1898 – 1907	Fine Jewellery	3	10 %
1950 – 1965	Mining	2	10 %
1957	Agriculture	1	3.33 %
1970 – 1986	Real Estate and Investment	5	16.66 %
1970 – 1989	Manufacturing and Retail	12	40 %
1977 – 1981	Hospitality and Tourism	2	6.66 %
1990 – 2006	Education and Training	4	13.33 %
Total		30	100%

4.6 Conclusion

In conclusion, family businesses in Saudi Arabia form approximately 90% of private sector companies. They represent a vital economic resource for the country. Businesswomen and female entrepreneurs in Saudi Arabia face more obstacles and challenges than their male counterparts, stemming from economic and social barriers. The economic factors are related to finance and the market, such as in limitations communication allowed in the market, difficulties in accessing raw materials and financing, and lack of training and knowledge. Social factors are related to the nature of the business environment and social life that are ruled by the Islamic religion and the conservative Saudi culture, which cause a lack of networking and social acceptance, and limit the ability to communicate widely.

The analysis of the research data reveals that family business activity follows the pattern of the country's recent historical and financial development. All businesses established before the Saudi state are involved in craft activities such as making fine jewellery. Then, those founded in the period between 1950 and 1970 after the discovery of oil and the economic boom in Saudi Arabia, are mainly in the manufacturing and retail sectors, coinciding with the industrial revolution in the country. Furthermore, in this period Saudi cities started to grow radically in size as the Bedouins started to settle there. Thus, there was a large demand for building materials and a lot of successful family businesses which started in that period of time invested in cement, glass, steel and electrical equipment, which created a potential investment market. Finally, women's empowerment has a significant role in the ninth development plan of the country. The research sample included 10 women, 90 per cent of whom joined a family business in 2010 or after, indicating that the increasing rate of female involvement in business matches the development plans of the country.

Chapter Five:
The Social Organization
and Governance of Family Business

5.1 Introduction

There is no doubt that family involvement is the most important element that distinguishes a family business from other kinds of business. The involvement of family members takes several forms and to widely differing degrees (Astrachan *et al.*, 2002). From a structural point of view, the two main types of family involvement are through ownership and management (Handler, 1989; Litz, 1995). This chapter concerns the social structure of the family business, and therefore each of these two types of involvement is discussed in detail.

Understanding the actors in the organization through the processes they are involved in is the best way to explore their influence on the organization's rules and norms. This analysis, following Maclean *et al.* (2012), focuses on processes of sense-making, drawing on extensive interview data and recognizing that there are strong relationships between sense-making, language and communication. Accordingly, through micro-level empirical work, the influence of organizational actors is addressed by understanding the influence of meaning systems on organizational behaviour (Scott, 2014). Firstly, the involvement of family members is interpreted in terms of their 'emotional ownership'. I identify three types of motivation for joining the family business by analysing the statements made by family members at interview. Secondly, I examine how organizational cultures are impacted by religion, society and families respectively. Thirdly, the concept of 'family governance' is explored in the context of family business in Saudi Arabia. The main findings of the chapter are summarised in conclusion.

5.2 Family Control and Emotional Ownership

Family members have the power to influence business goals through ownership, management and governance (Mitchell *et al.*, 1997; Sharma, 2004). Thus, to determine levels of family involvement, I deploy Chrisman *et al.*'s (2012) model of family control which identifies family ownership, family management and number of generations active as key defining variables (Sharma, 2004). This is broadly compatible with Lansberg's (1988) earlier three-circle model of control. Demographic and control data are presented for each of my 30 cases in Table 5.1.

Table 5.1 Exercising family control in case companies

Firm name	Demographic data			Indicators of family control			Family control
	Founded	Age	Size	Family ownership (%)	Family managed	Generations active	
MS Corporation	1898	119	M	100	Yes	3 - 4	Yes
FT Holdings	1907	110	L	78	No	1 - 3	Yes
FS Corporation	1907	110	S	100	Yes	3 - 4	Yes
AN Holdings	1950	67	L	70	No	2 -3	Yes
BL Holdings	1952	65	L	100	No	2 - 3	Yes
OT Holdings	1956	61	L	100	No	2 -3	Yes
FQ Group	1957	60	L	100	No	1 - 3	Yes
KH Group	1957	60	L	100	No	2 -3	Yes
BB Company	1965	52	L	70	No	2 -3	Yes
BS Corporation	1970	47	S	100	Yes	2 - 3	Yes
TQ Group	1970	47	M	100	Yes	1 - 2	Yes
AJ Company	1974	43	L	100	No	2 -3	Yes
SR Company	1977	40	S	100	Yes	1 - 2	Yes
NY Group	1977	40	M	100	No	1 - 2	Yes
OM Corporation	1977	40	M	100	Yes	1 - 2	Yes
SG Ltd. Company	1977	40	M	100	Yes	1 - 2	Yes
HI Corporation	1978	39	M	100	Yes	1 - 2	Yes
RD Group	1979	38	S	100	Yes	1 - 2	Yes
JR Group	1979	38	L	43	No	2 - 3	Yes
KJ Company	1979	38	M	100	Yes	2 - 3	Yes
FZ ltd. Company	1980	37	M	100	Yes	1 - 2	Yes
FL Company	1981	36	L	100	No	1 - 2	Yes
SL Group & Co.	1983	34	L	80	No	1 - 2	Yes
ZL Company	1985	32	M	100	Yes	2 - 3	Yes
SN Company	1986	31	L	100	No	1 - 3	Yes
TL Company	1989	28	M	100	Yes	1 - 2	Yes
RW Group	1990	27	M	100	No	1 - 2	Yes
DH Ltd. Company	1992	25	L	100	No	1 - 2	Yes
HR Company	2001	16	M	65	Yes	1 - 2	Yes
OX Corporation	2006	11	M	100	Yes	1 - 2	Yes

The table indicates the very high degree of ownership and control exercised by families in Saudi family firms. The percentage of equity owned by families ranges from 43% to 100%; however, 24 firms out of the 30 are 100% owned by families. In all but one case, the family equity ownership stake is above 50% and technically enough to control the venture. The management of the firms are in held by family members in small and medium firms and by non-family professionals in the large ones. However, there is a high degree of intergenerational involvement, with typically two or more generations being active in each family firm. I conclude that, in all 30 cases, the businesses may be said to be family-controlled.

Even though emotionality is an essential part of the study of family business due its relationship to the family system (Carlock and Ward, 2001), it is generally the least studied phenomenon in family business (Dyer Jr, 2003; Holt and Popp, 2013). A key concept that has been introduced by Nicholson and Björnberg (2008) is 'emotional ownership', which means a cognitive and affective state that is used to describe a family member's attachment to his/her family business. This concept acknowledges that ownership in family firms goes beyond the ordinary meaning of financial and legal ownership; for family members, it means responsibility, attachment, pride, personification and legacy. The concept of 'emotional ownership' helps in understanding the next generation's relationship to the family business. This relationship is like any relationship that is characterised by frequent negotiation between closeness and distance. Therefore, emotions felt toward a family firm could be negative or positive depending on the family context and circumstances. Some of the relevant emotions identified in the literature are belonging, shared fate, happiness, disillusionment, attachment, identification, detachment, guilt, 'not mine', fear of rejection, discontent, love, desire, attraction, affection, loyalty, duty, competition, favouritism, insecurity, resentment, and hatred (Sharma, 2004; Nicholson and Björnberg, 2008; Holt and Popp, 2013). The outcome of this emotional attatchment may have positive or negative implications depending on the individual configurations of family members' emotional ownership (Nicholson and Björnberg, 2008; Holt and Popp, 2013).

The analysis presented here confirms a high degree of emotional ownership among family members toward family businesses in Saudi Arabia. Counting the frequency of use of words in the ten interviews with women, they expressed themselves using the word 'feel' 72 times and 'love' 38 times. Also, men used the word 'love' 61 times and 'feel' 47 times in a total of 24 interviews. On average, in a single interview, female interviewees used the term 'love' 3.8 times and 'feel' 7.2 times; and male interviewees used the term 'love' 2.5 times and 'feel' 1.9 times. This reveals the extent to which family members perceive their business in emotional terms, as reported in Table 5.2.

Table 5.2 Word counts for emotional phrases

Family member	"Love"	"Feel"
Female (10 interviews)	38 (Average 3.8)	72 (Average 7.2)
Male (24 interviews)	61 (Average 2.5)	47 (Average 1.9)

In the inductive analysis presented in Table 5.3, three main types of motivators are identified, through the application of the Gioia method for analysing interviews, which encouraged family members to become involved in the family business: positive emotional motivations, pragmatic factors and obligational pressures.

Table 5.3 Three types of motivation for joining a family business

Illustrative quotations	2nd order themes	Aggregate dimensions
"I wish I can give my father back more than he expects from me" (Daughter, executive, 2G) – SG Ltd. Company *"I saw how much my father suffered to build this business; I am here to help"* (Son, staff, 2G) – HR Company *"My heart breaks seeing my father ill, I promised myself to serve him all my life until seeing him relieved"* (Daughter, executive, 2G) – BL Holdings	Gratitude to parents	Positive emotions
"I never thought of working in my family business, but when my father asked for help, I couldn't resist" (Daughter, manager, 2G) – RW Group *"I never thought of working with my father, but my grandmother talked to me about supporting my father"* (Son, manager, 2G) – FS Corporation	Respect for parents	
"I feel attached to this business, I can't abandon them" (Daughter, manager, 2G) – OM Corporation *"We really love our family business and talk about it all the time, I couldn't wait to graduate and work with them immediately"* (Daughter, executive, 2G) – OX Corporation *"I used to go with my father to the office since I was 6 years old. I copied him in everything, he was my role model"* (Daughter, executive, 2G) - SG Ltd. Company *"Proud to be with my father as business owners"* (Daughter, managers, 2G) - OX Corporation	Love for the family/parents	
"As far as I remember, I used to work with my father since I was little, helping and serving customers in the shop" (Head, CEO, 2G) – KH Group *"Of course, everyone takes his family craft naturally"* (Head, CEO, 2G) – SL Group & Co *"Boys in our family (siblings and cousins) go to our fathers office after school, spend the day studying and have dinner at work before we all return home in the evening"* (Son and nephew, staff, 2G) – AJ Company	Childhood environment	Pragmatic factors

"I used to work in a school, but when my daughter got sick, they never allowed me to take long sick leave. Working with my father is more comfortable and flexible" (Daughter, Manager, 2G) – TN Company *"Very flexible working hours and appreciation that I wouldn't find elsewhere"* (Son, staff, 2G) – HR Company	Flexible working	
"To ensure continuity of our family business, children need to be involved in many ways to continue the family activity" (Founder, Chair & CEO, 1G) – OX Corporation *"At the end this is my inheritance, I have to be here to* protect it" (Son, manager, 2G) – HR Company	Keep the business in the family	
"After my father, we [brothers] had to stand up for the family business to support ourselves and our sisters" (Head, CEO, 2G) – MS Corporation *"My father always says it is our money and we have the choice to protect it or throw it away to others, so I am here"* (Daughter, manager, 2G) – TN Company	Protect family wealth	Obligational pressures
"There is a specific budget for all family members of the later generations and to prepare them for working in the family business including trainings, scholarships and internships" (Head, Chair & CEO, 1G) – JR Group *"I always say if you couldn't succeed outside, join the family business to be part of their success"* (Son, executive, 2G) – OT Holdings *"I didn't succeed outside, so the family business was a good opportunity for me"* (Nephew, executive, 3G) – MS Corporation	Parental duty to child	
"I feel we are obligated to be here to fulfil my father and uncles' vision" (Nephew, staff, 2G) – BL Holdings *"I had no choice, to be here to help my father achieve his dreams"* (Son, manager, 2G) – FS Corporation *"My mother asked me to support my father, I had to be here to help"* (Son, staff, 2G) – HR Company *"I had no choice as the oldest brother, I have to be here to support my dad and my younger sisters"* (Son, manager, 2G) – NY Group *"I ask my son to do some auditing work to expose him to the large amounts of profits I am making or take him on my business trips abroad"* (Founder, Chair 1G) – HI Corporation	Child's obedience	

5.2.1 Positive Emotions

The most important and common reason drawing members of the second and later generations to join the family business is positive emotional attachment, as expressed using words such as gratitude, love and respect. Most children feel love and gratitude toward their parents and would like to pay them back for what they have received. These norms are functional in ensuring that relationships within the family are guided by personal care rather than simply by economic opportunism (Lansberg, 1988). Such emotional motivators relate to kinship ties and reach beyond business motivations. Tagiuri and Davis (1996) emphasised that relationships between family members in the business depend on accumulated historical experiences and the feelings associated with them. Thus, negative feelings like jealousy, love, hate and competition between family members might also be reflected in business relationships.

Gratitude, love and respect were the most common positive emotions revealed during the interviews. According to Alesina and Giuliano (2010), Saudi society has very strong family ties, as revealed by the World Values Survey (WVS), which measures the strength of family ties as expressed by three variables: the importance of family, the duty of parents and children towards each other, and love and respect for parents. Typically, Saudi Arabia scores four points out of five for the strength of family ties, which, in comparative terms, suggests that within Saudi society family ties are accorded a high priority. Children in this society never leave their parents' houses as adults, and girls especially stay under their parents' guardianship until they marry, when guardian responsibilities are transferred to the husband. In contrast, male offspring have the chance to leave the parental home before marriage, but this in fact rarely happens. Physical closeness between adult family members works to increase the strength of family ties. Sharma (2004) has argued that strong family relationships could lead to success in business when firms experience financial difficulties, because strong family relationships hold the organization together longer than might otherwise be the case.

In the same vein, Tagiuri and Davis (1996) argued that strong emotional attachments to a family business have two positive side effects in creating loyalty and promoting trust. The potential downsides, however, are lack of objectivity in communication and tolerance of covert hostility. Nevertheless, as discussed above, Saudi society has a very strong family ties, and the positive effects in general outweigh the negative effects. This is one of the main reasons for the widespread existence of family businesses and their continued success in Middle Eastern society. Davis *et al.* (2000) emphasised that families, with their extended kinship networks, are the central element of the socioeconomic system of the Gulf Region. Therefore, the point when children join the family business is called the ‘sibling partnership’ stage, a rite of passage characterised by the ceremonial and emotional intensity of intergenerational bonding (Labaki *et al.*, 2013). In one large family firm, whose business is now 40 years old, pictures of the family members of all generations hang together on the office walls. When a second-generation son who had recently joined the business was asked why he had done so, he answered simply: “*I want to be with my cousin”* [with whom he had been raised]. Loyalty and trust are recurring themes throughout the interviews, causing family members to make sacrifices for the collective good, as when undertaking tasks outside normal business hours:

> *“I am really attached to this business, sometimes I come to the workplace in the weekend with my husband to supervise and finish some maintenance chores”*
> (Daughter, executive, 2G) – OX Corporation

On the other hand, work relationships can be more complicated when negative emotions such as jealousy come to the surface, leading to overt expressions of hostility and lack of cooperation. When rifts of this kind occur, family members try to conceal the fact from outsiders and rally amongst themselves to urge upon all family members to show respect for the family as a collective. It is unacceptable in Saudi society for insiders to show disrespect for the family. For example, one young family employee reflected at interview as follows:

> *“I am working hard to prove my ability to be a successful jeweller. I know they [my uncles] think I am not capable of being here. Finally, my work talks instead of my words”*
> (Nephew, executive, 4G) – MS Corporation

This informant felt unable express his feelings toward his uncles verbally, even though he knew that they had reservations about his abilities and potential. This negative feeling was converted into a positive attitude of working hard to show respect for his uncles and prove his worth. However, it is much easier to show negative emotions toward in-laws, as they are not considered to be part of the family in Saudi society. It is worth mentioning here that family members retain the same family name even after marriage, when neither men nor women change their last names. The last name is a symbol of the tribe and the origins of the family. Therefore, the in-laws always carry surnames different from those of close family members. Even though in a lot of family businesses courtesies are extended to in-laws, the data gathered for this study reveal no participation of in-laws in any of the 30 firms. This finding is supported by numerous qualitative statements. One second generation daughter who served as an executive within her family's firm ventured the following illustrative opinion:

> *"I am not concerned about my brother's performance, but their future wives could ruin our family business"*
> (Daughter, executive, 2G) – SG Ltd. Company

The above example supports Tagiuri and Davis's (1996) assertion that relationships between family members in businesses depends on historical norms, confirming the continuing influence of wider societal values on family business in Saudi Arabia.

5.2.2 Pragmatic Factors

Rational motivations can be used to explain the individual's habitus, as people's behaviour is motivated by the interactions of 'habitus', 'capital' and the 'field' concerned (Bourdieu, 1984). Habitus is formed by interactions with the family and other people and organizational entities in society. Thus, Bourdieu (1977) emphasized the importance of early childhood socialization within the family for the habitus in forming predispositions and dispositions. Evidence from the study's interviews is presented below in order to develop an understanding of the behavior of socially situated individuals and how this is shaped by the family habitus. The motivations of family members to become involved in the business is the result of the interaction of one's habitus, position in the field (the capital possessed) and the current social field (Bourdieu, 1977; Emirbayer and Johnson, 2008; Maton, 2008). Within the field of family businesses, family members are the dominant group as they possess most of the different forms of capital.

Tradition in Saudi society involves very highly stylized patterns which have remained intact even after the modernizing influence of the West (Long, 2005). One of the most unbreakable traditions in society is respecting elderly family members, so that the head of the family is in an extremely influential position. Therefore, in most family businesses, children follow their parents' path without hesitation or doubt. This also contributes to the prevalence of family business in this society.

> *"As far as I remember, I used to work with my father since I was little, helping and serving customers in the shop"*
> (Head, CEO, 2G) – KH Group

> *"Of course, everyone takes up his family craft naturally"*
> (Head, CEO, 2G) – SL Group & Co

Family members behave based on their habitus of showing respect and following the family's leader. One head of a family and business leader from the second generation of his family wondered if any child could work in a different job from his parents. On the other hand, children are very satisfied to be part of their family's business as they have grown up serving in the business and attending meetings. They perceive this as rational behaviour and the true path to success. Furthermore, family business is considered to be a comfort zone for family members who are part of that community.

> *"I used to work in a school, but when my daughter got sick, they never allow me to take a long sick leave. Working with my father is more conformable and flexible"*
> (Daughter, manager, 2G) – TL Company

> *"Very flexible working hours and appreciation that I wouldn't find elsewhere"*
> (Son, staff, 2G) – HR Company

Keeping the business in the family has been discussed in the literature in terms of several motivations Nicholson and Björnberg (2008) argued that stewardship is especially strong in family businesses where the owners plan to keep the firm in the family over subsequent generations. This includes investing in later generations in several ways, such as building the reputation of the business and keeping it financially healthy. Saudi family leaders perceive the family business as an inheritance that must be preserved and passed on to the next generation as it is part of the family's social reproduction. On the other hand, later generations are prepared to adopt this belief as a norm of society.

> *"To ensure continuity of our family business, the children need to be involved in many ways to continue the family activity"*
> (Founder, Chair and CEO, 1G) – OX Corporation

> *"At the end this is my inheritance, I have to be here to protect it"*
> (Son, manager, 2G) – HR Company

Fathers and members of senior generations use several techniques to attract children to become involved in the family business, such as offering childhood summer jobs, the father acting as role model, convincing or even forcing engagement using their leading position in the family. However, they are very careful not be perceived as dictatorial fathers, so they use various devices to avoid this.

"I take my son on my luxury business trips to show him how fortunate he could be by working with me, or sometimes I ask him to do some financial auditing jobs to let him understand the large amounts of money I am making"
(Founder, Chair and CEO, 1G) – HI Corporation

"I never force my children to be with me, but they have discovered it is the best for them to work with me"
(Founder, Chair and CEO, 1G) – RD Group

It is part of the norms of Saudi culture that the father takes care of his children as the family leader, even in their adulthood. Therefore, the phenomenon of attracting children or even forcing them to work with their father in the family business is very common. The motivation of the father or members of the senior generations is to fulfil their mission of responsibility towards their children in providing a good future for them. This issue is discussed further in terms of the role of society in the next section.

5.2.3 Obligational Pressures

Not all family members are motivated emotionally to join the family business, but there are some pressures of obligation that could encourage their involvement. Miller and Le Breton-Miller (2006) argued that family members feel a responsibility to sustain ownership control and to play a role in management to ensure that the operation of the company, which is a family asset, is aligned with family interests. Moreover, Saudi society respects the family as the most essential structural unit in society, and so each family member knows his responsibilities and obligations toward other members (Long, 2005). This responsibility is felt more strongly by male family members as they are considered to be the guardians of the Family, such as the responsibility of a father toward his daughters and of brothers toward sisters and husbands toward wives. Therefore, the data reflect high degrees of feeling of responsibility expressed concerning joining the family business, as in the following examples.

"After my father, we [brothers] had to stand up for the family business to support ourselves and our sisters" (Head, CEO, 2G) – MS Corporation

"My father always says it is our money and we have the choice to protect it or throw it away to others, so I am here"
(Daughter, manager, 2G) – TL Company

On the other hand, from the father's point of view, he is responsible for the next generation's career development. Nicholson and Björnberg (2008) argued that the next generation could be either a help or a hindrance to the future prosperity of a firm. Regardless of the possible positive or negative effects on the next generation, the close family ties in Saudi society oblige the older generation to take care of younger generations. Therefore, a young family member who has not succeeded outside of the family business has the right to blame his family for not providing support, such as involving him/her in the business. Members of second and later generations stated that it was their family responsibility to be made part of the family's success, as they are members of the family.

> *"I always say if you couldn't succeed outside, join the family business to be part of their success"*
> (Son, CEO, 2G) – FZ Ltd. Company

> *"I didn't succeed outside, so the family business was a good opportunity for me"*
> (Nephew, executive,3G) – MS Corporation

Moreover, the data reveal that, in many family businesses, the senior generations are taking good care of their children or successors by assigning a special budget for their education or training. The high degree of study and training abroad provided for young family members over the summer reveals the strength of family obligations felt toward improving its members.

> *"There is a specific budget for all family members of the later generations and to prepare them for working in the family business including trainings, scholarships and internships"*
> (Head, Chair and CEO, 1G) – JR Group

> *"Our family has a rule of sending all family boys to study in the USA and sending the girls to France, to learn both languages"*
> (Head, Chair and CEO, 1G) – SL Group & Co

> *"Every summer my cousin and I go together to the UK to work as interns"*
> (Son, Staff, 2G) – AJ Company

5.3 Organizational Institutionalism

Generational involvement in the family business is a crucial factor that affects the organizational identity of the family business (Salvato *et al.*, 2019). This echoes Miller and Le Breton-Miller's (2005) statement that family involvement is the main factor that makes a family business unique, as their involvement may create an organizational culture of altruism, loyalty, commitment, family ties, and stability . Thus, family values and cultural patterns directly affect business culture. Therefore, any change in the business is considered to be a family process and not only an organizational process (Kelly *et al.*, 2000). Moreover, the business culture is affected also by the culture of the wider community. Accordingly, family business culture resembles a combination of the culture of the society and the family. It is vital to understand the characteristics of the behaviour of the family members who influence these firms (Tagiuri and Davis, 1996). The following section presents an analysis of the data regarding the influence of the internal society of the business (the family) and the external wider society (Saudi culture) on family businesses, with special consideration given to the gender question which is a major issue in Saudi society.

The culture of Saudi society is shaped by three major influences of religion, Arab traditions and the tribal system. When talking about Saudi Arabia, the influence of religion cannot be ignored as the nation is the central focus for all Muslims in the world and Islam is the only formal religion in the country. Some Arab traditions are compatible with Islamic manners and have been encouraged by Islam, such as honesty, loyalty, flexibility and trust (Ali, 1995). In fact, Islam determines the way of life for Saudis, as the Arabic language, social life, and traditions are all rooted in Islam (Al-Rasheed, 2006). Consequently, Islam plays a significant role in Saudi culture by defining the rules for social behaviour, traditions, practices and business. The second influential factor concerns the Arab traditions that are mostly built upon Islamic teachings. Many scholars recognize that religion is the dominant variable that affects Arab culture, and which makes them cohere. The third important factor is the tribal system of the society. Kinship and tribal systems still strongly affect the individual's place in society and could influence their success or failure both in traditional and new areas of activity. In fact, the tribal system is considered to have a major impact on the workplace (Aldraehim *et al.*, 2012). Therefore, family businesses in Saudi Arabia are affected by the Islamic religious, and Arab and tribal culture of the country and finally by the family members who own the business.

Table 5.4 presents data concerning the effect of the Saudi context on family business through three main dimensions: the role of the Islamic religion, the impact of society, and finally the role of the family.

Table 5.4 Effect of the family and society on organizational institutionalism of family business

1st order codes	2nd order themes	Aggregate dimensions
"It is very inappropriate to make a business relationship with women" (Founder, Chair and CEO, 1G) – HR Company *"It is better for women to work in feminine jobs such as teaching in girls' schools"* (Founder, Chair and CEO, 1G) – ZL Company	Gender segregation	The role of Islamic law
"My father taught us to take care of our sisters. He took care of his sisters until he died" (Head, CEO, 2G) – MS Corporation *"As an older brother I am responsible for taking care of my sisters and protecting their money"* (Son, manager, 2G) – NY Group *"Only lower-class women work"* (Head, Chair & CEO, 2G) – SL Group & Co	Male patriarchal control	
"My father gave all males double the females share and I am not satisfied because it is a gift not an inheritance" (Daughter, manager, 2G) – SN Company *"Depending on Islamic law I gave my sons double the daughter's shares"* (Head, Chair and CEO, 1G) – NY Group *"After the death of my father, we divided the shares according to Islamic law and kept an income source for our sisters"* (Head, CEO, 2G) – BL Holdings	Other gender issues	
"My father hired me as an executive manager immediately after my graduation. He gave me absolute freedom even in choosing my husband" (Executive, daughter, 2G) – SG Ltd Company *"We have a large budget assigned to young family members to give them classes and training courses and also to send them abroad for internships"* (Head, Chair and CEO, 2G) – JR Group	Tribal society kinship network	
"I send my children to work as intern in global companies in the UK before they come back to work with us" (Head, Chair and CEO, 1G) – AJ Company *"We have a large budget assigned to young family members to give them classes and training courses and also to send them abroad for internships"* (Head, Chair and CEO, 2G) – JR Group	Power distance	

“Society is not ready to see women in the workplace, even you [the researcher during the interview] are in an odd position now” (Head, CEO, 1G) – KJ Company *“Things have changed now, girls are allowed to work everywhere. For the family, if the girl is going to work anyway, it is better to have her working in her own property instead of working somewhere else”* (Staff, daughter, 2G) – SN Company *“I joined the family business by ‘imposition’ if we could call it that. I insisted to my father that I need to employ the degree I earned, so he gave me a minor job in a small office, but I hired a female team and we proved ourselves until I became a business owner”* (Executive, daughter, 2G) – BL Holdings	Women’s position	
“The business was founded and owned by me and my younger brother, but the chair is our oldest brother because we love him, learn from him, and take inspiration” (Founder, executive, 2G) – ZL Ltd Company *“It is natural that the eldest brother is the chair of the board. This is well known in these kind of businesses [family businesses]”* (Head, CEO, 2G) – KJ Company	Family member involvement	
“My father always says it is our money and we have the choice to protect it or throw it away to others, so I am here” (Daughter, manager, 2G) – TL Company *“To ensure the continuity of our family business, the children need to be involved in many ways to continue the family activity”* (Founder, Chair & CEO, 1G) – OX Corporation *“At the end this is my inheritance, I have to be here to protect it”* (Son, Manager, 2G) – HR Company	High degree of family exclusivity in ownership	The role of the family
‘I never consult anyone in the work except my father’ (Daughter, executive, 2G) – SG Ltd. Company *“I owned the bigger percentage of the business and I am the founder; the board accepts my decisions”* (Founder, CEO, 1G) – HR Company *“Only us, the father and son, are the decision makers”* (Founder, CEO, 1G) – FS Corporation	Power and control	

5.3.1 Role of Islamic Law

Islam has the largest influence and impact on Saudi society, as it is the official religion of the country. Islamic law also controls the legal system of the country and generates distinctive regulations under the *Shariah* obtained from the holy book (the Quran). One of the examples of Islamic law in the country is the *Zakat,* which rules that a small percentage of the fortune of a rich Muslim must give to the poor annually under certain circumstances. As a religious practice it is supposed be performed and managed personally; however, in Saudi Arabia the assessment and collection of *Zakat* is processed by the general authority of *Zakat* and tax (GAZT) in the Ministry of Finance. All registered family businesses are required by the law to pay 2.5% of net profits as *Zakat*. The institution of *Zakat* is an integral part of the Islamic socio-economic system as it is one of the five fundamental pillars of Islam.

Another major phenomenon that arose under Islamic law and Arab tradition is gender segregation, meaning the physical separation of men from women in work settings. Islamic teaching requires women to be covered in front of men who are not relatives, and the Arab tradition includes the protection and concealment of women. Thus, physical segregation is a convenient solution to give women privacy in the workplace and, moreover, assures Arab men that their women are in a safe place. It has been believed that women working with men in the same place is inappropriate for women and could affect their reputation from a socio-cultural perspective (Omair, 2008; Budhwar *et al.*, 2010). This is also related to the Islamic law in the country, where religious scholars are given authority by the government to constitute a rule under Islamic law. In this particular case, the official principal religious scholar of the country, BinBaz (1912-1999), contended that women could work in fields that are in women's domain, such as education, nursing and medical care (Sidani, 2005). In fact, the strict segregation between women's and men's workplaces and spaces of socialization has been instituted legally and perpetuated through a discourse of modernization, including the passing of specific laws, since the 1960s (Le Renard, 2008). Therefore, it is deemed acceptable in society that women work in a sector that is part of a woman's domain, such as education, banking and public organizations.

On the other hand, some business activities such as manufacturing, retail, agriculture and investment are not considered fields which are part of women's domain, according to statements by Islamic scholars in the country. Therefore, it is challenging for family leaders to allow women to be alongside them in the workplace. Table 5.5 shows businesses in the research sample classified in term of activities in the women's domain and non-women's domain in relation to working women.

Table 5.5 Female family members working in businesses whose activities are classified as in the women's and non-women domain

<table>
<tr><th colspan="2">Business activity depending on Islamic classification</th><th>Separate women's section</th><th>Female family members working</th><th>Non-family females working</th><th>No. of businesses</th></tr>
<tr><td>1. Women's domain</td><td>Education</td><td>Yes</td><td>Yes</td><td>Yes</td><td>4</td></tr>
<tr><td rowspan="2">2.Non-women's domain</td><td rowspan="2">Manufacturing
Retail
Services
Constructions
Agriculture
Investments</td><td>No</td><td>No</td><td>No</td><td>17</td></tr>
<tr><td>No</td><td>Yes</td><td>Yes</td><td>9</td></tr>
<tr><td colspan="5"></td><td>30 Total</td></tr>
</table>

The data show that, out of the total of thirty family businesses in this research sample, 17 are completely men-only organizations with no female work involvement. On the other hand, there are 13 businesses in which working women are involved, 4 in the women's domain sectors and 9 in non-women's domain sectors. The research sample includes four businesses that specialize in education (women's domain), and thus all four of these have a separate operational female section to serve female customers. Therefore, the decision to involve female family members in this work was not problematic for the family leader, as it is similar to the surrounding Saudi society where schools for women include female operational teams. Instead of banning women from working, there is a strong motivation to encourage female family members to join the business as there is a physical separation between male and female sections, and there is a strong need to have a trusted person working in the female section.

> *"I see that there should be a female family member working in the women's section to supervise the family business there because my father is not allowed to be there [as a male]"*
> (Son, staff, 2G) – HR Company

The trust between family members means that female family members are the strongest candidates for such positions. In addition, it is easier to discuss business issues with a female relative in formal meetings at work or at home outside the workplace. In all four cases the above executive manager of the female section was the daughter of the owner, as some men still hesitate to build close business relationships with unrelated women, especially when they have an alternative.

> *"It is very inappropriate to make a business relationship with women"*
> (founder, Chair and CEO, 1G) – HR Company

The argument is different with the other nine businesses whose activities are not considered to be in the women's domain, and where men and women work together in the same workplace, such as in administrative offices, shops or factories. The respective decisions are usually in the hands of the founder or the family's leader to deal with society and make the changes.

Since the 1960s, religious leaders still controlled public debate over the central values of society (Le Renard, 2008), as the country established Islamic law and become an Islamic state. However, the authority of the present Crown Prince has reduced the authority of religion in Saudi society after he published his vision for 2030 with substantial consideration given to empowering Saudi women. Saudi women have gained a lot more power since the release of the Saudi vision for 2030. One of its most important goals is to increase women's participation in the workforce, and labour market statistics show that the Saudi women's labour force participation rate has risen from about 17.4 per cent in 2017 to 19.6 per cent in 2018 (General Authority for Statistics, 2018). Moreover, women are granted all their civil and human rights without discrimination, and they are working to overcome the remaining challenges in order to enable them to take part in all fields. For example, in 2018, Saudi women were allowed to drive for the first time and to have Saudi driving licences under the same government regulations as for men. Also, in 2019, Saudi women were allowed to travel without the permission of a male guardian. Family businesses are affected by these changes in the country and research is urgently required in this area.

However, society's norms do not change rapidly, and it usually takes time. There are always a constraining group who hold fast to their original norms. Looking closely at the seventeen family businesses that are male-only organizations, they are not unusual in the surrounding society in Saudi Arabia and in the Arab world in general. The Arab region scored lowest across the globe for women's participation in national economies, estimated at only 29 per cent (UNDP, 2003). The rate of women's involvement in the workforce, however, tends to be higher in countries with abundant labour and relatively limited resources, such as Egypt, Lebanon, Morocco and Tunisia, as compared with countries that have an abundance of available labour and are rich in resources such as Algeria, Iraq, Syria and Yemen (UNIFEM *et al.*, 2004). Some heads or founders of family businesses assumed that only lower-class women need to work. They focused their views on money and providing a living, ignoring the fact that there are other motivations to work just as with men, such as fulfilling their dreams and building a career.

> *"Women don't work unless they need money"*
> (Head, Chair & CEO, 2G) – SL Group & Co

> *"Only lower-class women work"*
> (Head, CEO, 2G) – BL Holdings

This point of view stems from patriarchal attitudes towards women in the Arab tradition and in Islamic law. These attitudes toward women have been shaped by interpretations of Islamic texts that oblige men to be guardians of their women by taking care of them and providing all living expenses (Budhwar *et al.*, 2010). Additionally, the Saudi socio-cultural context and women's position in society reinforces these patriarchal attitudes. Omair (2008) confirmed that many studies recognize that the biggest obstacle for women's career progress are patriarchal power relations and attitudes towards women in the Arab region. Furthermore, patriarchal power relations and attitudes towards women result in women being treated as dependent on men. This has led to the phenomenon of not involving women in business ownership as it is considered as potentially involving her future husband in ownership, who is believed to not be a family member.

> *"We are five brothers and seven sisters who inherited this business, but after they had their own families, we liquidated their shares to avoid future problems"*
> (Head, Chair & CEO, 2G) – KJ Company

With that narrow definition of family, most in-laws (husbands of daughters and wives of sons) are not considered to be family members. Therefore, it is clear that most business owners express their fear of involving female family members in business ownership because they know that women will be under the control of their husbands, and as a result the husbands will be part of the business due to their legal guardianship.

Table 5.6 Motivations for excluding female ownership

Family business characteristics	Owning family members	Stated reason for excluding female ownership
FB1: Large, old, 2G	Male siblings (3F, 8M)	*"Our female siblings were not educated, so they were away from the business anyway. We have decided to liquidate their shares to real estate for their benefit"* (Head, Cahir and CEO, 2G) – OT Holdings
FB2: Large, old, 2G	Male siblings (5F, 3M)	*"Simply we [male siblings] were working in the market while our sisters were at home"* (Head, Chair and CEO, 2G) – AJ Company
FB4: Large, young, 2G	Male siblings (2F, 5M)	*"When my father died, we isolated the shares of our sisters because we don't know their future husbands. But we invested their money with us"* (Head, CEO, 2G) – JR Group
FB4: Medium, young, 2G	Male siblings (7F, 5M)	*"We [all siblings] inherited this business, but after they [our sisters] had their own families, we liquidated their shares to avoid future problems"* (Head, Chair and CEO, 2G) – KJ Company
FB5: M, young, 1G	Male siblings (4F, 3M)	*"We excluded our sisters. However, I envy other families who took care of their sisters, they are wonderful, but this requires a family member who is a good leader and beloved"* (Head, CEO, 2G) – ZL Company

Businesses in the sample that have been established by siblings include only male siblings and there was no case of male and female siblings having ownership together. Also, inherited businesses owned by successor siblings are mostly owned by male siblings only and their female sisters are excluded, except for four cases. This is clear in Table 5.6, which shows five family business owners and CEOs who decided to exclude their sisters from ownership. They expressed their reasons as fear of the sisters' husbands saying, for example, that it was "avoid future problems" and "we don't know their future husbands". Bertrand *et al.* (2008) argued that sons ''crowd out'' the ownership and control rights of other family members. They argued that, in groups where the founder has a relatively greater number of sons, the sons hold a significantly larger fraction of the ownership and control of firms. However, under Islamic Inheritance law, in calculating the shares given to male and female successor the ratio applied is two to one in favour of males. This means that a typical son takes double the share of the sister when they inherit the business. This law gives males more power as they own the largest share of the business and it makes it easy for them to exclude their sisters by buying their shares. However, the ratio of two to one in Islamic inheritance law has led to another gender issue concerning male and female ownership during the life of the owner.

Table 5.7 Motivations for including female ownership

Family business characteristics	Owning family members	Stated reason for including female in the ownership
FB1: Medium, old, 2G	1 wife Children: 6 males 3 females	*"This business is owned by our family that includes my mother and us, six male siblings and three females. My father taught us to take care of our sisters"* (Head, CEO, 2G) – MS Corporation
FB2: Large, old, 2G	The founder/father 2 daughters 2 Sons	*"To maintain the company's existence after my death, I gave each child a share of my company"* (Founder, Chair and CEO, 1G) – FT Holdings
FB3: Large, old, 2G	Siblings 6 brothers 4 sisters	*"After the death of my father, we divided the shares according to Islamic law and kept an income source for our sisters"* (Head, CEO, 2G) – BL Holdings
FB4: Large, old, 1G	The founder/father 1 wife Siblings: 3 males 3 females	*"There is already closed shareholding, so he gave his wife and each child some shares"* (Grandson, Executive, 3G) – FQ Group
FB5: Large, old, 2G	Siblings and their children	*"large number of cousins inherited the business, about 37 cousins"* (Head, Chair, 2G) – BB Company
FB6: Small, old, 2G	Siblings	*"It was my father's will to stay together and keep the business"* (Head, Chair, 2G) – BS Corporation
FB7: Medium, old, 2G	Founder/father 1 wife 1 daughter 6 sons	*"I would like to see my children having a happy life, I gave each of them 5% of the ownership including my wife"* (founder, Chair and CEO, 1G) – SR Company
FB8: Small, old, 1G	Founder/father 1 wife 7 daughters 1 son	*"I divided the whole business between my children and my wife including myself as one of them"* (founder, Chair and CEO, 1G) – OM Corporation
FB9: Medium, young, 2G	Founder 1 wife	*"I love my wife, we share our life together, I gave her 50% of all my fortune"* (Founder, CEO, 1G) – ZL company
FB10: Large, young, 2G	Founder/father 1 wife 3 sons 5 daughters	*"My father really values and respects women"* (Daughter, Manager, 2G) – SN Company

Table 5.7 shows the businesses that allow female ownership in six cases where the founder/father was alive and gave shares in the business to his children; and four cases where successor siblings involved their sisters in ownership. The data reveal that, when the founder/father is alive and he decides to give his children some shareholding in the business, he treats all of the children, males and females, equally. However, the biggest problem is the

ratio of the ownership of shares, where they may be treated equally in terms of dividing the shares, or Islamic inheritance law may instead be followed.

> *"I don't want to break any Islamic law, so I have asked a lot about the ratio for dividing the business shares between my children. Finally, I gave them equal shares"*
> (Founder, Chair & CEO, 1G) – DH Ltd. Company

Since Islamic law is applicable only when there is an inheritance to divide, thus the division of business shares during the lifetime of the founder depends on the founder's opinions. The data show variations in the founders' points of view toward this issue. Some of them followed Islamic inheritance law and others equalized shares for male and female relatives.

> *"My father gave all males double the females share and I am not satisfied because it is a gift not an inheritance"*
> (Daughter, manager, 2G) – SN Company

The sample reflects the handling of the gender issue for shareholding, as out of the six cases where the founder gave shares to his children, there are three case where the father followed the ratio of two to one and three cases where the father gave sons and daughters equal shares.

On the other hand, businesses owned by successor siblings tend to be owned only by male siblings, except for the four cases presented in Table 5.8. The same 'patriarchal power relations and attitudes towards women gave contrasting results for these family businesses. Where in the previous example it was clear that the fear of the patriarchal effect of the sisters' husbands was the reason for excluding sisters from ownership; in contrast, the patriarchal attitudes of brothers may generate a feeling of responsibility feeling toward sisters.

> *"It was my father's will to stay together and keep the business"*
> (Head, Chair, 2G) – BS Corporation

> *"This business is owned by our family that includes my mother and us, six male siblings and the females. My father taught us to take care of our sisters"*
> (Head, CEO, 2G) – MS Corporation

In conclusion, the data reveal that involving female family members in shareholding depends on the family head's personal interpretation of Islamic law and the significance of patriarchal power over women.

5.3.2 Role of the Culture of Society

Society in Arabia has always been highly personalized. Friendship, kinship, regionalism, and communal relationships have a significant influence on individual action and behaviour (Ali, 2009). Thus, strong family ties oblige individuals to sustain good relationships with close relatives and to provide help and support. That is compatible with Kabasakal and Bodur's (2002) argument that the phenomenon of nepotism can occur in societies with strong family ties such as Saudi society where self-interest comes after the interests of the family. Some researchers have proven that Saudi systems of recruitment are strongly influenced by social ties such as personal relationships and family position. Also Bjerke (1993) argued that Saudi managers are part of a society that strongly value family and friendship, and therefore are influenced by those relationships in operating institutions and businesses. Therefore, the widespread collective thinking of Saudis impacts on business and dictates relationships within business that lead to a social organisation designed to serve the interest of groups at all levels, such as the family or the tribe.

Bourdieu's view of fields sees them as sites of struggles for power in which actors compete to increase their total capital and establish themselves as dominant (Bourdieu and Wacquant, 1992; Emirbayer and Johnson, 2008). Competing for resources and taking account of the actions of others are defining criteria for being located in the same field. Being dominant accords actors the ability and unchallenged right to impose their worldview upon those whom they dominate (Swartz, 1997; Emirbayer and Johnson, 2008). Economic capital is the key enabler of this process, as it is readily convertible firstly into cultural and social capital, and ultimately into the symbolic capital which dominant actors require as a signifier of their status within the field (Bourdieu, 1986; Harvey and Maclean, 2008). Bourdieu understands that being in possession of symbolic capital entitles an actor to make demands of others, including potentially for resources, to boost their economic capital (Swartz, 1997; Emirbayer and Johnson, 2008). Saudi society is a tribal society where the family name refers to its tribal origins, and thus symbolic capital is the most important capital required to gain power in the field. Dominant family businesses require high symbolic capital to maintain their status within the field, such as their Identity, 'family name' as a tribal reference, tradition, status, ownership, pride and other emotions. This includes nepotism as a form of the Arab valuing of support given to family, kin and friends from the same tribe. Table 5.8 presents Bourdieu's types of capital for family businesses in Saudi society.

Table 5.8 Characteristic types of capital for the sample of family businesses

Economic capital	Money, assets, cash, debt, costs, prices, investment, capital
Cultural capital	Skills, knowledge, know-how, values, norms, education, qualifications, understanding
Social capital	Networks, meetings, friends, family, community
Symbolic capital	Identity, 'family name' as a tribal reference, tradition, status, ownership, pride emotion

The phenomenon of nepotism has been discussed in the literature as a negative element of Saudi society (Aldraehim *et al.*, 2012). In fact, nepotism is considered to be one of the most common types of corruption in Saudi organizations. The family business as an organization in this society will be expected to have a high rate of nepotism, especially when the controlling power is in the hands of family members. Surprisingly, the data shows the opposite of the negative stereotypes concerning nepotism in this society. A very wise application of nepotism in family business can be observed in the sample. Family leaders prepare the next generation to become sufficiently qualified before hiring them in the family business, including their own children:

> *"I send my children to work as intern in global companies in the UK before they come back to work with us"*
> (Head, Chair and CEO, 1G) – AJ Company

Also, children are encouraged to work outside the family business to gain skills and experience and are then hired in the family business when they are mature enough for the job:

> *"We have a large budget assigned to young family members to give them classes and training courses and also to send them abroad for internships"*
> (Head, Chair and CEO, 2G) – JR Group

The love and care for family members does not blind parents and the senior generations from considering the success of the family business as a future asset for their children. Therefore, they have found a solution by manipulating the traditional meaning of nepotism in a positive way. To accomplish this without hesitation or damaging family ties, they use the term 'family governance' as a rule applied to all family members equally:

> *"In our family governance we are required to gain experience first for at least three years before we are invited to work in the family business. There are some exceptions of course"*
> (Daughter, executive, 3G) – JR Group

Family governance is one of the main solutions used by families to regulate their hiring standards for family members and other conflictual issues in family businesses in order to avoid direct clashes between family members, especially in businesses owned by multiple families that include competition among extended family members. Family business governance is discussed in more detail in section 5.4. On the other hand, in businesses that are owned only by the founder or his nuclear family, the father also has the right to choose the method of involving family members in the business depending on his own preferences.

Saudi Arabia is a country of high power distance, scoring 73 in Hofstede's (1980) metric in the range of 11-93 for other countries. This makes Saudi Arabia one of the highest power distance countries that applies a system of monarchy. According to Hofstede (1980), the main characteristics of high power distance countries are: high value placed on children's obedience; fear of disagreeing with bosses; managers having supreme authority over their employees; and managers making decisions autocratically and paternalistically. This is absolutely true of Saudi culture as it accords with Islamic teachings and Arab traditions concerning obeying parents and leaders and respecting the elderly (Long, 2005). Several studies (Hofstede, 1980; Budhwar *et al.*, 2010) show that the Arab world and Gulf Cooperation Council (GCC), particularly Saudi Arabia, have large power distance because, in particular, the leaders and those who are wealthy, religious, educated and elderly have higher positions, more authority and greater income than followers, although the different relationships between people lead to varying levels of power distance in practice.

A typical example in this study the of paternalistic attitudes among managers, as mentioned by Hofstede (1980), concerns a large and old family business which is already a listed company, where the founder's portraits were on the walls everywhere around the company's buildings. Employees passing by called him 'uncle' instead of formally calling him 'mister'. He also kept calling me 'daughter' during the formal research interview. The style of

Saudi managers mixed with the founder's importance to the family business meant that he looked like the spiritual father of the whole organization.

> *"Each family member who wants to join the business must work with my grandfather [the founder] directly and then he places them depending on their skills. I accompanied him for 10 years before I become a CEO"*
> (Grandson, executive, 3G) – FQ Group

> *"For us [siblings] the more we have closer connections with our father, the more we gain power and position in the business"*
> (Son, executive, 2G) – OX Corporation

In societies with strong family ties, there is supposed to be a responsible person who stays at home to manage family issues, and that person is usually a woman (Alesina and Giuliano, 2010). Thus, the expected role of Saudi women is to stay at home to take care of the family and children. It is not socially acceptable for a Saudi woman to prioritize her career ahead of her family and children. Therefore, in some family businesses, women's involvement is considered to represent a rebellion against her natural role. As a reflection of the conservative nature of Saudi society, one head of the family who worked as the CEO of a large manufacturing company was very embarrassed by the researcher's presence as a woman inside a male workplace, stating that society doesn't accept it. He also confirmed that society is not ready to see women in the workplace:

> *"Society is not ready to see women in the workplace, even you [the researcher during the interview] are in an odd position now"*
> (Head, Chair & CEO, 2G) – KJ Company

Many factors have helped in leading to the acceptance of women working in the same workplace as men. The oil boom has enabled Saudis to be exposed to Western culture by traveling abroad, as have imports of Western goods and services (Long, 2005). The data shows that six business founders in the sample have lived and studied outside Saudi Arabia, specifically in the USA and UK, and they have completely different points of view towards working women. For those families who had lived abroad in a Western society, their habitus had changed and affected their tastes, practices and sense of possibility (Bourdieu, 1990). Bourdieu argued that the nature of the habitus explains the way in which the experiences of social actors are absorbed and continue to affect the ways in which they act throughout their lives. Therefore, families who lived in Saudi Arabia and in Western countries may have a mixed habitus in between the two cultures, such as in accepting women in the workplace within Islamic templates such as wearing the *hijab* and being partially isolated. For example:

> *"My father hired me as an executive manager immediately after my graduation. He gave me absolute freedom even in choosing my husband"*
> (Executive, daughter, 2G) – SG Ltd. Company

This daughter is very powerful in her business position and she travels and makes business deals freely, which her father had enabled her to do. She has a higher position in the family business as an executive than her brothers who are working as managers or staff. The business founder and the father of this family was one of the first people to have been sent on a scholarship to study in the USA, and he came back with a different view of the position of women in society. This echoes DiMaggio and Powell's (1983) assertion that the family as an organizational structure has a significant influence on the family firm.

Moreover, the government has promoted women's education and work as a part of successive five-year strategic plans. Women know about their rights to education and work and have become stronger in demanding the fulfilment of their rights.

> *"Things have changed now, girls are allowed to work everywhere. For the family, if the girl is going to work anyway, it is better to have her working in her own property instead of working somewhere else"*
> (Staff, daughter, 2G) - SN company

> *"I joined the family business by 'imposition' if we could call it that. I insisted to my father that I need to employ the degree I earned, so he gave me a minor job in a small office, but I hired a female team and we proved ourselves until I became a business owner"*
> (Executive, daughter, 2G) – BL Holdings

5.3.3 Role of the Family

It has been proven that family members are the most important part of a family business, as their distinctive characteristics and involvement in the firm can have a unique impact on business (Zahra *et al.*, 2004; Zahra, 2005; Shinnar *et al.*, 2013). Therefore, the family's culture, values, interests, and priorities affect the business, as they are the dominant group in the firms. According to Bourdieu's theory of capital, family members possess the most capital in the business at the micro level. Villalonga and Amit (2006) argued that there are differences in the creation of business values depending on the different types of family involvement in ownership, management, and control. However, they found that the key factor that determines the forms of family involvement is the board of directors and the position of CEO. Thus, family ownership creates value only when the founder serves as the CEO of the family firm, or as its chairman with a hired CEO. Bertrand *et al.* (2008) showed that the control, management and ownership of a family business are allocated to different family members when the founder has left or passed away.

The research sample includes 18 businesses where the founders were still alive and had control over the business and 12 businesses where the founder had died, or the businesses had been passed on to successors or the business had been established by siblings. The determining factor is the founder's control as a CEO or chairman and the allocation of family members in key positions in the family structure and their positions in that family structure. Tables 5.9 and 5.10 show the relationship between business structure and family structure in the two kinds of family firms: firstly, where the founder and father of a nuclear family was alive, secondly where the founders are siblings or successor siblings.

In the first case, Table 5.9 shows that, where the founder is the father, he certainly became the chair and CEO in all cases. Then, the rest of the positions matched the family members' positions in the family structure. The wives were always kept away from the business, as their role in the family was to be housewives and to support and hold the family together. Alesina and Giuliano (2010) claimed that in societies with strong family ties there should be a 'strong' member of the family that stays at home to run the family organization. This is compatible with Islam and the Arab tradition where the role of women is as a wife and mother. However, fulfilment of this role proves the strength of Saudi women in managing the family as an organization and supporting the rest of the family members in succeeding especially the husband. However, daughters are not treated like mothers since they are not responsible for the family home. The data shows that daughters were working in 11 of the businesses out of total of 18 family businesses with only 4 families having banned their daughters from working. On the other hand, sons were involved in working in the family business in all cases, whether through choice or because they were forced to.

Another difference between sons and daughters in the family business concerns the job positions occupied. Sons are treated as successors, and therefore the eldest son gains a higher position and more authority than his siblings, while all daughters are treated the same as ordinary staff members, with some exceptions when the daughter is strong enough to prove herself; or having an especially trusting relationship with her father or when the family has only daughters and no sons. When there is no particular rule for employee training and hiring, decisions are made to fulfil family preferences rather than the firm's (Sharma, 2004; Debicki *et al.*, 2009). Therefore, in family businesses it is hard to control recruitment and it is difficult for management to exert influence on recruitment strategies because most senior positions go to family members, and so the criterion for hiring is genetics rather than competence (Debicki *et al.*, 2009).

Table 5.9 Relationship between business structure and nuclear family structure

Firm	Founder	Chair and CEO	Wife	First son	Sons	Daughters	Grand-children
FT: Large, Old, 1G	Father	Father	Out	Share holder Board member	Share-holder Board member	Share-holder Executive	Staff
FS: Small, Old, 2G	Father	Father	Out	Board member	---	Staff	---
FQ: Large, Old, 1G	Father	Father	Out	Board member	Board member Executive	Executive	Executive Staff
TQ: Small, Young, 1G	Father	Father	Out	Board member CEO	Board member Executive	Out	---
SR: Small, Young, 1G	Father	Father	Share-holder	CEO Executive	CEO Executive	Out	---
NY: Small, Young, 1G	Father	Father	Out	Manager	Manager Staff	Out	---
OM: Small, Young, 1G	Father	Father	Share-holder	Manager	---	Manager	---
SG: Small, Young, 1G	Father	Father	Out	Manager	Manager	Executive	---

HI: Small, Young, 1G	Father	Father	Out	Staff	---	Staff	---
RD: Small, Young, 1G	Father	Father	Out	Manager	Manager	Out	---
FZ: Small, Young, 1G	Father	Father	Out	CEO Executive	---	Out	---
FL: Large, Young, 1G	Father	Father	Out	Board Executive	Staff	Staff	---
SL: Large, Young, 1G	Father	Father	Out	Executive	Manager Staff	Out	---
SN: Large, Young, 1G	Father	Father	Share-holder	Share-holder Executive	Shareholder Manager Staff	Share-holder Manager Staff	Staff
TL: Medium Young, 1G	Father	Father	Out	Board member Executive	Staff	Staff	---
DH: Large, Young, 1G	Father	Father	Share-holder	Executive Share-holder	Executive Share-holder	Executive Share-holder	---
HR: Medium Young, 1G	Father	Father	Out	Manager	Staff	Staff	---
OX: Medium Young, 1G	Father	Father	Out	Executive	Manager	Executive Manager	Staff
Total: 18 FB		18 Chair & CEO	18 out 4 Shares	2 Share 6 Board 3 CEO 8 Executives	3 Share 2 Board 1 CEO 4 Executives	3 Share 0 Board 0 CEO 4 Executives 6 out	4 Staff 1 Executive

In the FL Company, the father had a very self-centred personality, and he even gave very loud instructions about work to his son during the interview for the present study. In this case the father was the chairman and CEO and he did not include his children as board members as he felt they were not mature enough and that he was still responsible for them. The first and closest daughter to him was his personal secretary, as it was stated that they had sufficient harmony to understand each other, while the other daughters worked as ordinary staff in the company. Their positions in the business resembled their positions and relationships at home.

Not only do family businesses serve to fulfil family interests, but they have always been looked on as the foundations of the family's power in the form of economic and symbolic capital. As a tribal society, the name of the family gives it status in society. Therefore, the family business is a major source of reputation for the family, and it is important to keep it in the family. Zidan (2009, p.14) noted that some Western family businesses are not 100% owned by the family, but this is not the case in most family businesses in the Arab World where 100% ownership is seen as necessary. After acknowledging the various definitions of family firms proposed by different authors, Welsh and Raven (2006) opted for the simplest and most loose definition of family in defining family business in the Middle East as being: family-owned and family-managed. They affirmed that this includes most of the businesses in the Middle East. One of the main reasons for involving children in the family business is to prepare them for succession, as this is a very important factor in keeping the business in the family. For example the TL Company had a founder/father with six daughters and no sons, and the eldest daughter was an executive but not yet a board member, while her sisters were ordinary staff depending on their qualifications. Their father knew that his daughters were not secure without him, so he was trying to challenge them to take on responsibility for the business.

> *"My father always says it is our money and we have the choice to protect it or throw it away to others, so I am here"*
> (Daughter, manager, 2G) - TL Corporation

> *"To ensure continuity of our family business, children need to be involved in many ways to continue the family activity"*
> (Founder, Chair & CEO, 1G) – OX Corporation

> *"At the end this my inheritance, I have to be here to protect it"*
> (Son, Executive, 2G) – HR Company

Table 5.10 Relationship between business structure and family structure (multi families)

Firm	The founders/ successors	Chair and CEO	Brothers	Sisters	Sons	Daughters	Nephews	Nieces
MS: Medium Old, 3G	Successors All siblings (males & females)	Qualified brother	Board member	Out	---	---	Manager	Out
AN: Large, Old, 2G	Successors All siblings (males & females)	Qualified brother	Board member Executive	Out	Manager Staff	Out	Manager Staff	Out
BL: Large, Old, 2G	Founders Brothers	Eldest brother	Board member Executive	Out	Staff	Executive	Staff	Staff
OT: Large, Old, 1G	Successors Brothers	Qualified brother	Board member CEO	Out	---	Out	Executive Staff	Out
KH: Large, Old, 1G	Successors Brothers	Qualified brother	Board member CEO	Out	Staff	Out	Staff	Out
BB: Large, Old, 2G	Successors All siblings (males & females)	Qualified brother	Board member CEO	Share-holders	Staff	Out	Staff	Out
SL: Large, Young, 1G	Successors All siblings (males & females)	Qualified brother	Board member CEO	Share-holders	Staff	Out	Staff	Out
KJ: Medium, Young, 1G	Founders Brothers	Eldest brother	Board member CEO	Out	Staff	Out	Staff	Out
JR: Large, Old, 1G	Successors Brothers	Eldest brother	Board member Executive	Out	Manager Staff	Manager Staff	Manager Staff	Manag er Staff
AJ: Large, Old, 1G	Successors Brothers	Eldest brother	Board member Executive	Out	Staff	Out	Staff	Out
ZL: Large, Old, 1G	Successors Brothers	Eldest brother	Board member Executive	Out	Manager Staff	Out	Manager Staff	Out
RW: Large, Old, 1G	Founders Brothers	Eldest brother	Board member CEO	Out	Staff	Staff	Staff	Staff
Total 12 FB		6 Qualified brothers 6 Eldest brothers	12 Board 6 CEO 5 share	2 Share 10 out	3 manager 9 staff 0 executive	8 out 1 executive 1 manager 2 Staff	1 Executive 4 manager	9 out 1 manag.

On the other hand, the second kind of family business shown in Table 5.10 is where siblings are founders or successors. In this case the chair or the CEO is expected to be the eldest brother as part of the respect for age or experience. The data shows that 50% of that kind of family business allows the eldest brothers to take leadership positions and 50% promote the most qualified brothers. Sisters in this case are kept away from joining the business, except in two cases, as they were perceived to not be family members after marriage. Sons and daughters have a good chance to work in good positions in this kind of businesses, as the owners are their fathers or uncles and they feel responsible for them as guardians. Again, wives are managers of the family organization and are kept at home; however, their strong role in managing the house has a hidden effect on the family business, as discussed below.

It is obvoius that the founder was usually the chairman and CEO in all family bisinesses founded by the father of the nuclear family, as he retained the highst position in the family structure. However, when the business was owned by siblings, the chairman's position went to the eldest or most qualified brother depending on the family's preferences.

> *"The business was founded and is owned by me and my younger brother, but the chair is our oldest brother because we love him, learn from him, and take inspiration"*
> (Founder, executive, 2G) – ZL Company

> *"It is natural that the eldest brother is the chair of the board. This is well known in these kind of businesses [family businesses]"*
> (Head, CEO, 2G) – KJ Company

The main factor affecting family involvement was their original relationships at home, and it has been proven in the literature that family members bring their own history to the work. That also applied to a sister's involvement in the business, where the typical role of a sister after marriage is affected by partly having become a 'stranger' as she is expected to be under the control of her husband. Consequently, most founders preferred to share the business with only male siblings and in the case of male and female siblings succeeding in owning the business, the sister's shares are liquidated, and the business continues with brothers only. From Table 5.10 it is clear that in all the cases of ownership by brothers, the sisters were excluded from the business except in 4 cases out of 12, where in all of these the business was inherited. This means that they inherited the business and did not choose its shareholders. However, they were not forced to have motivation from emotional attachment to the company and responsibility for taking care of their sisters.

"This business is owned by our family that includes my mother and us, six male siblings and three females. My father taught us to take care of our sisters"
(Head, CEO, 2G) – MS Corporation

"It was my father will/commandment to stay together and keep the business"
(Head, Chair and CEO, 2G) – BS Corporation

The main difference between the nuclear family-owned business and ownership by multiple families was the involvement of women. The data imply their strong influence in hidden ways as they were the heads of households. Some of the business owners expressed their fear about involving women in the business, keeping them away because they appreciated their strong influence on family members. Any change in family business is often not only an organizational process, but also a family process (Kelly et *al*., 2000).

"Women could be the reasons for destroying the family business by their jealousy and gossip, it is better to be aware"
(Founder, Cahir and CEO, 1G) – FT Holdings

"We as brothers have similar minds, unfortunately, disagreements come from the wives. I know some family businesses have collapsed because of them"
(Founder, executive, 2G) – BL Holdings

This reflects the fact that Saudi culture is notoriously conservative and generally considered to be one of the most conservative cultures amongst Arab societies, especially concerning issues relating to gender (AlMunajjed, 2006; Fatany, 2007; Durie, 2010). Thus, the data indicate the importance of the role of women in Saudi society.

5.4 Business Structure and Governance

In general, family businesses have been observed to often use pyramidal ownership structures to exert control over a large network of firms (Bertrand et *al*., 2008). However, this characteristic is taken to an extreme in the Saudi context where the culture reinforces such hierarchic features. Hierarchy is most steep when the founder of the business is the father, since he combines the two types of strong power of the authority of the founder and that of the father. Children are proud to show great respect for and obedience to their father.

" I never consult anyone at work except my father"
(Daughter, 2G, executive) – SG Ltd. Company

"I owned the bigger percentage of the business and I am the founder; the board accepts my decisions"
(Founder, 1G, CEO) – HR Company

Children are satisfied in practicing obedience to parents because this is seen as the original relationship between parents and children in Saudi society. According to religion and culture, children are required to obey their parents and respect them. behavior like this at work is expected. On the other hand, parents are obliged to provide good lives for their children even as young adults, as they have not yet left the family home. In family businesses where the father is the sole owner of the business, he tends to give power to his sons by involving them in strategic decisions through the family council.

> *"Sometimes I hide things and take decisions behind my father's back to avoid conflict with him"*
> (Son, executive, 2G) – OX Corporation

> *"I have entrepreneurial dreams and I wish to have my own business to control, but I have to be here for my father"*
> (Son, executive, 2G) – NY Group

In terms of organizational structure, the family has a significant influence on the development of the family firm (DiMaggio and Powell, 1983). Organizational identity is vital to any firm as it determines its practices, values and mission. The family also has an influence on the firm's organizational identity, and Scott and Lane (2000) proposed that organizational identity is characterised by the principles of negotiation and interactions between top managers and stakeholders, who are also family members in such firms. The data show that some family members discussed important and strategic decisions during their family meetings, and then the family leader took them to formal board meetings. It is shown in the literature that the founder has a tendency to make decisions alone, but his responsibility to pass the business onto his children motivates him to involve them in decision making.

> *"Only us the father and son, are the decision makers"*
> (Founder, 1G, CEO) – FS Corporation

> *"We talk about the business everywhere and all the time, in the car, in the house or over a family dinner"*
> (Daughter, executive, 2G) – OX Corporation

Cultures that foster strong family ties might make it difficult for a founder to dissociate the family from the business, despite the possible costs this may impose on the business. If such cultural values shape the preferences of a founder, he might be willing to forgo financial returns in order to maximize his overall utility, which includes his respect for family values and obligations (Bertrand and Schoar, 2006). Thus, parallel relationship can be found in the organizational structure of both groups (Bertrand et *al.*, 2008). The model of a family business structure in Figure 5.1 shows the controlling power of family members in the form of the family council. This council involves a two-way relationship between the shareholders and the board of directors. They have the controlling power in board decisions. The family council may take two shapes; official and unofficial such as family dinners or casual conversations. The official family council is the meeting of family members in a regular meeting room to discuss business strategy away from other non-family employees and managers. The unofficial family council is represented by the family chatting at home or during the family meals to discuss business issues.

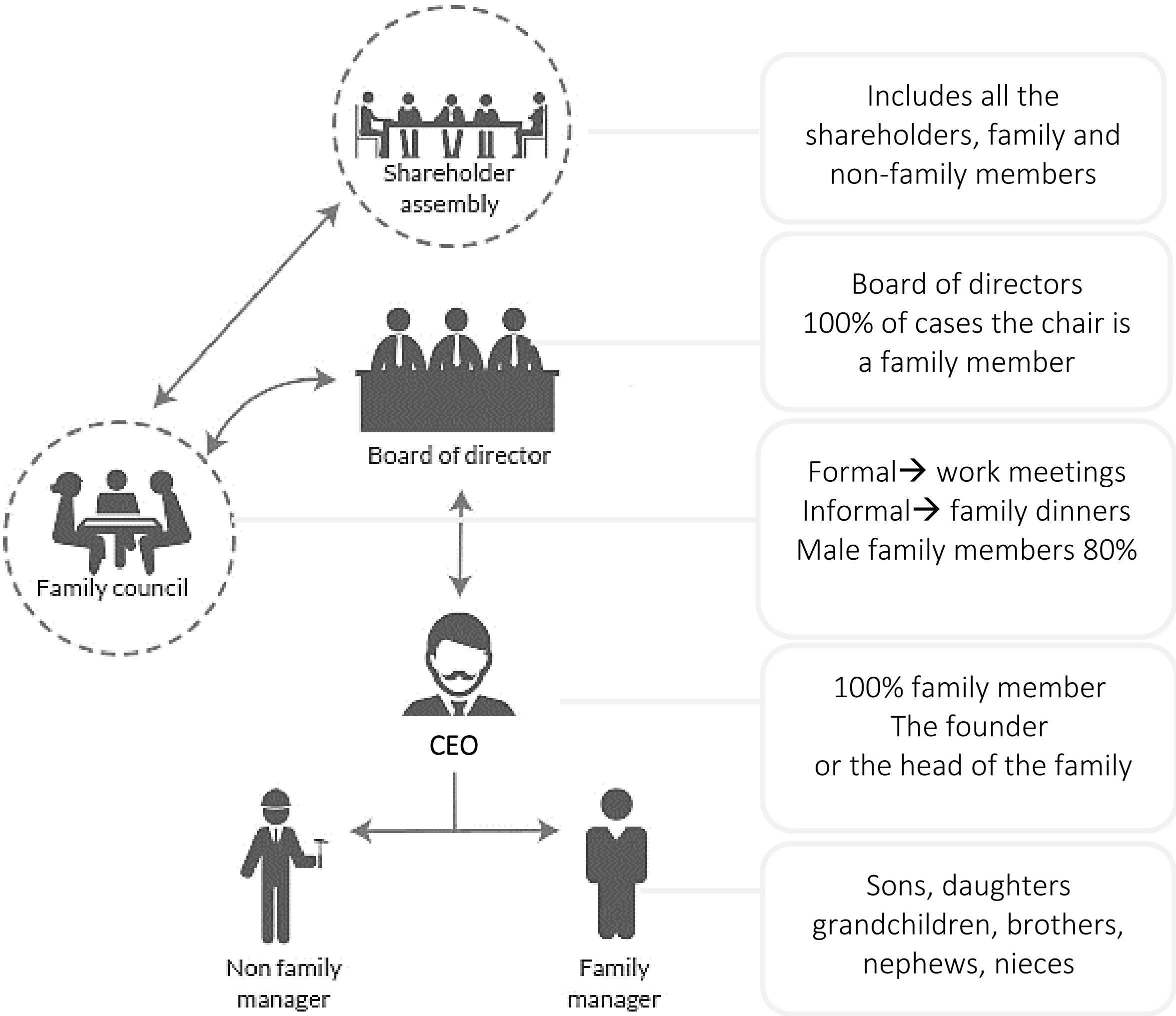

Figure 5.1 Model of family business structure

As discussed in chapter 2, business governance has two different meanings in the literature. The first interpretation and the most commonly used concerns cooperative governance and the second considers family governance as a constitution for family members to solve family business problems and to ensure its continuity. Gallo and Kenyon-Rouvinez (2005) argued that cooperative governance is not always well understood in family businesses. Family business governance in general refers to a system of processes and structures put in place at the highest level of the business, family, and ownership in order to make the best possible decisions regarding the direction of the business and in assuring accountability and control in a well-developed family business. This involves an understanding of how the business and its governance structure, such as the board of directors and the management's executive committee, interact with the family and its structures. Some scholars such as Schulze *et al.* (2001) see family firms as rife with personal rivalries and problems of self-control that are not easily resolved within the context of family governance.

In the Saudi Arabian context, the adoption of the second definition is widely recognized as 'family governance', meaning the constitution that rules all family members' business relationships and interactions. Some emotionally charged issues can hence be prohibited from being aired in order to maintain family harmony (Labaki *et al.*, 2013). Family business governance depends on several aspects of the family. Miller and Le Breton-Miller (2006) argued that there are four core dimensions of governance that affect family business governance: the level and model of family ownership, family leadership, the broader involvement of multiple family members, and the planned or actual participation of later generations. The interview data reveals that family members were very emotionally perceptive about the family business due to their strong family relationships. Thus, family members were very sensitive concerning any disagreements and conflicts in the business relationships as these could damage their family relationships. Family governance works as the reference point for all conflicts among family members so as to avoid direct confrontation. For example, nepotism is a custom in Saudi society that could be practised in a positive way to support family members. However, too much nepotism could harm or even destroy a business (Long, 2005). To solve this problem without damaging family relationships, family governance may include hiring rules for family members such as the qualifications and years of experience needed.

5.5 Conclusion

This chapter has discussed the social organization and governance of family business in Saudi Arabia. The main organizational and institutionalization forces that shape family business in the Saudi context are the family and society. Saudi society has a significant effect in shaping family businesses. The culture of the society is shaped by three major influences: religion, Arab traditions and the tribal system. However, religion is the most influential force in the society, and the country has established Islamic law and become an Islamic state. Religious leaders control public debate over the central values of society (Le Renard, 2008). Thus, Islamic law is all-pervasive, resulting in distinctive practices such as gender segregation, male inheritance at double the female's, and other gender practices that affect family businesses in Saudi Arabia. This chapter provides four main findings that can contribute to literature on the family business.

The analysis of data shows that, out of a total of thirty family businesses in this research sample, 17 are completely men-only organizations with no female work involvement. On the other hand, there are 13 businesses in which working women are involved, 4 in the women's domain sector (as officially classified by religious leaders of the country) and 9 in the non-women's domain sector. Another effect of Islamic law is related to business ownership power. Under Islamic inheritance law, in calculating the successors' shares of an estate, the ratio applied is two to one in favour of males. This means that a typical son takes double the share of a sister when they inherit the business. This law gives males more power as they own the largest share of the business and it makes it easy for them to exclude their sisters by buying their shares. However, the ratio of two to one in Islamic inheritance law has caused another issue concerning male and female ownership during the life of the owner. The analysis of data reveals that involving female family members in shareholding depends on the family head's personal interpretation of Islamic law, demonstrating the significance of patriarchal power over women.

Secondly, Saudi tribal society also encourages nepotism and association with kinship networks. This means that support and assistance is given to family members and close kin from the same tribe. Therefore, while some Western family businesses are not 100% owned by the family, in the Saudi context total ownership is seen to be crucial. Thus, involving children in the family business and preparing them for succession is a very important factor in keeping the business in the family. Moreover, the governance of the family business is shaped in such a way that allows family members to be the highest authority and to control the business by controlling the board of directors. The chair and CEO is usually the founder or a leading family member, who is able to represent the family's interest on the board. Family councils are held frequently in formal and informal ways and this leads family members to be very close and to be promptly updated about business issues. Several studies (Hofstede, 1980; Budhwar *et al.*, 2010) show that Arab and Gulf Cooperation Council (GCC), and particularly Saudi Arabia, exhibit large power distance because leaders and those who are wealthy, religious, educated and elderly have higher positions, more authority and greater income than followers, although the different relationships between people lead to varying levels of power distance in practice.

Thirdly, Saudi families have a very high degree of insider exclusivity in decision making, ownership and control compared to families in the West. That has led some scholars to define family business in the Middle East as family-owned and -managed, which is completely consistent with the present data. Finally, the role of women cannot be ignored, as they play vital but often understated roles in family businesses. They are very powerful in managing the family as an organization. They are the spine of the family which holds it and the business together and stabilizes the situation. Daughters in particular feel very strong emotional ownership of the family business through their positive feelings toward it. They have a very powerful participatory role in supporting the business through their management and executive positions. However, this role is kept hidden in the business, but their remarkable strength should not be underestimated. They may have been hidden to avoid loss of face, but in the new era of Saudi Arabia according to the 2030 Vision for the country their role will become more visible. This is compatible with previous research into father-daughter business relationships where daughters are not considered as managers despite the strength of their credentials until crisis creates a critical need (Dumas, 1989).

Chapter Six:
Strategic Management

6.1 Introduction

The previous chapter introduced the organizational structure for family business in Saudi Arabia. This showed the power of the family committee in controlling the business through its relationships with stakeholders and the board of directors as members of both groups. Accordingly, this chapter highlights the role of family members in shaping business strategy, using the strategy-as-practice (SAP) perspective which considers strategy as something that people do rather than something the organization has.

Firstly, the use of the strategy-as-practice perspective in identifying the strategic activity of a family business is explained. Here it is necessary to explore the organization in depth and to investigate the human interactions involved and their significance in the formation of strategy in terms of the three strategizing elements of praxis, practices and practitioners. Then I examine how the positions, generations and roles of family members affect their strategic thinking and practices. Subsequently, the practices of family members are investigated and their role in the strategic process is interpreted before a typology is introduced of strategic decision making in family businesses according to their size and age. Finally, the main findings of the chapter are summarised.

6.2 Why Strategy-as-Practice?

There are several definitions of strategy in the literature, each of which conceptualizes it in a different way depending on certain factors that creates variation among the schools of strategic management. Porter (1996) defined strategy as a set of activities designed to reach a unique and valuable position. Barney (2001) emphasised the importance of resources and capabilities, and thus a strategy is a method an organization adopts to compete. A comprehensive definition that includes stakeholder expectations was oposed by Johnson *et al.* (2002): "Strategy is the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations" (Johnson *et al.*, 2008, p3). All definitions agree that strategy includes an action plan designed to achieve the organization's goals in the future. However, the inclusion of family members in family business gives strategic planning an additional dimension which needs to be considered in this particular kind of business. Ward (1988) stressed the need to incorporate the family's needs, and vision for and commitment to the family business during the formulation and implementation of strategy.

The uniqueness of family business stems from its two sub-systems of the family and the business, both of which are important in determining business strategy (Sharma *et al.*, 1997; Habbershon and Williams, 1999; Habbershon *et al.*, 2003). However, many strategic management scholars, such as Sharma *et al.* (1997) and Nordqvist and Melin (2010), emphasize the effect of family values, priorities, and interests on the strategy of the family business, where business and family are closely intertwined (Sharma *et al.*, 1997; Habbershon *et al.*, 2003). Ibrahim *et al.* (2004) argued that the process of creating strategic decisions in family firms has not been studied in sufficient detail. Thus, developing an understanding of strategic decision-making processes in the family firm will depend on an analysis of the practices of family members in terms of social interaction. This approach is known as the strategy-as-practice (SAP) perspective. Accordingly, Zahra and Sharma (2004) emphasized the importance of daily conversations and dealings between business owners, managers and others. Also, Fletcher (2002) stressed the importance of gaining a better understanding of strategic processes by appreciating how individuals attribute value and meaning to the relationships they are engaged in. This perspective on strategy in terms of practices shifts attention away from the core competences of the corporation and towards the practical competences of managers as strategists (Whittington, 1996).

The strategy-as-practice perspective involves a close examination of organizations so as to investigate human interaction and the actors involved in ongoing strategic activities, including with whom, how and where they engage in strategic practices and their overall relationship to strategic work (Johnson *et al.*, 2003; Whittington, 2006; Nordqvist and Melin, 2010). Therefore, in order to identify the role of emotions, motivations and the priorities of family members, we should observe their involvement in strategizing activities (Jarzabkowski and Paul Spee, 2009). This corroborates Whittington's argument that strategic planning should be treated as a socially and institutionally embedded practice. Vaara and Whittington (2012) confirmed that strategy-as-practice is a very successful approach to enrich knowledge by recognizing how practices lead to strategizing.

From this point of view, strategy is something that people do, and thus the practices of individuals need to be examined in terms of the three elements of strategy-as-practice: praxis, practices and practitioners (Whittington, 2006; Jarzabkowski *et al.*, 2007). Each of these elements comprises a different analytic choice and perspective on the study of strategy-as-practice. Jarzabkowski *et al.* (2007) suggested that focusing on both the micro- and macro-processes of social and human interaction encourages a more humanistic perspective in the field of strategy research. Thus, based on Jarzabkowski *et al*.'s (2007) framework of praxis, practices and practitioners along with consideration given to the micro- and macro-processes in social interactions, this research investigates the strategic management of family business in Saudi Arabia. Family businesses are examined in depth to investigate the activities of family members in order to determine the interaction of practitioners (who), practices (what) and praxis (how) in producing crucial outcomes in strategic practice.

In the next section an attempt is made to capture the influence of the family on business strategy in an empirical exploration and analysis of the micro-processes involved in social interactions between family members using the strategy-as-practice perspective.

6.3 Typology of Family Firms

The importance of the size and age of the family firm cannot be ignored in terms of business strategy. These factors could directly affect the processes used in making strategy. Hansen (1992) argued that both the size and age of any business are related to its strategy. Family members' values and norms also influence the business strategy (Miller and Le Breton-Miller, 2006). These values and norms are transmitted from generation to generation, and this can give each family firm its uniqueness and competitive advantage. The number of active generations engaged in business management affects the firm's goals and daily business in pursuing strategy. Therefore, the age of the family firm should be taken into account in studying family business strategy. Furthermore, research into strategy in family business still lies somewhere between strategic management research and entrepreneurship strategy research. On the one hand, research into entrepreneurship usually focuses on sole ownership businesses and the owner's personal influence on business strategy, including factors such as overconfidence in their own judgment (Brush, 1992; Busenitz and Barney, 1997).

On the other hand, strategic management research usually focuses on large non-family firms. Astrachan (2010) argues that there is an increasing tendency towards the use of secondary data in strategy research concerning listed companies. This raises the question of whether or not such findings are applicable to small-to-medium-sized, privately-owned family businesses. In fact, small and medium family business strategy is most likely to be affected by the involvement of family members with two or more active generations. However, it is expected that the influence of family members on strategic decisions will decrease with the size and age of the firm since, with increasing organizational complexity, more structured management processes are likely to have been formed (Fama and Jensen, 1983). Therefore, the size and age of the family firm are essential dimensions that need to be considered when studying family business strategy.

		Business Size	
		Large	SME
Business Age	Old	A Large and long established (old)	C SME and long established (old)
	Young	B Large and recently established (young)	D SME and recently established (young)

Figure 6.1 Typology of family firms

Since this research aims to explore strategic management in family firms with consideration given to the involvement of family members using the strategy-as-practice perspective, it is therefore necessary to categorize sample firms by age and size. A typology of family firms is introduced in Figure 6.1 depending on the firm's age and size. The definition of business size adopted for this research is explained in chapter 3 following the USA classification: small businesses with 1 - 200 employees; medium businesses with 200 - 500 employees; and large businesses with 500+ employees. The age of a business is defined according to the research data as follows: young businesses are 1 – 39 years old and old businesses are 40+ year old, where the age of family businesses in Saudi Arabia ranges between 11 – 119 years old. Thus, type A represents large and long established (old) family firms. Type B represents large but recently established (young) businesses. Type C represents small- and medium-sized businesses which have been established for a long time (old). Finally type D represents small- and medium-sized businesses which have recently been established (young). In order to investigate the strategic management of family businesses in all four types of businesses, the research data are classified according to this typology. Table 6.1 classifies the 30 family businesses sampled according to size and age along with the characteristics of family business.

Table 6.1 Categorizing family businesses upon size and age

FB typology		n	FB name	Legal form	Gen. act.	Business sector
A	Large and long-established (old)	9	FT Holdings AN Holdings BL Holdings OT Holdings FQ Group KH Group BB Company AJ Company NY Group	Listed company Listed company Partnership Listed company Listed company Listed company Partnership Partnership Sole proprietorship	1 - 3 2 -3 2 - 3 2 -3 1 - 3 2 -3 2 -3 2 -3 1 - 2	Manufacturing and retail Agriculture Manufacturing and retail Property portfolio mgmt. Agriculture Agriculture Communications Manufacturing and retail Catering
B	Large and recently established (young)	6	JR Group FL Company SL Group &Co SN Company RW Group DH Ltd. Company	Listed company Sole proprietorship Partnership Listed company Partnership Partnership	2 - 3 1 - 2 1 - 2 1 - 3 1 - 2 1 - 2	Retail Hospitality Conglomerate Real estate Education and training Education and training
C	SME and long-established (old)	7	MS Corporation FS Corporation BS Corporation TQ Group SR Company OM Corporation SG Ltd. Company	Partnership Sole proprietorship Partnership Partnership Partnership Partnership Sole trader	3 - 4 3 - 4 2 - 3 1 - 2 1 - 2 1 - 2 1 - 2	Manufacturing and retail Manufacturing and retail Retail Investment house Services Manufacturing and retail Manufacturing and retail
D	SME and recently established (young)	8	HI Corporation RD Group KJ Company FZ Ltd. Company ZL Company TL Company HR Company OX Corporation	Sole proprietorship Sole proprietorship Partnership Sole proprietorship Partnership Sole proprietorship Partnership Sole proprietorship	1 - 2 1 - 2 2 - 3 1 - 2 2 - 3 1 - 2 1 - 2 1 - 2	Retail Publishing Manufacturing and retail Retail Manufacturing and retail Manufacturing and retail Education and training Education and training
	Total n = 30					

6.4 Strategy Practitioners

Practitioners are players who perform the practices which control praxis, and so they are the most important of the three SAP elements. Strategy practitioners are the actors who shape the strategy of the organization according to their practices in action (Jarzabkowski *et al.*, 2007). The best way to determine who the starting practitioners are in a family firm is to identify its stakeholders. Stakeholders include "any group or individual who can affect or is affected by the achievement of the firm's objectives" (Freeman, 2010, P.46). Sharma (2004) distinguished between internal and external stakeholders in family firms. Internal stakeholders are those directly taking part in the firm's activities, such as employees, owners and family members, while external stakeholders are not involved with the firm in this way but can influence it over the long term. According to this definition, family members can be considered to be stakeholders whether or not they are working in the firm (Sharma, 2004).

Many scholars of business strategy, such as Wooldridge and Floyd (1990), Floyd and Lane (2000), and Mantere and Vaara (2008), emphasise the important role of the involvement of various actors in the organization in developing strategy, and these may not be limited to top management. Wooldridge and Floyd (1990) argued that a lack of participation by members of an organization in the formulation of strategy could lead to poorly conceived strategy. Even though such participation is highly recommended in many studies, the reasons for lack of participation are still not very clear (Mantere and Vaara, 2008). However, Mantere and Vaara (2008) explained that inclusion depends on the social identities and roles involved and the power relations that characterize the interactions between top managers and other members of the organization.

6.4.1 Positioning of Family Members in the Business

The strategic direction taken is likely to be governed by the implicit social relationships among members of the owning or managing family, which arguably represents the main difference between family and non-family firms. Therefore, family members can be easily included in the formulation of business strategy as they have a special social identity inside the business due to their ownership and management. The previous chapter considered the social identities of and power relations between family members in a family business. They are the dominant group in the organization and exert the most power, control and authority depending on their position in the family and business structures. Table 6.2 presents an analysis of the data gathered concerning the positions of family members in the family and in the business.

Table 6.2 Family members involvement throughout the organizational chart

Position in the firm	Business type A (n=9)	Business type B (n=6)	Business type C (n=7)	Business type D (n=8)
Chairman	9 (100%) Head of the family/ founder	6 (100%) Founder	7 (100%) Head of the family/ founder	8 (100%) Founder
Board member	8 (88%) Son, brother	3 (50%) Son, brother	7 (100%) Son, brother	4 (50%) Son, brother
CEO	2 (22%) Son, brother	1 (17%) Founder	7 (100%) Head of the family/ founder	8 (100%) Founder
Executive	0 (0%)	6 (100%) Son, daughter	7 (100%) Son, daughter, nephew	3 (37%) Brother, son, daughter
Manager	5 (55%) Son, nephew, niece, grandson	6 (100%) Son, daughter	0 (0%)	6 (75%) Son, daughter, nephew
Staff	9 (100%) Son, nephew, niece, grandson	6 (100%) Son, daughter	0 (0%)	6 (75%) Son, daughter, nephew

To give a general view of the distribution of family members throughout the various level of the organization. Figures 6.1 and 6.2 illustrate the positions in the firm starting from top to lower position in the hierarchy, from chairman, board member, CEO, executives and managers to staff. A consistent finding is that, in all four types of family firms (large and old, large and young, SME and old, SME and young), the position of chairman was always occupied by a family member; typically the founder (if he was alive) or the current head of the family. This indicates the importance of symbolic capital for family members in Saudi society. The family name and reputation are very important and represent a form of capital that family members maintain to gain power in the field of family business in the Saudi context.

Figure 6.2 shows the percentages of large family firms in the research sample that had family members involved in the various positions in the business. The chart shows that, in large family firms, the CEO position was usually occupied by a non-family member. In large old firms only 22% of the firms had a family member in the CEO position, and in large young firms the figure was 17%. This indicates a separation between ownership and management. However, this percentage was higher at lower level in the business hierarchy such as managers and staff. In large family firms, most families allowed the hiring of family members in non-key roles which do not affect decision making in the organization. Strategic practice is discussed more fully in the next section; meanwhile it is worth mentioning that there are major differences between old and young large firms in terms of hiring family members in executive positions. In old firms no family members were executives, while all young firms had at least one family member in an executive position. This indicates a higher dependency on family members in key roles in younger firms, as the first generation are still alive and running the business.

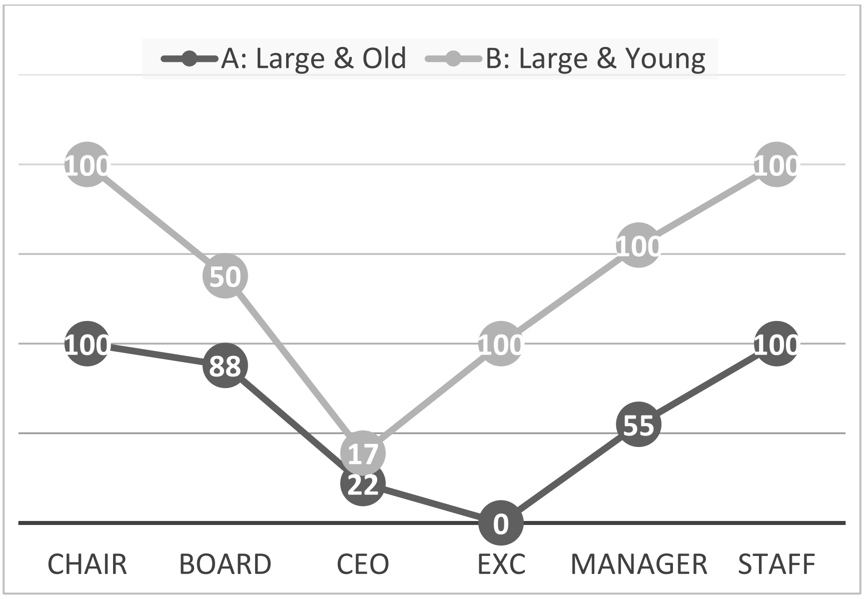

Figure 6.2 Participation of family members in large family firms

On the other hand, Figure 6.3 shows the percentage of small family firms in the research sample that had family members involved in various positions in the business. From the chart it is immediately clear that family members occupied most of the top management positions in the organizations. Especially in SMEs and young organizations, the research data shows that 100% of the organizations had family members in the following positions: chairman, board member, CEO and executive. This indicates a very high controlling power of the family as they occupied all the decision-making positions in the organization. The percentages vary slightly when small and medium- sized businesses become older, as the first generation has gone (had retired or died) and the business inherited by second and later generations. In these businesses, family members tended to relinquish some key positions to non-family members. This indicates that, as the business ages, the family tends to separate ownership from management by hiring professionals in decision-making positions to ensure the continuity of the business. However, this tendency is stronger in large family firms than small ones.

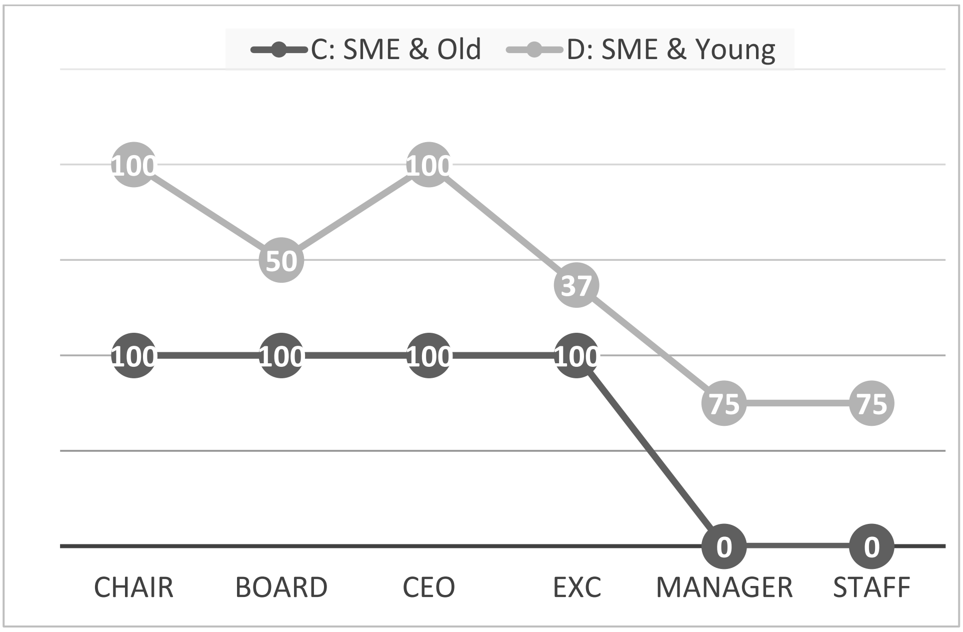

Figure 6.3 Participation of family members in SME family firms

There is an interesting difference between young and old SMEs in the matter of the positions of managers and staff. The percentage of family firms that include family members as managers and staff is quite high in young firms (75%) compared to old firms (0%). This indicates that, in the first generation of a small- or medium-sized family firm, younger family members are hired as staff or managers in order to train them and teach them the family business. On the other hand, in old firms that have already been passed on to the second and later generations, family members are concentrated in top-level positions supervising non-family staff.

The strategic direction is likely to be governed by the implicit social relationships among the owning or managing family, which arguably represents the main difference between family and non-family firms. It is clear that the founder or head of the family was either the chairman, CEO or both. The rest of the family members were board members, executives, managers or staff. Thus, family members influenced business strategy through their ownership and management. There are several reasons for this influence, such as the strong relationship between the firm and its owners (the family), who were visible, dominant and active owners. Also, family members from different generations were involved in the business, decision-making was speedy, and long-term management and ownership were stable.

Table 6.3: Educational level of family members in firms

Business Type	Founder (active and non-active)	Senior active generation	Later active generations
A (n=9)	6 No school 1 School 2 Bachelor's degree	1 No school 1 School 7 Bachelor's degree	4 Bachelor's degree 5 Postgraduate degree
B (n=6)	1 School 1 Bachelor's degree 4 Postgraduate degree	1 School 1 Bachelor's degree 4 Postgraduate degree	3 Bachelor's degree 3 Postgraduate degree
C (n=7)	3 No school 4 Bachelor's degree	7 Bachelor's degree	6 Bachelor's degree 1 Postgraduate degree
D (n=8)	2 No school 2 School 2 Bachelor's degree 2 Postgraduate degree	1 No school 2 School 3 Bachelor's degree 2 Postgraduate degree	6 Bachelor's degree 2 Postgraduate degree

The educational level of family members per firm was considered to give a more complete picture of the organization members level of education. The data shows that only one firm still had a non-educated senior generation member, one had a family with high school education, and 17 had members with Bachelor degrees. So, the majority of firms had family members of the senior generation with Bachelor degrees. On the other hand, there were higher levels of education in the later generations in all four types of businesses; where family members had Bachelors degrees in 19 firms and postgraduate degrees in 11. Table 6.3 shows the educational level of the members in each family firm included in this study. Business founders tended to have low educational levels with a lot of wealth to manage. Furthermore, businesses were treated as personal property and means to gain power and wealth. The next section considers the social identities of and power relations among family members in the family businesses and the relationship between these factors and their role in the formulation of strategy as strategy practitioners.

6.4.2 Power and Control

Many researchers such as Barnes and Hershon (1976) and Dyer (1986) have shown that founders are central to family firms and dominate the exercise of power by structuring the business in such a way that allows them to be involved in all decision-making even at the lower levels. However, power is distributed when there are more family members involved in the business or if there are non-family CEOs and executives. Furthermore, the age and size of the firm also play a vital role in distributing the control of power in the organization. Table 6.3 shows the level of control and centralization associated with the founders/fathers in the Saudi family firms in relation to the age and size of each firm, using interview quotations. Since this research data depends mainly on interviews, language is an essential element of data interpretation. Maclean *et al.* (2012) suggested using sense-making methods with this kind of data as there is a strong relationship between sense-making and language and communication. Organizational discourse theorists frequently highlight the role of language as both strategic expression and as the structuring grammar of expression (Golant and Sillince, 2007).

Through micro-level empirical work, Scott (2014) demonstrated the importance of addressing the influence of organizational actors via an understanding of the influence of meaning systems. This is echoed by Johnson *et al.* (2003), who argued that sense-making can be understood as a repetitive process of acting; and thus it is better to investigate it by exploring the influence of actors in the organization on the organization's rules and norms. This research uses the sense-making method to interpret the interviewees' language in describing how strategic decisions were made in the family business. Table 6.4 represents the strategy practitioners in different business types.

Table 6.4 Strategy practitioners in different business types

Business Type	Illustrative quotations	Practitioners (Who)
(A) Large and long established firms	*"In one of our board meetings, all of them voted on taking a bank loan except me. We worked hard for one year and paid our debts without taking that loan"* (Founder, chair and CEO, 1G) FT Holdings *"I give my children some freedom in making decisions, but when it comes to a strategic decision, it is my decision only"* (Founder, chair and CEO, 1G) NY Group *"We hired consultants in our board to avoid family member bios"* (Brother of the head, CEO, 2G) BL Holdings *"We [brothers] with our father [the founder] discuss all new ideas together and study the market opportunity with our consultants"* (Son, executive, 2G) FQ Group	Non-family CEO supported by other executives
(B) Large and more recently established firms	*"I used to have absolute power because I was the founder. After twenty years, we established a board of directors of family members and independent members to stop running the business by family. As you can call it separating ownership and management"* (Founder, Chairman, 1G) SL Group & Co *"I feel we are obligated to be here to fulfil my father and uncles' vision"* (Nephew, staff, 2G) BL Holdings *"I am happy to be just a staff in my father company rather than a CEO in someone else's company. First of all, for a religion purposes and then to satisfy my father"* (Daughter, staff, 2G) RW Group	Family member CEO supported by other executives (family and non-family)
(C) Long established SMEs	*"Only us, the father and son, are the decision makers"* (Head, 3G, CEO) FS Corporation *"Sole strategic decision making and the conflict between family members are the main two reasons that destroy the family business. Therefore, my company has a strategic team that produces shared decisions"* (Founder, Chair and CEO, 1G) SG Ltd Company *"The only way for us to continue in this business, is to transfer it into a shareholding company. We are just waiting for the right circumstances to do it"* (Head, CEO, 3G) MS Corporation *"We have been expanding and opening new businesses either with other partners or owned only by us [our family], so we established a holding company that owns all our businesses"* (Son, executive, 2G) TQ Group	Senior male family members supported by junior family members

(D) More recently established SMEs	*"Of course, the highest authority is in my hands as CEO and because I am the most expert person in the business. The final word is mine"* (Founder, Chair and CEO, 1G) OX Corporation *"The more one of us [siblings] achieves a closer connection to our father, the more he/she is closer to get more power at work"* (Son, executive, 2G) OX Corporation *"My father knows everything about the business, I never consult anyone except him"* (Daughter, manager, 2G) TL Company *"I own the bigger percentage of the business and I am the founder; the board accepts my decisions"* (Founder, CEO, 1G) HR Company *"I made a wrong strategic decision and the board of directors agreed to accept the losses I caused, even though they didn't approve my decision from the beginning"* (Founder, CEO, 1G) HR Company	Founder supported by junior family members

Practitioners in business type A

The founder or the head of the family in a large and old business usually stays away from engaging in routine work and takes an advisory role as the chairman of the board of directors. Furthermore, the CEO in this kind of business, according to the research data, was a non-family member and only in two businesses out of a total of nine was the CEO a family member. In each of these two particular cases the founder had established the business at a young age (20 years old), and therefore the business became old (over 40 years old) while the founder was still alive. Thus, the founders were the CEO and the chairmen of the boards using their controlling power.

> *"I give my children some freedom in making decisions, but when it comes to a strategic decision, it is my decision only"*
>
> (Founder, chair and CEO, 1G) NY Group (type A)

The founder of the NY Group was still acitve as the CEO and the chairman of the holding company. He is aware that his children performed their own jobs as managers and staff and they were not allowed to engage in business strategy. He confirmed that making strategic decisions was his job. However, the group was large and involved in several activities where each companay had its own non-family CEO and executives. Thus, strategic decisions were made by them with some influence from the founder as the chairman.

The founder's overall controlling power could harm the business unless ownership is separated from management. Some management theorists have deemed family involvement in an enterprise as antithetical to effective busines practice, leading to corruption and non-rational behavior (Dyer Jr and Handler, 1994). There is however, considerable awareness among founders and senior generations about the separation of ownership from management for the good of the business.

The BL Group had an active founder with only high school education degree. He was the chairman of the group and, with his long experience and entrepreneurial skills, he was the CEO of the group until his younger brother joined the business. The younger brother had a postgraduate degree and understood the need to separate personal ownership from the firm's operations as their business became larger. So, he hired consultants and gradually reduced the founder's involvement. James (1999) argued that organizations characterized by the separation of ownership from control survive because the gains in efficiency outweigh the agency costs.

> *"We hired consultants in our board to avoid family member bios"*
> (Brother of the head, CEO, 2G) BL Holdings (type A)

> *"We [brothers] with our father [the founder] discuss all new ideas together and study the market opportunity with our consultants"*
> (Son, executive, 2G) FQ Group (type A)

However, that does not always completely eliminate the control of the founder or the head of the family with a key controlling role in the organization. He still has power from his position in the family and in the business as the chairman.

> *"In one of our board meetings, all of them voted on taking a bank loan except me. We worked hard for one year and paid our debts without taking that loan"*
> (Founder, chair, 1G) FT Holdings (type A)

The chairman of FT Holdings made a serious strategic decision in refusing to take out a bank loan and encouraged his team to work harder to avoid debt. However, the actual strategic work toward achieving these profits was performed by the non-family CEOs and executives. Ties among family members, tradition and social bonding relationships are part of the family (James, 1999). Thus, the leader of the family automatically links his business actions with the welfare of other family members. Casual discussions in the family may also influence business decisions. For example, the chair and CEO of the NY Group stated that he never allowed his children to make strategic decisions in the company and did not involve them in board meetings and he also stated that they negotiated their business all the time as a family.

> *"We talk about the business all the time, in the house, in the car and everywhere. I update them with the newest business news discuss it privately away from other employees"*
> (Founder, chair and CEO, 1G) NY Group (type A)

In large and long-established family businesses, power is distributed between family and non-family members, and thus the practitioners include the non-family CEO supported by other executives.

Practitioners in business type B

The main factor distinguishing between types A and B is the founder's or first generation's presence. This type of business is large and therefore involves a lot of non-family CEOs, executives, managers and staff. However, the founder designs the organizational structure in a hierarchical way so as to ensure that most of the decisions have to be made through him. Kelly *et al.* (2000) argued that clear evidence for the founder's centrality in family business is when the top management group are powerless to make strategic decisions without seeking advice or approval from the founder. This phenomenon could be even stronger when the founder is also the father. The Saudi cultural tendency of respect for the father and head of the family could increase the likelihood of this tendency. In Saudi Arabian culture, the father is seen as the leader of the family with responsibility for providing the means of life and protecting his family (Long, 2005). On the other hand, other family members, including the wife and children, must respect and obey him (Al-Rasheed, 2006).

One of the research observations, concerning the FL company was that a son was an executive manager with duties outside the workplace. During the interview with the father, the son telephoned several times to ask for permission to conclude business deals, and these calls included the father's use of a loud voice in giving instructions. In this business the founder was the chairman and CEO of the company, leading him to directly interact with managers and executives. He required them to seek his advice and permission in making decisions. Sometimes it is difficult for the father to ignore family relationships and his role while interacting with his own sons and daughters in the workplace. Children, on the other hand, accept this attitude from their father and even link it to culture and religion, as in the following examples.

> *"I feel we are obligated to be here to fulfil my father and uncles' vision"*
> (Nephew, staff, 2G) BL Holdings (type B)

> *"I am happy to be a janitor in my father's company rather than a CEO in someone else's company. First of all, for religious purposes and then to satisfy my father"*
> (Daughter, staff, 2G) RW Group (type B)

The daughter in the RW Group had recently joined the family business as a staff member in the accounting department. The family business was large and had a lot of branches involved in several activities. However, the daughter focused only on her father and fulfilling his requirements. In BL Holdings, the nephew who worked as staff member in his father's and uncles' company also expressed his purpose in working in the family business as fulfilling his father and uncles' vision. Despite this controlling power held by the founder/father, large family businesses may be mature enough to overcome the cultural power of this centralization. According to the research data, the majority of this kind of business had strategic planning departments, consultants, non-family CEOs and managers who were strategic decision makers. For example, the SL Group & Co was a large and young business (34 years old) and the founder of the group realized the importance of delegation and hiring professionals in the appropriate positions to gain more profit. He confessed that, after twenty years of sole control and concentration of power, he started to hire non-family CEOs and independent board members.

> *"I used to have absolute power because I was the founder. After twenty years, we established a board of directors of family members and independent members to stop running the business by family. As you can call it separating ownership and management"*
> (Founder, 1G, Chairman) SL Group & Co (type B)

Another example of the founder's awareness of the importance of separating ownership from management for the benefit of the business was the RW Group. The current CEO and the founder's brother described the process of moving toward withdrawing himself from management responsibilities and hiring a qualified team of top managers to manage the group's several activities and departments.

> *"We are working now on establishing a non-personalized business that doesn't depend on individuals. By 2020 I will be completely out of management work and will leave the work to our executive managers. Therefore, if any conflict happens between a family member and an executive manager, then the final word is the manager's"*
> (Brother, CEO, 1G) RD Group (type B)

Fama and Jensen (1983) argued that large professional partnership organizations are more likely to have separate ownership and control functions. Thus, new managerial rules emerge to gain more investment than in firms with a single decision-maker (Fama and Jensen, 1983). Also, Claessens *et al.* (2000) noted a positive relationship between the age and size of the firm and the separation between ownership and control. So, as the DH Ltd Company became larger, the founder realized the benefits of sharing control of the business with others: *"I noticed that sharing decisions with others gave me better investment results!".* After that he decided to separate the ownership and management of the business.

> *"Transferring a sole trader to a company wasn't easy for me after I was the only one controlling the business. Currently, we have completely separated ownership and control. Even my own children are not allowed to be managers. They can only be CEOs or managing directors"*
> (Founder, Chair, 1G) DH Ltd Company (type B)

Therefore, the data reveals that, in large and newly established businesses the controlling power was concentrated among family members due the presence of the founder and first generation. However, there was some degree of delegation to family and non-family executives. Thus, the strategy practitioners were the CEO who was a family member supported by other family and non-family executives.

Practitioners in business type C

Small- and medium-sized family businesses are a common form of family business (Lee, 2004). Furthermore, research into family control focuses more on SMEs because the effects of family ownership are more clear in this kind of firms compared to larger ones (Kortelainen, 2007). Lee (2004) claimed that one of the main characteristics of family firms is that family members fill the CEO and top management positions. This is compatible with the research data where all these firms had the founder or head of the family in the CEO position. Also, all of the research sample had at least one or more family member in executive positions.

For example, the FS Corporation was a small family firm that is more than 110 years old. The long life of the business means that it was at the centre of family life and most family members had grown up in it. Multiple generations were socially dependent on this family firm as it had become tied to their family name. It represented the social capital of the family in the Saudi context where the family name was considered a matter of pride and powerful social capital. The father or head of the family was very proud of the history of his family and therefore it was ensured that the only decision makers in the business would be him and his son as family members.

> *"My father was well-known as the 'Sheikh' of the jewellers in the city"*
> *"Only us, the father and son, are the decision makers"*
> (Head, 3G, CEO) FS Corporation (type C)

Due the small size of the business, family members stayed in control of the business, and family members interacted a lot within the business or at family meals without involving non-family members. The head of the family in the FS corporation stressed the involvement of only family members in strategic business conversations. However, on the other hand, the MS Corporation was a medium-sized firm also more than 119 years old. Here it was found that involving only family members in decision making could harm the business. After many years of hiring only family members in the top management team, they found that the head of the family was not sufficiently qualified to lead the firm. However, hiring a non-family member in a key position is not easy for a medium-sized business where family members have a strong connection to the business. As a first step, they hired a younger and more qualified family member in the CEO position. The current head of the family expressed his concerns about transforming the business into a company where other non-family members would share ownership and reduce the family's control.

> *"The only way for us to continue in this business, is to transform it into a shareholding company. We are just waiting for the right circumstances to do it"*
> (Head, CEO, 3G) MS Corporation (type C)

However, there may be some fear about including non-family members in the ownership of the business as the family would lose economic and social capital. Thus, they may delay the decision until better circumstances prevail in order to avoid direct conflict with family members. On the other hand, some old SMEs which had already started to separate ownership from management had a specialist strategic management department.

> *"We have been expanding and opening new businesses either with other partners or owned only by us [our family], so we established a holding company that owns all our businesses"*
> (Son, executive, 2G) TQ Group (type C)

The SG Ltd Company was a medium-sized firm that was 40 years old with an active founder. Its strategy depended mainly on the founder and his strategic management team and board of directors who were non-family members. The founder hired all of his three sons and daughter in executive positions to try to involve them in strategic decision making. However, he then excluded them from making strategic decisions and hired a specialized team. He depended on board meetings and the strategic team to make strategic business decisions without involving other family members.

> *"Sole strategic decision making and the conflict between family members are the main two reasons that destroy family business. Therefore, my company have a strategic team that produced shared decisions"*
> (Founder, Chair and CEO, 1G) SG Ltd Company (type C)

It is worth mentioning that, when ownership and control are separated in family firms, the centrality of 'family values' is reduced (Fama and Jensen, 1983; James, 1999). There is an argument in the literature that family values enhance business performance, while others argue the opposite. However, the research data shows that both kinds of businesses where family ownership and control were either separated or cannot be successful and have a long-life span. In the Saudi context the family name is considered to represent strong social capital that gives the family its reputation and sense of pride; thus, family members remained in control of the business and determine its strategy. In SMEs and recently established businesses the controlling power was concentrated in the hands of senior family members with the support of junior family members. Even though power appeared to be concentrated in family members, there was some degree of delegation due to the maturity of the business. Thus, the strategy practitioners were senior family members and the CEO supported by junior family members and non-family managers and staff.

Practitioners in business type D

Small or medium-sized and young family firms mostly had an active founder who was still in control of the business. According to the research data, all family firms classified as business type D had active founders that were the dominant players and decision makers in the firms. Burkart *et al.* (2003) argued that most such firms in the world are controlled by their founders. Due the short life of this type of family business, the founder is usually active, and the business is still run by the first generation of the family.

Studies of family businesses affirm the dominant and controlling role of the founder. However, this is supposed to become less evident with the emergence of new generations.

Lansberg (1988) agreed that the first generations of family businesses would be heavily dependent on founders because of their knowledge of the business and their leadership and guidance. For example, the OX Corporation was a medium and young family business. The founder had a high degree of centrality in all strategic and non-strategic decisions which went through him. He stated that the reason for this attitude was his experience in and knowledge of the business.

> *"Of course, the highest authority is in my hands as a CEO and because I am the most expert person in the business. The final word is mine"*
> (Founder, Chair and CEO, 1G) OX Corporation (type D)

His son and other children understood this attitude and acted upon it in making business decisions. Thus, to gain more authority in making decisions, they should gain the trust of the founder.

> *"The more one of us [siblings] achieves a closer connection to our father, the more he/she is closer to get more power at work"*
> (Son, executive, 2G) OX Corporation (type D)

Another example of a second generation family members is in the TL Company, a medium and young family firm, where the daughter's position was the manager of a showroom, and this required a lot of networking with other managers and staff such as salesmen, maintenance operatives and accountants; however, she dealt only with the founder. She expressed her opinion that he was the only one who knew best about the business, and she ignored top management and other consultants in the department.

> *"My father knows everything about the business, I never consult anyone except him"*
> (Daughter, manager, 2G) TL Company (type D)

The responsibiltiy to fulfill the founder's original vision went beyond the children to the rest of the organization members.

> *"I owned the bigger percentage of the business and I am the founder; the board accepts my decisions"*
> (Founder, CEO, 1G) HR Company (type D)

It has been proven in the literature that the founder has the most controlling power in family businesses due his possession of a large proportion of capitals. Moreover, Saudi culture promotes managers paternalistic attitudes toward employees (Hofstede, 1980). Thus, the combination of the founder's authority and the Saudi cultural tendency to obey leaders and respect the elderly (Long, 2005) result in a very controlling attitude in the founder.

> *"I made a wrong strategic decision and the board of directors agreed to face losses I caused, even though they didn't approve my decision from the beginning"*
> (Founder, CEO, 1G) HR Company (type D)

Due the existence of the founder and the first generation in newly established SMEs, the controlling power is concentrated in the founder, although there may be some degree of delegation to junior family members. However, the founder controls those junior family members due his parental relationship. Thus, the strategy practitioners are the founders supported by other family members. Ward (1987) also linked the level of a founder's control to the age of the firm, proposing a three-stage development model. In the first stage the family's goals and the business goals are compatible, and thus no conflicts arise, and the founder makes all business decisions. The characteristics, motivations and personality of the founder shape the business and the family firm's goals. In the second stage, the family's and the business goals are still not in conflict to a certain degree. The founder remains in control but with extra consideration given to trying to find positions for sons and daughters in the business to secure their future. In the third stage the interests of the family and business goals may come into conflict and the founder loses some control. Thus, the founder can exit, retire or becoming a member of the board of directors. These three stages of the founder's power are relatively compatible with the analysis of the present research data, except for the last stage of the founder's retirement, exit or becoming a board member.

The data reveal a strong hold of the founder over the business until old age (the oldest such founder in the sample was in his 80s). There is no effect of the age of the business or its size on the presence or control of the founder, who remained the dominant player and decision maker. Of course, the founder's centrality and the business dynamic designed by him are the main reasons for the extent of the need to seek his permission for everything. However, the children themselves are dependent on their parents and, within Saudi culture, they contribute to the perpetuation of this phenomenon. This unconditional obedience to fathers and elders in the family business could become extreme if the children sacrifice their dreams just to fulfil the founders' vision, as some of them expressed:

"I am here to fulfil my father's vision not mine"
(Son, executive, 2G) FS Corporation (type C)

"I feel we are obligated to be here to fulfil my father and uncles' vision"
(Nephew, staff, 2G) BL Holdings (type A)

"I have entrepreneurial dreams and I wish to have my own business to control, but I have to be here for my father"
(Son, manager, 2G) NY Group (type A)

Connecting this with Bourdieu's capital theory of power, capital is the resource that controls a particular field and determines the chances of profit within it (Bourdieu, 1985). 'For Bourdieu (1986), capital is any resource effective in a given social arena that enables one to appropriate the specific profits arising out of participation and contest in it' (Wacquant, 1998, p 221). The founder in a family business possesses the most capital in the firm, and especially the social power associated with networking with other family members and non-family employees in the firm, and he fights to keep it for as long as he can.

Table 6.5: Summary of practitioners control and power in family businesses

Business type	Practitioners	Power
(A) Large & long established (old)	Non-family CEO supported by other executives	Power distributed between family and non-family members
(B) Large & recently established (Young)	Family member CEO supported by other executives (family and non-family)	Power concentrated in family members but some degree of delegation to family and non-family executives
(C) SME & long established (old)	Senior male family members supported by junior family members	Power concentrated but some degree of delegation
(D) SME & recently established (young)	Founder supported by junior family members	Power to some extent concentrated

To summarize, Table 6.5 illustrates the connclusions about strategy practioners in the four types of family business and the distribution of power in each type. It is clear that, in large businesses whether old or young, the CEO and the executive managers are the strategy practitioers with some influence from the family. On the other hand, in SMEs the role of family members, and especially the founder, is stronger in influencing business strategy although with some delegation to junior family members. It is worth mentioning that the existence of the founder in young businesses that are still in the first generation stage and where the founder/s is/are still alive, demonstracte to a high degree of centrality of control and sole decision-making power.

6.5 Strategy Practices and Praxis

Strategy practitioners are the players (who) perform strategic practices (how) to achieve strategy praxis (what). The term strategic practices refers to the daily activities and tools used to perform strategic work, such as workshops, software applications, presentations and modelling. Jarzabkowski *et al.* (2007) defined strategic practices as the social, symbolic, and material tools used during strategy work, and practitioners have to be able to mobilize these practices in their praxis. Practice-based research can provide a rich understanding of strategy work using many sociological concepts such as those from institutional theory (Jarzabkowski *et al.*, 2007). To reach a deeper understanding of the process of strategy in family firms, this research focuses on the characteristics of owners and stakeholders in making strategy. Thus, the following sections analyse in depth the practices performed by the strategy practitioners in the four types of family business to discover the praxis outcomes of the practices performed. Information about practices was gathered from the original firm's documentation, website, quotations, and observations.

Practices and praxis in business type A

As shown in Table 6.6, family businesses in type A, which were large and old businesses, used more formal than informal practices. Most business strategy was determined through formal meetings such as board meetings, other multilevel meetings, market monitoring, benchmarking, and formal family council meetings. Thus, there was less influence from the family on business decisions and a clear separation between the family context and the business context. However, because of the family relationships outside the business, there were some informal family meetings at home or over family meals to discuss strategic business decisions, but this was not common. In general, the occurrence of formal family meetings occurred more often than informal family meetings. The involvement of family members took the form of shareholder activities through the board rather than direct involvement in the business.

Table 6.6 Practices in type A family businesses (large and old)

	Original firm's documentation, website, quotations, and observations	Formal practices	Informal practices
FT Holdings	Website "Provide clients with distinctive world-class goods and services … and maintain signature trustworthiness quality" Observations: The founder told some stories about him expressing his vision in formal board meetings. There was an active workshop for employees where the founder entered the room and talked about the values and norms of the organization.	Employee workshops Strategic plans Multi level meetings Spreading the founder's vision	---
AN Holdings	Website: "Identify new areas of opportunity for growth as it strengthens the presence and penetration of Strategic Business Units" *"My father was very honest in his deals. He taught us that. During family dinners or at work he stressed the value of honesty"* (Head, executive, 2G)	Board meetings Top management team meetings Benchmarking	Stress on family values during family conversations
BL Holdings	Website "The Group's vision is to add several agencies and form strategic alliances in distribution and manufacturing, and rapid growth in new retail standards and data analysis based on the distribution process" *"We hired external advisors for strategic plans"* (Brother, CEO, 1G) *"We launch new product in the market depending on research"* (Daughter, Executive, 2G)	Board meetings Top management team meetings Research department Attending product conferences for new suppliers	---

OT Holdings	Website: “Investment base varies between commercial, real estate, industrial and investment activities and is the main company under which umbrella group of sister companies” “We separate the operation from ownership” (Head, CEO, 2G) “We make the decision of closing down unsuccessful businesses and leave the profitable ones” (Nephew, executive, 3G)	Family council meetings Consultant meetings (financial decisions) Board meetings	---
FQ Group	Website: Focus on the founder’s CV and achievement. Each company under the group has its own mission. *“Everything happens under the father (the founder) supervision”* (Son, executive, 2G) *“The founder makes all decisions with the help of internal and external advisors and studies”* (Grandson, executive, 3G)	Fulfilling the founder’s vision Multilevel meetings Research, marketing departments Family members’ formal meetings	Family members informal meetings
KH Group	Website: “We not only manufacture, supply and operate but our comprehensive care concept includes superior customer service and outstanding after-sales service” *“All strategic decisions go through investment committee for approval first”* (Head, CEO, 2G) *“We are very mature in making our decisions”* (Head, CEO, 2G)	Multilevel meetings Investment committee Research, marketing departments Family members formal meetings	Family members’ informal meetings
BB Company	Website: “Equally important for customer satisfaction is expanding geographical markets which now include facilities in Egypt and France” Family members are not involved in the business. Only the Chairman and CEO is the head of the family. *“The family business is an investment for the family members”* (Head, Chairman & CEO, 2G))	Formal family council meetings Multilevel meetings Benchmarking	----

AJ Company	Website: "Delivering the best quality products, working hard and effectively to meet customers' needs through a variety of selected brands and always innovating" *"We are very expert in our market as we entered it very early"* *"We follow professional plans"* (Founder, chairman and CEO, 1G)	Business deals trips Investments and real estate in other countries Market monitoring Multilevel meetings	Informal family discussions in daily meetings and weekly dinners
NY Group	*Website:* "Achieve horizontal and vertical expansion in buildings, number of employees, number of production units, the targeted market segments" *"Any strategic decision goes to a specialist person to make it"* *"I am the founder and meet with my partner and board to make decisions; my sons are not allowed to participate"* *"We expanded by opening new businesses to serve the original business"* (Founder, chairman and CEO, 1G)	Investment committee and other committees Market monitoring Multilevel meetings	Informal family discussions in daily meetings and weekly dinners

The frequent responses from interviews such as "*We follow professional plans*"; "*Any strategic decision goes to the specialist person to make it*" and "*We hire external advisors for strategic plans*" clearly indicate that the decision-making process followed strict rules. The strategic process usually involved formal committees of family and non-family members. In type A family businesses, the business context provided the foundation for the strategic decision-making process. Therefore, the praxis outcomes of these practices were clear strategic aims, tactics, methods and competitive stances.

For example, in FT Holdings, the general vision was stated clearly to "Provide clients with distinctive world-class goods and services and maintain signature trustworthiness and quality". The formal strategy practices included employees' workshops, multi-level meetings, strategic planning and spreading the founder's vision. Thus, the aim was to grow with consolidation; the tactic was product development; the method used was organic growth; and the competitive stance was to provide the finest quality to clients. Another example is the AJ company that had clear strategic praxis outcomes. The general vision was stated clearly to "deliver the best quality products, working hard and effectively to meet customers' needs through a variety of selected brands and always innovating". The formal strategy practices included business trips for acquisitions, market monitoring, multi-level meetings, and diversity in investments. Thus, the aim was to grow; the tactic was diversification; the method used was organic growth; and the competitive stance was differentiation in fulfilling customers' needs by providing a variety of selected brands.

Practices and Praxis in Business Type B

From Table 6.7, in type B family businesses which are large and young businesses, the family and business contexts were clearly separated with a medium level of influence from the family on business decisions.

Table 6.7 Practices in type B family businesses (large and young)

	Original firm's documentation, website, quotations, observations	Formal practices	Informal practices
JR Group	Website "It is considered the market leader in the Middle East for consumer IT products" *"We conducted many studies to make decisions about expanding"* *"We have written family governance rules that include training programmes for all family members"* (Founder, Chair and CEO, 1G)	Family members new generations training programs and workshops Strategic plans Multi levels meetings Family council meeting	Family weekly meetings
FL Company	Website "It is specialized in extending world-class services … and has been registered as the first Saudi company to obtain an ISO international certificate in this field" *"The first business that launched a VIP service in this field"* *"We are planning to become shareholders to ensure continuity"* (Founder, Chair and CEO, 1G)	Benchmarking Multi-level meetings Spreading the founder's vision Founder attends all levels of meetings	Family casual conversation And meetings

SL Group & Co	Website "Developing long-term strategies, fostering a collaborative environment, and seeking operational excellence, we strive to create sustainable value for our shareholders, business partners, and our community" *"We are concern about the continuity, so we started to put family governance"* *"All strategic decisions are managed by the board of director that I am the chair of as the owner"* (Founder, Chair, 1G)	Board meetings Multilevel meetings Investment committee Strategic plans	---
SN Company	Website: "To be the preferred strategic partner in providing innovative real estate solutions that meet the needs of society and clients both locally and internationally." *"All strategic decisions are taken by specialist managers"* (Daughter, manager, 2G)	Multilevel meetings Strategic management department Research, marketing departments	---
RW Group	Website "We aspire to be leaders in building the capacities of institutions and humans through creative research and entrepreneurship" *"To ensure continuity we separate ownership from the management"* *"Strategic decisions are taken by the board of directors"* (Brother, CEO, 1G)	Board meetings To design and deliver integrated products and services Multidisciplinary consulting model	Family members informal meetings
DH Ltd Company	Website: "Strategic partnerships to develop skilled and competent leaders of the future" *"The business should become shareholder owned; it was not easy for the founder, but I did it for the business"* *"No personal strategic decisions and plans, all are made by the committee"* (Founder, Chair and CEO, 1G)	Formal family council meetings Committee meetings Founder became board member Established Research Consultation Centre	----

There were two types of family influence exerted through formal and informal family meetings. Even though formal family meetings such as the annual family council were the more common type of family involvement in this kind of business, informal family meetings could not be avoided. The young age of the businesses meant that family members met and interacted more often in the workplace, such as in the FL Company where the father as CEO was the direct manager of his son as an executive manager. Moreover, family members discussed business issues and strategic decisions in their informal family meetings. When the business was owned by a nuclear family, they met at home and definitely discussed business issues as family members. Additionally, part of Saudi culture that is specific to the Riyadh area is to have a family compound which includes houses for siblings, with shared facilities such as halls for weekly family gatherings. These compounds enrich family ties with extended family members. Thus, business issues could be discussed in these family meetings. For example, the family owning the JR Group lived in a family compound and grew up as one large family. Even though they were a listed company and all their strategic decision were made professionally in the business context, there were some informal meetings between family members that influenced business decisions. However, there was sufficient awareness of the limitations of family members and there were rules and regulations for family members involved in the business.

> *"We have written family governance rules that include training programmes for all family members and regulations to join the business that are applied to all"*
> (Founder, Chair and CEO, 1G) JR Group

In large and young family businesses, strategic decisions followed business goals more than family interests. Decision-making processes followed a rational procedure. This means that the strategic process usually involved family members and non-family members. There was a mature separation between the family and business contexts. Therefore, the praxis outcomes of these practices were clear strategic aims, tactic, methods and a competitive stance with some degree of influence from family members depending on their positions in the organization. However, there was a clear avoidance of the family's total control over the business. The responses of interviewees showed a serious concern about transferring the business into shareholder ownership to ensure its continuity and to limit the control of the family. For example, the SL Group & Co stated in their website that "The SL Group has transformed from a traditional family business to a professionally managed and highly institutionalized company to become one of the fastest growing businesses in the region. This transformation was only possible because of our solid commitment to the core corporate values that define us as a group". The group stated that their main reason for growing and succeeding was to be free from family control and to be a managed as a highly institutionalized company. More examples of the same avoidance of family control are as follows:

> *"To ensure continuity we separate ownership from the management"*
> (Brother, CEO, 1G) RD Group

> *"The business should become shareholder owned; it was not easy for the founder, but I did it for the business"*
> (Founder, Chair and CEO, 1G) DH Ltd. Company

> *"We are concerned about continuity, so we started to create family governance"*
> (Founder, Chair, 1G) SL Group & Co

> *"We are planning to become shareholders to ensure continuity"*
> (Founder, Chair and CEO, 1G) FL Company

After businesses have become large, most founders or family leaders expressed their willingness to transform the business to shareholder ownership or to separate ownership from management to ensure the continuity of the business away from family control. They had the awareness that in this stage the business goals were more important than the family's goals. If there were any conflicts between the family and business interests, business interests prevailed. Thus, in large and young family firms, the business context was beginning to provide the foundation for a strategic decision-making process apart from the family context.

Practices and praxis in business type C

From Table 6.8, type C family businesses that were old SMEs made strategic decisions by striking a balance between family and business goals. The strategic process usually involved family members with a certain tendency to also involve non-family members, especially in businesses that focused on quality services and loyal customers with after-sales care such as fine jewellery.

> *"We are not planning to grow bigger; we focus on the quality and long-term customers"*
> *"Only us [the father and the son] sit together to set our strategic plans"*
> (Head of the family, Cahir and CEO, 3G) FS Corporation

It is clear that strategic decisions were concentrated among senior members of the founder's family. Thus, the strategic practices tended to be informal such as in casual family conversations and meetings. For example a research observation was that the daughter came to her father with a piece of jewellery for an old customer, and they both casually discussed the kind of precious stones which needed to be used in those kind of pieces, and then she left with the promise of ordering stones from the supplier. Even with the awareness of the business changing to shareholder ownership to ensure its continuity, there was a desire to retain the family's control of the business.

> *"If we transfer it to shareholders, we will ensure the family has the larger share"*
> (Head of the family, CEO, 3G) MS Corporation

Table 6.8 Practices in type C family businesses (old SMEs)

	Original firm's documentation, website, quotations, and observations	Formal practices	Informal practices
MS Corporation	No information in documentation /website. *"We have a market monitoring system"* *"We have changed our old strategy to ensure continuity by becoming a registered brand"* *"If we transfer it to shareholders, we will ensure the family has the larger share"* *(Head of the family, CEO, 3G)*	Family members' formal meetings Employees and family members' workshops Market monitoring	Family members' informal meetings
FS Corporation	Website: "One generation after the other continued the art of jewellery design while maintaining steadfast trust by our clients" *"We are not planning to grow bigger; we focus on quality and long-term customers"* *"Only us [the father and the son] sit together to set our strategic plans"* (Head of the family, Cahir and CEO, 3G)	Family members' formal meetings Employees and family members' workshops	Family members' casual conversations
TQ Group	Website: "We will trade, invest, spend and capitalize responsibly. We will partner and take the lead in business ventures to maximize the shareholder value of our investments" *"We separate ownership from operations"* *"Each brother is responsible for an activity completely dependent on specialism"* *"One holding group to manage all the business"* (Son, ECO, 2G)	Investment committee Formal family council Board meetings	---
BS Corporation	No information in documentation /website. *"We hold family meetings to discuss continuity and other solutions"* (Head of the family, CEO, 3G)	Formal family council	Family members casual conversations and meetings

SR Company	No information in documentation /website. *"We are focussing on expanding"* *"Most of our decisions are made by the committee"* (Founder, Chair and CEO, 1G)	Board meetings Committees Formal family council	---
OM Corporation	No information in documentation /website. *"Most of the strategic decisions I [the father] made them alone"* *"We see market demand and meet it"* *"We focus on expansion"* (Founder, Chair and CEO, 1G)	Follow market demand Sole decision making Multilevel meetings	Family members casual conversations and meetings
SG Ltd. company	Website: "The SG Ltd. Company is imaginative, innovative and flexible and keeps pace with the rapidly advancing technology of today." *"Strategic decisions are made professionally by me with foreign advisors and I don't like to break this rule"* *"I have a vision of the future of the Saudi market; we will grow and expand"* *"Turning the company to shareholder ownership to ensure continuity"* (Founder, Chair and CEO, 1G)	Board meetings Family members' formal meetings Seek new innovations Seek new suppliers	---

Therefore, the family and business contexts were separated with some blurring of boundaries, such as when discussing some business issues in the family context and vice versa. This degree of confusion between the family and business contexts led to a balance between family and business goals in making some strategic decisions. However, although there was more freedom for family members to be involved in the business, some rules were applied.

> *"Most of the strategic decisions I [the father] take them alone"*
> (Founder, Chair and CEO, 1G)

There was a moderate influence of the founder/father or family leader in making business decisions. This meant that the decision-making process was to some extent personalized and did not go through committees and board meetings as in larger firms. Also, this could cause a less clear vision of the future and a lack of clear strategy, such as following market demand instead of being innovative.

"We see market demand and meet it"
(Founder, Chair and ECO, 1G) OM Corporation

Furthermore, casual family conversations and meetings do not necessary produce a clear written strategic plan. It is noticeable that four of these businesses out of seven had no clear stated mission and vision on their websites. Strategic practices in type C family businesses were concentrated among family members such as formal and informal family meetings with a tendency to also involve non-family members such as in board meetings, committees, workshops and market monitoring. This produced praxis that depended on the family and business relationships such as when following market demand, expanding available resources and fulfilling family interests.

Practices and praxis in business type D

As shown in Table 6.9, in family businesses of type D that were young SMEs, strategic decisions were mostly taken by family members during formal and informal family meetings. Typically, these meetings occurred during casual conversation between the founder and his sons. This phenomenon occurred because in some cases the board of directors consisted only of family members.

"The members of the board of director are only my father and us, his sons"
(Son, CEO, 2G) FZ Ltd. Company

"Any strategic decisions are taken by me, the father, and my two sons"
(Founder, Chair and CEO, 1G) RD Group

"The members of the board of directors are my father, the founder, and us his children"
(Daughter, executive, 2G) OX Corporation

In other cases, the founder could make strategic decisions as the chair and the CEO of the firm.

"My father makes all strategic decisions alone"
(Son, CEO, 2G) FZ Ltd. Company

"I own the bigger percentage of the business and I am the founder; the board accepts my decisions"
(Founder, Chair and CEO, 1G) HR Company

The founders/fathers or family leaders clearly had a very strong influence on all business decisions. Furthermore, these kinds of casual conversations produced confusion between the family and business contexts as business issues were discussed among the family. However, there was sufficient awareness of the importance of making strategic decisions away from the family, depending on the research carried out and within formal board meetings.

> *"I use consultants and committees to make any strategic decisions"*
> (Founder, Chair and CEO, 1G) HI Corporation

> *"Any strategic decisions are processed by the board of directors"*
> (Brother, CEO, 1G) ZL Company

Table 6.9 Practices in type D family businesses (Young SMEs)

	Original firm's documentation, website, quotations, and observations	Formal Practices	Informal Practices
HI Corporation	No information in documentation /website. *"I use consultants and committees to make any strategic decisions"* *"I see market opportunity and proceed after that"* (Founder, Chair and CEO, 1G)	Committee meetings Following market opportunity	---
RD Group	Website "To take creativity and innovation as our approach in providing quality products and services to meet the needs of our customers" *"Any strategic decisions are taken by me, the father my two sons"* *"We will grow as the world grow without thinking of the future"* (Founder, Chair and CEO, 1G)	Daily work Going with the flow	Informal family meetings and discussions
KJ Company	Website "To become a leader, we aim to increase our competitiveness and profitability" *"Our company is running well because of the good opportunities and environment in the Saudi market"* (Head, Chair and CEO, 2G)	Board meetings Formal family council meetings	Informal family meetings and discussions
FZ Ltd. Company	No information in documentation /website. *"The members of the board of directors are only my father and us, his sons"* *"My father is taking all strategic decisions alone"* *"We haven't planned anything for stability and continuity"* (Son, CEO, 2G)	Formal family members' meetings No plans	Informal family meetings and discussions

ZL Company	Website "Being a total service provider offering wide range of specialized treatment and handling systems which will be introduced to the market" *"Any strategic decisions are processed by the board of directors"* *"We are aware of the problems of family business, so we are turning it into a shareholders company"* (Brother, CEO, 1G)	Family council meetings Consultant meetings (financial decisions) Board meetings	Informal family meetings and discussions
TN Corporation	Website "Using the finest standard raw material in the world, with the latest machinery and craftsmen … providing after sales service and issuing 10-year guarantees" *"We are planning to change the old concept of furniture and introduce new ideas about local made furniture"* *"Opening new branches around the country"* (Daughter, manager, 2G)	Innovations Expanding Formal family members' meetings	Informal family meetings and discussions
HR company	No information in documentation /website. *"We have a shared mission and vision to be the best in our city"* *"I own the bigger percentage of the business and I am the founder; the board accepts my decisions"* (Founder, Chair and CEO, 1G)	Board meetings Educational consultants Improve curricula Diversification	---
OX Corporation	Website "Work towards increasing our services and raise the quality of teaching" *"We are planning to become an IPO company to save the family assets"* (Founder, Chair and CEO, 1G) *"I wish we could separate ownership from the operation to have a more successful business"* (Son, executive, 2G)	Board meetings Educational consultants Improve curricula Formal family meetings	Informal family meetings and discussions

Some of the young SMEs did not have a stated mission and vision. Even when there were explicit goals, some firms operated their daily work processes according to following market trends.

> *"I see the market opportunity and proceed after that"*
> (Founder, Chair and CEO, 1G) HI Corporation

> *"We will grow as the world grows without thinking of the future"*

(Founder, Chair and CEO, 1G) RD Group

"We haven't planned anything for stability and continuity"
(Son, CEO, 2G) FZ Ltd. Company

"Our company is running well because of the good opportunities and environment in the Saudi market"
(Head, Chair and CEO, 2G) KJ Company

Informal strategy practices were conducted in family meetings and discussions and the formal practices included during daily work, in board meetings and family meetings and when improving services and products. This resulted in praxis that concentrated on serving current customers and gaining customer loyalty and satisfaction. There is no clear evidence of strategy for expansion.

"We have a shared mission and vision to be the best in our city"
(Founder, Chair and CEO, 1G) HR Company

"I see the market opportunity and proceed after that"
(Founder, Chair and CEO, 1G) HI Corporation

"Work towards increasing our services and raise the quality of teaching"
Website of OX Corporation

However, this did not apply to all young SMEs, some of which had clear aims, tactics and methods and were pursuing explicit business goals. For example, the TN Corporation is growing, with an increasing number of branches in different cities in Saudi Arabi.

"We are planning to change the old concept of furniture and introduce new ideas about local made furniture"
"Opening new branches around the country"
(Daughter, manager, 2G) TN Corporation

Similar to the previous types of businesses, in businesses of C there was a clear awareness of the significance of separating ownership from management, which would benefit the business in being free from the sole control of the family or founder.

"We are planning to become an IPO company to save the family assets"
(Founder, Chair and CEO, 1G) OX Corporation

"I wish we could separate the ownership from the operation to have a more successful business"
(Son, executive, 2G) OX Corporation

> *"We are aware of the problems of family business, so we are turning it into a shareholders company"*
> (Brother, CEO, 1G) ZL Company

Family businesses of type D (young SMEs) allowed family members to be involved in the business. Thus, strategic decisions could be compatible with family interests. Moreover, informal meetings between family members occurred more often than formal ones. The family context provided a foundation for the strategic decision-making process more than the business context.

6.6 Conflicts Between Family and Business

The family business system is a unique system, as it includes two sensitive sub-systems, the family and the business. Strategic planning for this kind of system could lead to conflict as it implies planning for the family's future which includes the discussion of sensitive information about family members (Carlock and Ward, 2001). A central concern for managers of family firms is to maintain an appropriate balance in terms of responsibility to the family and to the business (Gersick *et al.*, 1997; Lansberg, 1999). However, this balance becomes more difficult when second and later generations of the family enter the business. Conflicts between family members and their different interests start to appear, as do conflicts between the interests of the family and those of the business. The younger generations may have different points of view towards and dreams for the business than the founder. One of the founders, who was the CEO of a young type D SME family business, stated before starting the interview that:

> *"Wherever money exists, problems exist"*
> (Head, Chair and CEO, 2G) KJ Company (Type D)

The sensitivity of conflicts over money and family issues are implied in the description of them as problems. Carlock and Ward (2001) suggested a scale model which could be used to solve dilemmas in family businesses by achieving a balance between the needs of the family and business requirements (please refer to Figure 2.7, page 48) According to the scale, it is normal for conflict to occur between the needs of the family and those of the business. According to Carlock and Ward's (2001) scale of the dilemmas of family business, the strategic direction of the family business depends on the position of family members in the family and in the business. To achieve the correct balance between the needs of the family and those of the business, family members are required to identify clear plans and policies for the five issues of control, careers, capital, conflict and culture. In addition, the present analysis of data shows that family members were trying to strike the right balance between the two sides. Therefore, determining the characteristic of strategy practitioners is essential in understanding the direction of the business strategy.

Sharma *et al.* (1997) argued that that family and business goals are not necessarily compatible with the strategies taken to achieve those goals, and they also emphasized that family and work relations can have an important influence on the strategic management process in family firms. This means that the family's goals and business goals are interdependent (Ward, 1987). For example, succession is considered to be a business and family goal, as passing the business to the next generation would ensure the family's ownership of the business and secure its continuity and stability. Many business scholars believe that succession plays a crucial role in shaping the future success or failure of a family firm through the generations (Dyer Jr and Handler, 1994; Sharma *et al.*, 2003; De Massis *et al.*, 2008), and succession in family business is discussed in more detail in the next chapter. Therefore, most of the first generation focussed first on including the subsequent generations in the business, for several reasons. The most common reason expressed by the founders or senior generations was the continuity of the business, as in the following example:

> *"To ensure the continuity of our family business, children need to be involved in many ways to continue the family activity"*
> (Founder, Chair & CEO, 1G) OX Corporation (Type D)

As clarified in the previous chapter, fathers in Saudi culture are responsible for taking care of family members and providing the means of life for them even in their adulthood. Thus, there extensive care is shown by parents toward their children in terms of planning their careers. This care takes many forms, such as training them at a young age, hiring them or even forcing them to join the family business. A good example following:

> *"Boys in our family [siblings and cousins] go to our fathers office after school, spend the day studying and have dinner at work before we all return home in the evening"*
> (Son and nephew, staff, 2G) AJ Company (Type A)

In this large and old family firm, boys were raised and grew up inside a family business atmosphere, went to the location of the business immediately after school and stayed with their fathers (the sibling founders) every day. This included studying for school and having daily family dinners at the workplace with the family leaders. Women and girls in this particular family were responsible for taking care of the house and preparing a comfortable atmosphere for the men returning in the evening. Male children grew up and learned the family business at a young age, and therefore they were very pleased to join the family business as soon as possible as they were very well prepared for the job. This phenomenon is common in Saudi society where family ties are considered to be a high priority.

> *"Of course, everyone takes his family craft naturally"*
> (Founder, Cahir and CEO, 2G) SL Group & Co (Type B)

Some of the large family businesses allocated a special budget for the education of the next generations. The Saudi Arabian government gives education special priority, as is clear in the provision of a large budget for education, including scholarships abroad and especially to the USA and UK (the country's educational plans are discussed in chapter 4). Families in this society are influenced by the special attention given to education and know that sending their children abroad is the best way to enrich their experience and education.

> *"There is a specific budget for all family members of the later generations and to prepare them for working in the family business, including training, scholarships and internships"*
> (Head, Chair & CEO, 2G) JR Group (Type B)

> *"Every summer my cousin and I go together to the UK to work as interns"*
> (Son, Staff, 2G) AJ Company (Type A)

On the other hand, staying with the family and serving them is also very satisfying to the children themselves. It has been clarified in the previous chapter that children have emotional ties to the family business, such as in paying parents back, showing love for the family, it being their comfort zone, or even for religious and cultural reasons. However, this unconditional obedience to fathers and elders in the family business could be very extreme, where children sacrifice their own dreams just to fulfil the founders' vision, as some of them expressed:

> *"I am here to fulfil my father's vision not mine"*
> (Son, executive, 2G) FS Corporation (Type C)

> *"I have entrepreneurial dreams and I wish to have my own business to control, but I have to be here for my father"*
> (Son, manager, 2G) NY Group (Type A)

> *"I feel we are obligated to be here to fulfil my father and uncles' vision"*
> (Nephew, staff, 2G) BL Holding (Type A)

The responsibiltiy to fulfill the founder's original vision goes beyond the children to the rest of the organization's members.

> *"I owned the bigger percentage of the business and I am the founder; the board accepts my decisions"*
> (Founder, CEO, 1G) HR Company (Type D)

It has been proven in the literature that the founder has the most control and power in family business due his possession of the largest proportion of capital. Moreover, Saudi culture promotes paternalistic attitudes among managers toward employees (Hofstede, 1980). Thus, the combination of the founder's authority and the Saudi culture of obeying leaders and respecting the elderly (Long, 2005) results in very self-centred attitude on the part of the founder. Sharma *et al.* (2001) argued that the founder's personal attachment to the business could cause failure in passing on the business to the next generation. This personal attachment is clear in the expressions of founders about the businesss, such as it being 'my own company'.

> *"It was very hard for me to give up decision making in my own company, but I realized it is for the business good. I have converted the business from sole ownership to a shareholding with my children"*
> (Founder, Chair and CEO, 1G) DH Ltd. Company (Type B)

Another influential element is the generation of the strategy practitioners involved. First or senior generations always care about establishing, conserving and controlling, while later generations tend to focus on expanding and developing the business and seeking personal benefits, as in the following examples:

> *"I have my own urban jewellery design that I am developing now to be separate than the classic original business"*
> (Son, manager, 2G) FS Corporation (Type C)

> *"My cousin and I have ambition to open our own business under the original family business of our fathers to benefit from their experience"*
> (Son and nephew, staff, 2G) AJ Compnay (Type A)

However, conflicts between the senior and later generations could happen. The following example shows the desire of an executive manager (daughter) to expand the business outside Saudi Arabia, and the father's rebuttal of that decision as he had his own different vision about the business.

> *"I actually proceeded toward opening branches in Dubai and I almost had a deal with them, but my father had other plans and put me on hold"*
> (Daughter, executive, 2G) OX Corporation (Type D)

Owner-managers consider their personal goals along with the strategic context in establishing business strategy. The owner's personal goals include fulfilling the financial, security, and employment needs of the family (Gersick *et al.*, 1997). Family values and the family structure shape the family vision, which significantly affects decisions about business strategy. Goals related to family roles tend to be far more important than maximizing profit. Family-owned businesses are more conscious of survival, family harmony, and family employment opportunities than they are of profitability and market position. The structure and 'personality' of the family, and the vision the family has for its future, significantly affect the direction of growth of the business (Harris *et al.*, 1994). Thus, family members have a significant influence on the development of the family firm (DiMaggio and Powell, 1983). Family involvement creates conflicts between family members that affect all aspects of the management of family businesses (Zidan, 2009). The strategic planning practices of family firms are no exception.

6.7 Conclusion

This chapter presents the research findings relating to the strategic management of family business. This is investigated by studying the role of family members and their practices in shaping company strategy. The chapter details the power of the family committee in controlling the business through its relationships with stakeholders and the board of directors as members of both groups. Accordingly, the role of family members in shaping business strategy is highlighted using the strategy-as-practice (SAP) perspective which considers strategy as something that people do rather than something the organization has. The main findings are as follows.

The size and age of the business are related to its strategy (Hansen, 1992). Furthermore, the number of active generations engaged in business management affects the firm's goals and daily business in pursuing strategy. Thus, strategy practitioners and the distribution of power among them vary in the four types of family business (large and old, large and young, old SMEs and young SMEs). The analysis of data reveals that, in large businesses whether old or young, the CEO and executive managers have most responsibility for strategy, with some influence from the family. On the other hand, in SMEs the role of family members, and especially the founder, is stronger in influencing business strategy although also with some delegation to junior family members. It is worth mentioning that the existence of the founder in young businesses that are still in the first generation stage, and in those where the founder(s) is (are) still alive, leads to a high degree of centralization of control and decision-making power. This confirms Johnson *et al.'s* (2003) argument that family members could become strategists or help in forming strategies in the family business context.

Variations in the strategy practices among the four types of business have also been found. Large and old businesses used more formal than informal practices. Most business strategy was determined through formal meetings such as board meetings, other multilevel meetings, market monitoring, benchmarking, and formal family council meetings. Thus, there was less influence from the family on business decisions and a clear separation between the family and business contexts. The involvement of family members took the form of shareholder activities through the board rather than direct involvement in the business. Secondly, in large and young family businesses, strategic decisions followed business goals more than family interests. Decision-making processes followed a rational procedure. This means that the strategic process usually involved family members and non-family members. There was a mature separation between the family and business contexts. Therefore, the praxis outcomes of these practices were clear strategic aims, tactics, methods and a competitive stance with some degree of influence from family members depending on their position in the organization. There is an obvious relationship between the size of firms and reductions in agency problems. Morck and Yeung (2003) argued that in large family businesses agency problems could arise as managers may act for the controlling family but not for shareholders in general. However, the analysis of the present data shows the opposite due to the separation of ownership and management in this type of firms.

Thirdly, in old SMEs, strategic decisions were made by striking a balance between family and business goals. The strategic process usually involved family members with a certain tendency to also involve non-family members, especially in businesses that focused on quality services and loyal customers with after-sales care. Therefore, family and business contexts were separated with some blurring of boundaries, such as when discussing certain business issues in the family context and vice versa. This degree of confusion between the family and business contexts led to a balance between family and business goals in making strategic decisions. Finally, in young SMEs, strategic decisions were mostly taken by family members during formal and informal family meetings. Typically, these meetings involved casual conversations between the founder and his sons. This phenomenon occurred in some cases because the board of directors consisted only of family members. Family businesses of this type allowed family members to be involved in the business. Thus, strategic decisions could be compatible with family interests. Moreover, informal meetings between family members occurred more often than formal ones. The family context provided a foundation for the strategic decision-making process more than the business context. It is typically assumed that greater insider ownership in SMEs leads to the minimization of agency problems (Morck and Yeung, 2003). This is because of the positions of family members in the firm as executives and managers who are also own larger equity blocks and thus are less likely to act in such a way as to reduce the value of their shares.

Chapter Seven:
Intergenerational Succession
and the Continuity of Family Business

7.1 Introduction

The previous chapter discussed strategic management in family businesses in Saudi Arabia and stated that a succession plan is considered to be one type of family business strategic plan. Many scholars argue that family business strategy cannot be complete without a succession plan. Succession planning has considerable importance within a family business as it affects continuity within the company's as well as in ownership and leadership from generation to generation (Miller *et al.*, 2003; Gilding *et al.*, 2015). This chapter explores succession in family businesses in Saudi Arabia in terms of the continuity ensured by the transfer of power and the management of the company into the next generation. Firstly, the term succession is interpreted in terms of the Saudi context by analysing statements made by family members in interviews. This reveals three important aspects of succession in affecting business continuity: changing the legal form of the business; applying corporate governance; and the process of preparing the next generations. Secondly, the factors that are particular to the Saudi context that might influence the succession process are investigated. Finally, the main findings of the chapter are then summarized.

7.2 Importance of Succession

Family business continuity depends on many factors. One of the most influential is succession (Handler, 1994; Elamin and Alomaim, 2011). Succession means transferring ownership and leadership from one generation of the family to the next (Miller *et al.*, 2003; Gilding *et al.*, 2015). Thus, this process guarantees the continuity of the family business. However, succession is a long-term process that includes various activities (Handler, 1994; Sharma *et al.*, 2003). Some models of succession in the literature such as that proposed by Longenecker and Schoen (1978) include activities during the childhood stage through a lifetime of learning experiences.

One of the most important succession activities, according to many scholars, is preparing the future leader of the family business (Sharma *et al.*, 2003). This means grooming candidates so that they have the skills and experience needed to take over the business. Thus, succession is considered to be a key strategic asset for family businesses as it includes the transfer of unique knowledge of the business from the founder to the next generations. In his study of 200 family businesses, Ward (1987) found that the development of a successor is one of the most important characteristics associated with businesses that are able to survive generational transition (Lansberg and Astrachan, 1994). Furthermore, succession planning is one of the fundamental areas in the family business that has been reviewed in the literature (Sharma, 2004).

High levels of failure of management succession in family businesses have been recorded. This has drawn many scholars to study succession and related factors (Handler, 1989; Handler, 1994; Elamin and Alomaim, 2011). For example, only 24% of family businesses in the United Kingdom are successfully transferred in the United Kingdom to the second generation and merely 14% survive to the third generation (Handler, 1994). In the USA, studies show that two-thirds of family firms fail to plan for generational succession. Moreover, only 30% of family businesses are successfully transferred to the second generation and 10% to 15% to the third generation (Ward, 1987). Evidence from Australia suggests that only 11% of family firms survive to the third generation, and only 6% to the fourth generation (Smyrnios and Romano, 1994). There is an almost complete lack of studies of family business succession in the Middle East (Palliam *et al.*, 2011). Thus, this study is a step forward towards a better understanding of family businesses in Saudi Arabia. The following section describes the awareness among family members of the importance of succession planning in family businesses in Saudi Arabia and the actual process used for succession planning.

7.3 Aspects Influencing Succession

7.3.1 The size and Legal Form of the Firm

In the literature on family business succession, a positive relationship has been identified between the size of a firm and succession (Barker III *et al.*, 2001). This means that rates of successful succession are higher in large family businesses compared to small ones. Furthermore, Fama and Jensen (1983) argued that the board of directors has an important role in determining opportunistic managerial behaviour and in the dismissal of CEOs. Thus, members of the board of directors deal with matters related to monitoring and controlling the opportunism of managers. Beside this they represent the shareholders' interests. Therefore, the organizational structure of the business is an essential factor in influencing succession.

According to Saudi company law as issued by the Ministry of Commerce and Industry (2018), an incorporated company should take one of the following forms: general provisions, unlimited liability company, limited partnership, partnership, joint-stock company, limited liability company and holding company. However, the data shows that the family businesses studied in Saudi Arabia usually take only four of these legal forms: sole proprietorship (SP), partnership (PSP), limited liability partnership (LLP), and joint-stock company (JSC). In fact, in Saudi law there is no sole proprietorship or sole trader type of company, and they are considered to fall under the law of partnership with the exception of there being only one partner. Table 7.1 clarifies these definitions in Saudi law.

Table 7.1 Definitions of the legal forms of the most common family business types

Company legal form	Abbreviation	Definition
Sole proprietorship	SP	An enterprise that is owned and run by one person and in which there is no legal distinction between the owner and the business entity.
Partnership	PSP	A company of two or more partners who are jointly and personally liable in all their assets for the company's debts and liabilities.
Limited partnership	LLP	A company with two types of partners, one of which includes at least one partner who is jointly liable in all his assets for the company's debts and liabilities (general partner(s)), and the other type includes at least one partner whose liability is limited to the value of his share in the partnership's capital (limited partner(s)).
Joint-stock company	JSC	A company of two or more partners with capital divided into shares of equal value. A joint-stock company shall be solely liable for debts and liabilities arising from its activities.

Source: Ministry of Commerce and Industry (2018)

Table 7.2 describes the legal forms of the thirty family businesses sampled in this research. The size of the firms is illustrated in the final column of the table according to the business' typology proposed in the last chapter, where A represents large and old, B represents large and young, C represents old SMEs, and D represents young SMEs. The table presents the legal forms of the family firms categorized as the following: nine joint-stock firms which are all large firms; six limited liability partnership firms that are a mixture of large firms and SMEs; seven partnership firms that are also both large firms and SMEs; and finally, eight sole proprietorship firms that are all SMEs. This categorization allows an appropriate investigation of the succession process in family businesses because it includes insights into the organizational structure and the controlling role of the board of directors, CEOs, managers and family members. Furthermore, the roles of the founder and the next generation, and the impact of a preparation plan upon the ability of the next generation to join the family business and take over the management are also discussed.

Table 7.2 Legal forms of family businesses of the research sample

	FB name	Legal form	Business sector	Business type
1	FT Holdings	Joint-stock company	Manufacturing and retail	A
2	AN Holdings	Joint-stock company	Agriculture	A
3	OT Holdings	Joint-stock company	Property portfolio mgmt.	A
4	FQ Group	Joint-stock company	Agriculture	A
5	KH Group	Joint-stock company	Agriculture	A
6	BB Company	Joint-stock company	Communications	A
7	JR Group	Joint-stock company	Retail	B
8	SL Group &Co	Joint-stock company	Conglomerate	B
9	SN Company	Joint-stock company	Real estate	B
10	TQ Group	Limited liability partnership	Investment house	C
11	NY Group	Limited liability partnership	Catering	A
12	KJ Company	Limited liability partnership	Manufacturing and retail	D
13	FL Company	Limited liability partnership	Hospitality	B
14	ZL Company	Limited liability partnership	Manufacturing and retail	D
15	DH Ltd. Company	Limited liability partnership	Education and training	B
16	MS Corporation	Partnership	Manufacturing and retail	C
17	BL Holdings	Partnership	Manufacturing and retail	A
18	BS Corporation	Partnership	Retail	C
19	AJ Company	Partnership	Manufacturing and retail	A
20	SR Company	Partnership	Services	C
21	RW Group	Partnership	Education and training	B
22	HR Company	Partnership	Education and training	D
23	FS Corporation	Sole proprietorship	Manufacturing and retail	C
24	OM Corporation	Sole proprietorship	Manufacturing and retail	C
25	SG Ltd. Company	Sole proprietorship	Manufacturing and retail	C
26	HI Corporation	Sole proprietorship	Retail	D
27	RD Group	Sole proprietorship	Publishing	D
28	FZ Ltd. Company	Sole proprietorship	Retail	D
29	TL Company	Sole proprietorship	Manufacturing and retail	D
30	OX Corporation	Sole proprietorship	Education and training	D

7.3.2 The Founder's Awareness of the Importance of Succession Plan

The research data reveals high levels of awareness of the importance of succession planning and its relationship to the future and continuity of the family business for the next generations. This awareness is formed through the observation of the experiences of other family businesses in society. For example, the founder of the FL company, a large limited partnership family firm, cited the direct influence on him of the experience of the FT group that became a joint-stock company with its shares publicly traded. The founder liked their successful experience and therefore thought seriously about transforming his own company into a joint stock company to ensure its continuity for the next generations:

> *"Recently I started considering transforming our company to joint stock, learning from the FT group (JSC) experience "*
> (Founder, Chair, 1G) FL Company (LLP)

Another example is where a founder started to tell sad stories about family businesses with famous family names in Saudi society that had collapsed due to their resistance to planning for succession (the interviewee asked that the details remain confidential). The founder of the AJ company, which is a partnership company, stated his awareness of other such sad experiences. He stated that transforming the family businesses under family governance is the only way to ensure the continuity of any family business:

> *"The only family businesses which continue are the ones transformed into joint stock companies under family governance [gave examples and stories about some collapsed family businesses]"*
> (Founder, Chair and CEO, 1G) AJ Company (PSP)

The literature reinforces the importance of the founder's awareness about preparing a succession plan. Barnes and Hershon (1976) argued that the founder or family leader is the family member most responsible for the continuity of the family business. The founder or the family leader is usually the father or the oldest family member. As clarified in chapter five, the father or family leader is responsible for other family members even in their adulthood in Saudi culture and in return they respect and obey him. Weir (1999) also confirmed that Arab social organization is reflected in their management and business. However, planning for succession is not an easy process, even for the family leader. Westhead (2003) argued that intergenerational succession is a complex process for the family leader because it includes dealing with personal and economic issues. The head of the family in the MS corporation, which is a partnership company, implied the presence of these complications by stating that the process had been postponed until all financial and personal family issues had been resolved. However, he expressed his awareness about the future of the family business and the necessity of transforming it into a joint stock company.

> *"The only plan for continuity is to transform the business into joint stock. We are waiting for a good opportunity for this change"*
> (Head, CEO, 3G) MS Corporation (PSP)

Also, the founder and the chair of the SR company, which is a partnership company, relayed his knowledge about problems of third generation stage of the family business. As the founder he preferred to transform the business into a closed joint stock company where the shares belonged only to family members and they were only allowed to be traded between them. This would ensure family control over the business in the future and secure confidentiality regarding the income and authority of the family.

> *"I know when our company reaches the third generation, there will be problems. The solution is transforming it into a joint stock company. Each member has a certain amount of stock and is not allowed to sell it to non-family members. They can only trade stock between each other"*
> (Founder, Chair and CEO, 1G) SR Company (PSP)

In the literature, the vital role of the business founder in the succession process has been discussed. In particular, Lansberg (1988) and Ward (1987) discuss the formulation of the future vision of the business after succession. However, Sharma *et al.* (2000) argued that different family members have different points of view toward the succession process. Even though many scholars and the present research data stress the major responsibility of the founder to determine the future of the business and the succession plan, Sharma *et al.* (2000) argued that family members from the second and third generations could also be responsible for succession planning if they held management positions. In the MS corporation, which is a partnership company, a nephew who belonged to the fourth generation was working in a key powerful position as an executive. He was worried about the future of the family firm in the absence of himself and his uncle, the company chair and the head of the family. He discussed the future of the company with his uncle. Also, an executive son in the FQ group, which is a joint stock company, showed awareness about responsibility for planning the future of the company by transforming it into a joint stock company.

"I am worried about the future of our company after me and my uncle are gone. I talked to him about transforming our business into joint stock with others"
(Nephew, executive, 4G) MS Corporation (PSP)

"The trend is going toward eliminating the classic family business and becoming joint stock companies, and we are following that"
(Son, executive, 2G) FQ Group (JSC)

Coinciding with the increasing calls for more research into the development of independent family firms (Shepherd and Zacharakis, 2000; Upton *et al.*, 2001), the present research shows that some founders viewed succession planning as a process of preparing the business for the next generation more than preparing and training the next generation. For example, the founder of the SG Ltd company, which is a sole proprietorship firm viewed his responsibility as the founder as being to prepare a strong and expert management team. He expressed his view for the future that the business was going to become a partnership company with his children on the board of directors.

"My children don't have the deep knowledge about the business activities. They are in management. After me, it is better to leave the work for my expert team and they become only board members, or they had better transform it into a partnership company"
(Founder, Chair and CEO, 1G) SG Ltd. Company (SP)

In conclusion, the founder's awareness of his responsibility for the succession plan for the family firm contributes to the formation of a vision of the continuity of the firm in the future. In addition, this vision motivates actions in preparing the next generation or planning the future of the company. This confirms Handler's (1994) conclusion that the founder has the greatest influence in choosing the successor and running the succession process (Sharma *et al.*, 2003). However, the founder could be resistant to succession and continue to manage and control the business, with little or no awareness of the importance of the succession planning process. This is discussed in section 7.6.

7.4 Intergenerational Succession

One of the most common reasons for failure in succession is viewing it as a single event. Instead succession is a process that takes place over a period of time. It includes planning to transfer leadership, management and/or ownership from the founder or the senior generation to one or all of the next generations. Therefore, it is very important that the founder or the senior generation put in place a succession plan for the next generation. Table 7.3 includes a Gioia analysis of the interviewees' responses concerning the succession plan for next generation.

Table 7.3 Succession plan for next generation

Illustrative quotations	2nd order themes	Aggregate dimensions
"My older brothers started working in the shop at a young age of around 5 years old" (Brother, CEO, 2G) OT Holdings (JSC) *"Our father involved us in the business since we were young children, such as going to the farm early in the morning"* (Son, executive, 2G) FQ Group (JSC) *"I take my two sons everywhere with me. They love our business and have learned it"* (Founder, Chair and CEO, 1G) RD Group (SP)	Early education	Next generation preparation
"I chose my son [the only son along with six daughters] to be my successor because he is qualified and knows a lot about the business. We always sit together to discuss the business" (Founder, Chair and CEO, 1G) HI Corporation (SP) *"When new generation members reach 21 years old, we invite them to attend business meetings, to expose them to the family business, finance and investment, and to discuss it. They later apply for jobs if they want. All of this is subject to the family governance rules"* (Founder, Chair and CEO, 1G) JR Group (JSC) *"Any new generation member can join the business and we are ready to teach him"* (Son, CEO, 2G) FZ Ltd. Company Group (SP) *"We lived in a trading environment; it is natural that all of us became traders"* (Brother, CEO, 2G) OT Holdings (JSC) *"We involve new generations in our decisions through family meetings and they don't necessarily work with us"* (Head, CEO, 2G) BS Corporation (PSP)	Family relationships	
"We encourage our new generations to study finance and work outside before joining us" (Founder, Chair and CEO, 1G) AJ Company (PSP) *"There is a specific budget for all family members of later generations to prepare them to work in the family business, including training, scholarships and internships"* (Founder, Chair and CEO, 1G) JR Group (JSC)	Formal education and work experience	

"It is better for the new generations to work outside and if they succeed there, it means they will succeed here" (Head, CEO, 3G) MS Corporation (PSP)		
"My father divided the positions between us and everyone knows his responsibility" (Son, executive, 2G) FQ Group (JSC) *"Our children are working depending on their qualifications as regular staff"* (Brother, CEO, 1G) RW Group (PSP) *"My sons have high degrees of education from abroad. When they came back I gave them the management of some of my companies, so I can rest now. Each son is qualified to be the successor of the business he managed"* (Founder, Chair and CEO, 1G) SR Company (PSP) *"Each sibling son/daughter is responsible for a different activity. Thus, I think for the next generation we will continue as us, with no conflicts"* (Daughter, manager, 2G) OM Corporation (SP) *"My father already gives us responsibilities on us especially when he travels for work. It is not going to be hard to take over the full responsibility"* (Son, manager, 2G) OM Corporation (SP)	Tasks and positions	Successor involvement
"I focus on separating ownership from management and I want my children to follow this" (Brother, CEO, 2G) OT Holdings (JSC) *"Our target is to involve our children as members of the board and to keep the current non-family management team"* (Founder, Chair and CEO, 1G) AJ Company (PSP) *"I am investing in my current managers to ensure the good running of the business when my sons join it"* (Brother, CEO, 2G) OT Holdings (JSC) *"In the past that father trained his children to succeed in the business. Now the business is impersonal, it is running without family members"* (Daughter, staff, 1G) SN Company (JSC) *"We recently established a newsletter for family members"* (Head, CEO, 2G) AN Holdings (JSC)	Ownership succession	

Table 7.3 showing of the interviewees' responses concerning the succession plan, the data reveals that there are two main themes in succession planning: the preparation of the next generation and the actual involvement of successors in the business. The first involves the preparation of the next generation that takes three forms: early education, the family context, and formal education and training. The second theme is the actual involvement of the successor in the business, which includes their position in the business and ownership involvement.

7.4.1 Preparing the Next Generation

Early Education

According to the literature, training from childhood has a remarkable impact on preparing the next generation for the company's future by giving them the opportunity to show their abilities. Some successors in this study entered their family business at an early stage before joining formally. Thus, those successors who had spent reasonable amounts of time in the company gained a better understanding and a more objective view of the organisation. This phenomenon is most likely to appear in old family businesses (40+ years old). Saudi society in the firms early years was traditional in that the son took on his father's craft. For example, in OT Holdings, which is a joint stock company, the CEO said that his older brothers worked in the family shop at a very young age of around five years old, which was acceptable at that time. He himself also joined the family business but when older at around 12 years of age.

> *"My older brothers started working in the shop at a young age of around 5 years old"*
> (Brother, CEO, 2G) OT Holdings (JSC)

It is clear that in this phase of preparing the next generation, there is no clear plan introduced to them. They are just informally involved. An executive son in the FQ group, which is a joint stock company, said that their father used to take them to the farm early in the morning to be exposed to the family business.

> *"Our father involved us in the business since we were young children, such as going to the farm early in the morning"*
> (Son, executive, 2G) FQ Group (JSC)

> *"As far as I remember, I used to work with my father since I was little, helping and serving customers in the shop"*
> (Head, CEO, 2G) KH group (JSC)

These examples confirm Longenecker and Schoen's (1978) succession model that suggests a pre-business stage of successor involvement. This means that the successor is only aware of some facets of the organisation and has limited critical information. Another aspect of early education is to give the children the chance to experience the life of the business and therefore become familiar with it and eventually love it. This is in the case with the RD group, that is a sole proprietorship owned and founded by the father for his personal love of the business. He took his two sons with him everywhere to build a positive connection between them and the business. Finally, he succeeded in having each son become an executive in both the Arabic and English divisions of the business.

> *"I take my two sons everywhere with me. They love our business and have learned it"*
> *(Founder, Chair and CEO, 1G) RD Group (SP)*

The founder had this education plan to increase their familiarity with the business from an early age and to enhance the relationship between the company and the children, which in turn can affect the continuity of the business. On the other hand, the new generation's behaviour is based on the habitus in Saudi society of showing respect and following the family leader. This is clear in the statement of the CEO of the SL Group & Co, which is a joint stock company, who wondered if any child could work in a different job from that of his parents.

> *"Of course, everyone takes on his family craft naturally"*
> (Head, CEO, 2G) SL group & co (JSC)

Members of the new generation are often very satisfied to be part of their family's business as they have grown up serving in the business and attending meetings. They perceive this as rational behaviour and the true path to success.

> *"I am really attached to this business, sometimes I come to the workplace in the weekend with my husband to supervise and finish some maintenance chores"*
> (Daughter, executive, 2G) OX Corporation (SP)

The participants considered preparing children and training them as a vital role of the founder in strategic planning to maintain the business in the future. Without such education, the new generations of family members might not have distinctive capabilities or ambitions regarding the future of the business.

Family relationships

The relationships between family members are critical for the succession plan, especially that between the founder and the successor, as trust must be built between them. This relationship depends upon effective communication and meetings. Lack of trust, respect and open communication in their relationship could cause resistance to succession (Handler and Kram, 1988). The founder of the HI corporation, which is a sole proprietorship, had a good relationship with his son formed through their regular conversations about the business. The founder expressed his trust in the ability and qualifications of his son due to this positive relationship. This made his son the first in line to be the successor of the business.

> *"I chose my son [the only son along with six daughters] to be my successor because he is qualified and knows a lot about the business. We always set together to discuss the business"*
> (Founder, Chair and CEO, 1G) HI Corporation (SP)

Furthermore, Saudi society has always been highly personalized. Friendship, kinship, regionalism, and communal relationships have a significant influence on individual action and behaviour (Ali, 2009). Thus, strong family ties oblige individuals to sustain good relationships with close relatives and to provide help and support. For example, the CEO of the FZ Ltd Company and Group, which is a sole proprietorship, welcomed the chance to teach any new generation member who wanted to join the business. Also, the CEO of the BS corporation, a partnership company, said that the older generation listen to the younger generations' opinions in family meetings.

> *"Any new generation member can join the business and we are ready to teach him"*
> (Son, CEO, 2G) FZ Ltd. Company Group (SP)

> *"We involve new generations in our decisions through family meetings and they don't necessarily work with us"*
> (Head, CEO, 2G) BS Corporation (PSP)

However, in other family firms, this kind of teaching takes on a more a formal structure, such as in the JR Group, which is a joint stock company. Its founder explained the organized process of teaching the new generations and educating them about the business. They organized educational annual meetings for family members to inform them about the latest investments and business activities.

"When new generation members reach 21 years old, we invite them to attend business meetings, to expose them to the family business, finance and investment, and to discuss it. They later apply for jobs if they want. All of this is subject to the family governance rules"
(Founder, Chair and CEO, 1G) JR Group (JSC)

From the JR group case, it is clear that more structured and organized family meetings result in more involvement of the next generation, as the firm has a high percentage of new generation involvement in several levels of the company. However, Santiago (2000) argued that the consistency of values between the founder and successor could be more effective than having a formal succession plan. This is obvious in the strong family ties in the Saudi society where the transmission of the family's values to the next generation can in turn increase their interest in working in the company. In OT Holdings, which is a joint stock company, all of brothers had become traders similar to their father. The CEO explained that the main reason for that is because they all lived in the trading environment along with other family members.

"We lived in a trading environment; it is natural that all of us became traders"
(Brother, CEO, 2G) OT Holdings (JSC)

The relationship between the founder or senior generation and the successors is critical. Its positive effect in attracting potential successors to join the family business is clear as well as to familiarize them with the nature of the family business. Moreover, it is an effective tool to pass on the family's values and traditions through the generations. Hubler (1999) also pointed out that poor communications lead to the prevention of family members from expressing their feelings and wants, which may become a factor preventing succession. However, role of formal education and training in assigning family members in specific positions is still important.

Formal education and work experience

Breton-Miller *et al.* (2004) argued that successful succession includes the development and improvement of the successor's knowledge, skills and experience. This mean that it is vital to provide formal education and training for members of the next generation, as this can provide them with the capability to understand ideas about management, and to use them to seize opportunities and to grow their business (Dimov and Shepherd, 2005). In some cases, the family provided freedom in the choices of education and training, such as in the JR Group which had a special budget for training, scholarships and internships and the children had the freedom to choose their programme and country. Thus, in that kind of business, the children apply for jobs depending on their qualifications and skills, and not all of them become successors.

> *"There is a specific budget for all family members of later generations to prepare them to work in the family business, including training, scholarships and internships"*
> (Founder, Chair and CEO, 1G) JR Group (JSC)

On the other hand, some founders also stated that education and the selection of an appropriate scientific discipline should be connected to the firm's sector which would benefit both the successor as the future leader and the company's development, and contribute to its continuation and success. For example, in the AJ Group, which is a partnership company involving brothers, their sons (sibling and cousins) are all encouraged to study finance either in Saudi Arabia or in the UK as well as doing internships in local and international banks. The parents have a plan to prepare their children for succession through managing the family's wealth and the financial issues of the company rather than any other position in the company.

> *"We encourage new generations to study finance and work outside before joining us"*
> (Founder, Chair and CEO, 1G) AJ Company (PSP)

Working outside the family business to develop the successors' skills can create more opportunities for them to examine their own skills. It also very beneficial for the family business which gains trained successors without incurring investment costs (Blundell *et al.*, 1999). Furthermore, external training could play a vital role in assessing the capabilities of candidate successors. It was stated by the CEO of the MS Corporation, which is a partnership company, that if the family members succeeded in business outside, it would mean that they would succeed in working in the family business.

> *"It is better for the new generations to work outside and if they succeed there, it means they will succeed here"*
> (Head, CEO, 3G) MS Corporation (PSP)

Therefore, formal education and work training are aspects of the succession plan where the next generation's capabilities and abilities to learn the necessary skills and responsibility to run a family business can be evaluated. Moreover, the successors with appropriate education might have more ability to manage business difficulties, such as increased rivalry and market pressures. However, there seems to be some pressure from the senior generation or the founder in forcing their children to study and work in a specific specialism depending on the needs of the family business. This reflects the managerial style of Saudi culture, which is a high-power distance culture.

7.4.2 The Involvement of Successors

One of the critical success factors in the succession process to ensure the company's survival is the actual involvement of successors in the family business. Through an analysis of the data in Table 7.5, this involvement takes two shapes, either working in a specific position in the family business or ownership succession.

Position

According to Longenecker and Schoen's (1978) succession model, the stage of the successor entering the business is called the functional stage. This means that the successor has a full-time job in the family business. It also includes training the successor under the supervision of the founder or the senior generation. This of course leads to positive results for the future of the children and of the company. However, in this stage, successors do not necessary occupy managerial positions or key roles. They could be still be under the supervision of the founder or senior generation for them to examine their capabilities. The CEO of the RW Group, which is a partnership company, had his own children working in the business as ordinary employees depending on their qualifications, except one daughter who was an executive in the ladies' section as her father stated that she had leadership qualities.

> *"Our children are working depending on their qualifications as regular staff"*
> (Brother, CEO, 1G) RW Group (PSP)

After that, the next generation members perform some primary tasks under the senior generation's supervision, for the purpose of training and building confidence. This is an important phase, where the relationship between the founder and next generation develops. The founder or senior generation members could decide which position was suitable for the next generation member depending on educational qualifications and their experience of working together. The founder of the SR Company, a partnership company, was very proud of the high level of education his sons received abroad. Then, when they came back, he allotted positions to them. After working together for many years, he divided the company responsibilities between his sons, making each one a CEO on a different business sector.

"My sons have high degrees of education from abroad. When they came back I gave them the management of some of my companies, so I can rest now. Each son is qualified to be the successor of the business he managed"
(Founder, Chair and CEO, 1G) SR Company (PSP)

It is very typical in the Saudi culture for the founder or the senior family member to control the job positions given to the new generations. It seems that there is some freedom to choose one's education and to be hired in positions which match the skills and qualifications achieved. But at the end they have trained under the supervision of the founder who already controls the whole business. Therefore, the successor is usually determined by the founder. However, there is not much resistance to this among the new generations as they respect their father or other senior members of the family. The executive son in the FQ Group, which is a joint stock company, said that their father divided positions and responsibilities between his sons after working all them for many years. Also, the son in the OM Corporation who was a manager was proud of his father training them to make them ready to take over the business at any time.

"My father divided the positions between us, and everyone knows his responsibility"
(Son, executive, 2G) FQ Group (JSC)

"My father already gives us responsibilities on us especially when he travels for work. It is not going to be hard to take over the full responsibility"
(Son, manager, 2G) OM Corporation (SP)

With these divided responsibilities depending on experience, successors reach the early succession stage. In this stage, the successor assumes the presidency, which means that the successor is being trained to obtain a variety of skills to manage the business as the future leader. However, it is very important here to give siblings or family members in the new generations equal opportunities to avoid conflict and jealousy. The manager daughter in the OM Corporation seemed to be satisfied at having a fair opportunity similar to her siblings. She confirmed that this fair treatment will give their business stability in the future with no conflicts between family members.

"Each sibling son/daughter is responsible for a different activity. Thus, I think for the next generation we will continue as us, with no conflicts"
(Daughter, manager, 2G) OM Corporation (SP)

This position is justified culturally. The collectivist culture in Saudi Arabia seeks to assist and satisfy the family's needs and increase mutual benefits before considering the individual's needs. Therefore, family members of the new generations are satisfied about serving in the family business and being in the right position. On the other hand, founders and senior generations would also like to serve the family's interest more than the business interest. The family business literature supports this point of view that the founder creates the business to support his/her family, and the uniqueness of the family business is created by the unity between the family and the business. This is fulfilled by providing a good life for family members. According to Saudi culture, the company should provide job opportunities for family members to support them financially and to give them social acceptance. Family business provides the support to fulfil the requirements of the family and the business (Muske and Fitzgerald, 2006).

However, according to Saudi culture and evidence from the above discussion, even when the successor reaches the early succession stage, he or she might not be able to make some decisions due to the presence of the founder. Lansberg (1988) argued that the founder's control of decision-making in the company could reflect unwillingness to give a chance to the next generation to participate in the decision-making process.

Ownership

Members of family businesses that have already been turned into joint stock companies with publicly traded shares have different views about the successor. They already have full separation between ownership and management. They don't manage the business but instead control it through ownership. Therefore, they want their children to succeed in ownership and control. This could be achieved through having a shared vision. Ownership succession is a major concern among family business scholars (Martin *et al.*, 2002). According to the definition of family business, ownership and leadership are its unique factors, and thus passing those onto the next generation is vital (Handler, 1994). The CEO of the OT Holdings, which is an open joint stock company, said that he never involved his own children in the business. He only focused now on educating them to give them the chance to choose their own careers.

> *"I focus on separating ownership from management and I want my children to follow this"*
> (Brother, CEO, 2G) OT Holdings (JSC)

When talking about ownership succession, it is vital to mention Islamic inheritance law, which regulates the financial rights of the next generations as heirs. As clarified in chapter five concerning Sharia law in Saudi Arabia, the law of succession follows Islamic succession law, where a male heir gets twice the female share (Awang, 2008). The inheritance of property includes shares in a company or partnership. Furthermore, the process of succession in a family business requires the maintenance of family control and at the same time maintaining good family relationships. Thus, the founders or the family leader would focus on managing ownership succession to ensure a smooth transfer of control of the business. The present data reveals a strong focus on taking the management of the business away from family members, meaning that a strong non-family management team for the business is established. The founder and the chairman of the AJ Company, which is a partnership company, emphasised the focus on keeping the non-family management team as well as training the new generations to be board members. Also, the CEO of OT Holing, a joint stock company, stated that their main investment consideration concerned the current management team to ensure the successful running of the business for the next generation.

> *"I am investing in my current managers to ensure the good running of the business when my sons join it"*
> (Brother, CEO, 2G) OT Holdings (JSC)

> *"Our target is to involve our children as members of the board and to keep the current non-family management team"*
> (Founder, Chair and CEO, 1G) AJ Company (PSP)

Many methods could be used to prepare the next generation for ownership succession. Some of these have been mentioned in previous sections, such as the fostering of family relationships, formal and informal education, and work experience. The data shows that there are some formal ways of informing family members about the business and investment. The head of the family and the CEO of the AN Holding, a joint stock company, confirmed that even though there were no family members involved in the daily work of the firm, there was a newsletter about the business that was issued to family members.

> *"We recently established a newsletter for family members"*
> (Head, CEO, 2G) AN Holdings (JSC)

The children seemed to be satisfied with the new form of the family business, as it gave a fair chance to all siblings without depending on the founder's own judgment. A daughter working in the SN Company, which is an open joint stock company, was very proud that their own family business did not run on the old traditional form of succession in the business. She confirmed that this successful family business was running without family members. Family members could be involved through jobs as regular employees.

> *"In the past the father trained his children to succeed in the business. Now the business is impersonal, it is running without family members"*
> (Daughter, staff, 1G) SN Company (JSC)

Within the lifetime of the founder or senior generations, there could be some shares divided among the new generations. However, it is not acceptable to negotiate ownership with the founders or with the family leader. The founder of the OM Corporation, which is a sole proprietorship, confessed during the interview that he divided some shares in the business between his children. He was nervous when her realized that his daughter heard him saying this from the next office, and immediately asked her if she already knew this information. She replied shyly while working on the computer that, yes, she had heard about it. Many founder fathers relayed similar information during interviews and stated that it was secret. On the other hand, children may also know about their ownership of shares but hesitate to negotiate. Conflicts may also arise regarding shares given to boys and girls. Some fathers believe that these are gifted not inherited shares, and therefore boys and girls should receive equal shares. In contrast other founders would like to follow the traditional Islamic division, giving a boy twice as much as a girl. For example, a manager daughter of the founder of the NJ Company, which is a joint stock company, expressed her unhappiness about her father giving her brothers double her share. But she also hesitated to mention it to him.

> *"My father respects women as he gave us shares in his company, but I am a little sad that he gave us [girls] half of the boys share because it is supposed to be a gift not heritage. I will never say that out loud"*
> (Daughter, manager, 1G) SN Company (JSC)

This phenomenon is culturally intelligible. The importance and high priority of family ties and maintenance of good family relationships is more important than conflicts concerning shares.

7.5 Transformation of the Legal Form of the Firm

Sharma (2004) argues that there is no single understanding of the meaning of the continuity of the family business. Continuity could be interpreted differently in multi-generational family firms depending on the sense-making of the family members. It could be mean the continuity of the family name, the product, the service, the market or the business itself. According to the present research data, many of the founders of family businesses considered business continuity to involve transforming the legal form of the firm as an important step of the succession plan. Table 7.4 illustrates an analysis of the respondents' explanations to extract the main purposes claimed for this transformation using a meaning-making technique. Many reasons were given by the respondents for this close tie between the continuity of the family business and the change in its legal form.

Table 7.4 Reasons for the need to change the legal form of the family firm

Illustrative quotations	Interpreted reason
"We are transforming the company into a joint stock firm to have neutral opinions in board decision making" (Head, CEO, 2G) AN Holdings (JSC) "We separated ownership from management. Our involvement is only through ownership" (Head, Chair, 2G) BB Group (JSC) "We would like to create a holding company that involves all partners with equal voting rights. This is a common procedure to ensure the continuity of the family business" (Founder, Chair, 1G) SL Group & Co (JSC)	Board decisions
"There is no specific successor. Board members selection the future successor. There is an idea of transforming the business into a closed joint-stock company; meaning separating ownership from management to stop the negative impact of nepotism" (Head, Chair and CEO, 2G) KJ Company (LLP) "The secret behind our success and continuity is involving other non-family partners with us. So we eliminated all family member conflicts" (Founder, CEO, 1G) ZL Company (LLP)	Eliminate family conflicts
"In the future we could transform it to joint-stock partnership because this makes the business an independent entity that is not related to individuals" (Founder, Chair and CEO, 1G) HR Company (PSP) "We are working now on establishing a non-personalized business that doesn't depend on individuals. By 2020 I will be completely out of management work and will leave the work to our executive managers. Therefore, if any conflict happens between a family member and an executive manager, then the final word is the manager's" (Brother, CEO, 1G) RW Group (PSP)	Eliminate Arbitrary decision

One of the very interesting findings in this research concerning the continuity of the family business is its transformation to become a joint stock company and the separation of ownership from management. When asked about the succession plan or the future of the family firm to ensure its continuity, 50 per cent of the respondents replied that ownership would be separated from management by changing the legal form of the company in the future. From Table 7.4, there are three main reasons for the need to change the legal form of the family firm as follows.

Board Decision

The head of the family and CEO of the AN Holding, which is a joint stock company, clarified that the main reason for this transformation was to have strategic decisions that are balanced between the family's interests and business interests. Apparently, family members on the board of directors and in other key positions used to make decisions that served their personal interests. This has been explained in chapter five where serving other family members has a higher priority than the good of the business. Therefore, this CEO clarified that business interests must be balanced with family interests and, therefore, they made this decision.

> *"We are transforming the company into a joint stock firm to have neutral opinions in board decision making"*
> (Head, CEO, 2G) AN Holdings (JSC)

Another comparable example is from the head of the family and chairman of the BB Group, which is a joint stock company. He was also very proud of the success that their company had achieved since becoming an open joint stock company, and he stated that their involvement as family members was only through ownership. He also added that no family members were currently working in the family firm (out of 38 shareholders) other than himself as chairman and head of the family.

> *"We separated ownership from management. Our involvement is only through ownership"*
> (Head, Chair, 2G) BB Group (JSC)

The founder and the chairman of the SL Group & Co, which is an open joint stock firm, also confirmed the importance of having equal voting rights for all partners who were family members.

> *"We would like to create a holding company that involved all partners with equal voting rights. This is a common procedure to ensure the continuity of family business"*
> (Founder, Chair, 1G) SL Group & Co (JSC)

Eliminating family conflict

Other respondents thought that transforming the family firm into a joint stock company could be a solution to family conflicts. For example, the head of the family and chairman of the KJ Company, which is a limited liability partnership, confirmed that the company was not looking for a specific family member as a successor. They wanted a qualified person to be selected by the board of directors, and this could be achieved only if they transformed the company into a closed joint stock company. He also mentioned the negative impact of nepotism in hiring unqualified family members in the company just to satisfy kinship relationships. To avoid this without causing direct conflict with other family members, ownership should be separate from management.

> *"There is no specific successor. Board members selection the future successor. There is an idea of transforming the business into a closed joint-stock company; meaning separating ownership from management to stop the negative impact of nepotism"*
> (Head, Chair and CEO, 2G) KJ Company (LLP)

This statement was echoed by another founder and CEO. He confirmed their firm's successful experience of eliminating family conflicts by including non-family partners in their company partnership.

> *"The secret behind our success and continuity is involving other non-family partners with us. So, we eliminated all family member conflicts"*
> (Founder, CEO, 1G) ZL Company (LLP)

Eliminating Arbitrary Decisions

One of the most common phenomena in family businesses is the founder's or the head of the family's autocratic decision making (this has been discussed in chapter 6). However, the founder's awareness of the importance of developing a succession plan is very important for the continuity of the family firm. The literature reinforces the importance of the founder's awareness about preparing a succession plan. The research data also reveals that founders were aware of their central role and they were willing to give that up by changing the official structure of the business. For example, the founder of the HR Company, which is a partnership, cared about the future of the business. His sincere care about the business as a separate entity encouraged him to plan to transform the company into a closed joint stock company to eliminate the personal influence of the founder for the good of the business.

> *"In the future we could transform it to joint-stock partnership because this make the business an independent entity that is not related to individuals"*
> (Founder, Chair and CEO, 1G) HR Company (PSP)

Another example of the positive impact of the founder's awareness of the importance of planning for the future of the family business is from the brother of a founder and a partner in the RW Group, which is a partnership company. He initiated practical steps to withdraw gradually from managing the business. He is trying to be a board member and also he explained the negative impact of having a personalized business controlled by a particular person to serve only his/her own interests.

> *"We are working now on establishing a non-personalized business that doesn't depend on individuals. By 2020 I will be completely out of management work and will leave the work to our executive managers. Therefore, if any conflict happens between a family member and an executive manager, then the final word is the manager's"*
> (Brother, CEO, 1G) RW Group (PSP)

The three major reasons identified in this research for transforming the legal form of the family firm into a joint stock company all seem to concern family conflict resolution. In other words, family business leaders were saying that the continuity of a family business depends upon eliminating family conflict. Few reasons were given involving products, services and market continuity. The Saudi Arabian context as a tribal and family-centred society is a very suitable environment for family businesses. The factors that could cause succession to fail leading to the discontinuity of the business are related to family relationships and interactions. Thus, the next section discusses such conflicts and their resolution.

7.6 Conflicts and Resolution

Interaction between the family and the business could lead to high levels of conflict (Lee *et al.*, 2003). Moreover, personal relationships between family members include some sensitive relationships and conflicts (Dyer Jr and Handler, 1994; Schulze *et al.*, 2001; Dyer Jr, 2003). Personal conflicts between family members become more complex due to the distribution of business ownership (Dyer Jr and Handler, 1994; Schulze *et al.*, 2001; Dyer Jr, 2003; De Massis *et al.*, 2008). Therefore, succession can generate conflicts between family members. The present research data reveals that the sources of conflict could be related to the founder or senior generation or to the successors or next generations.

7.6.1 The Founder's Resistance

The founder's resistance to retirement and passing on power to the new generations is problematic in most family businesses around the world. However, in Saud Arabia the transmission of leadership and power rarely proceeds smoothly. Saudi culture and family relationships are reflected in business relationships. Therefore, the fear of financial uncertainty or loss of respect from other family members drives many business founders to continue to exert control over management, even after the successor has been appointed. For example, the founder of DH Ltd Company, which is a limited liability partnership, confessed that it was not easy for him to give up control of his own business. But he transformed it into a partnership for the sake of the future of the business. He also did not want his own children to face the same problems in the future, and so they allowed family members to be only CEOs or managing directors.

> *"Transforming a sole proprietorship into a company wasn't easy for me after I was the only one controlling the business. Currently, we have completely separated ownership and control. Even my own children are not allowed to be managers. They can only be CEOs or managing directors"*
> (Founder, Chair, 1G) DH Ltd Company (LLP)

In this example, the founder was aware of the importance of succession planning and he worked hard to overcome the problems and fix them. In other cases, the founder could need outside help to overcome such problems, such as in BL Holdings, which is a partnership company. The founder of BL had a high degree of centralized power since he had founded the business at a young age. When his brothers joined the business as partners, they helped him to prepare for succession by delegating some strategic decisions and using consultants. The brother of the founder said that they succeeded in involving others in the board of directors and showing the founder the successful results.

> *"The founder resisted to giving up control and making arbitrary decisions, but with the help of his brother and by seeing good results he agreed"*
> (Brother, CEO, 2G) BL Holdings (PSP)

However, among some founders there is a certain lack of awareness of the importance of succession planning, especially when the founder is still young. This phenomenon more commonly occurs in SMEs that are sole proprietorships. In these kinds of family businesses, the founder is the usually the father of an owning nuclear family. Therefore, as the father and founder, he has high controlling power in both social systems, and Arab social organization is reflected in his management and business (Weir, 1999). In this case he may feel that he does not need a succession plan because his children will definitely follow him as father of the family and as boss in the business. The founder of the RD Group, which is a sole proprietorship, said that they did not need to discuss succession because there was a long time ahead before a succession plan would be required. He also added that he had thought of transforming the company into a closed partnership, but he had not informed his children yet. He perceived his sons as children and did not even share important decisions with them. As the father and the leader of the family he did whatever he thought was best for the family.

> *"We never talked about succession. There is long time ahead before we need it. I thought of transforming the business into a closed partnership, but still didn't tell them that"*
> (Founder, Chair and CEO, 1G) RD Group (SP)

Consequently, because a major part of succession planning is addressing the transfer of power and authority, it is necessary that the founder leads the movement towards this change by designing the plan. It is accepted that the founder has a significant role and responsibility to develop leadership with regards to succession planning (Brant *et al.*, 2008). Business continuity will be affected by an unsuccessful generational transfer. This could be due to a founder's narrow view of the future of the business. Another example of resistance by the founder of a sole proprietorship is in the FZ Ltd Company, where the founder and owner was the father and his oldest son was the CEO. The first son really hesitated to negotiate succession with his father. He expressed his knowledge of the importance of preparing for succession; however, they had not done it yet. He said that, when succession occurred, each family member would inherit their share of the company.

> *"It is important to think of a succession plan, but we haven't done it yet. I think the next generation members will be owners depending on their inherited shares, and some of them will take over management"*
> (Son, CEO, 2G) FZ Ltd. Company Group (SP)

This statement implies that succession means the death of the founder or members of the senior generation. This helps in explaining the resistance of founders to discussions of succession, which causes unpleasant feelings among family members. Discussing succession implies discussion of the mortality of the founder (Kets de Vries, 1985; Lansberg, 1988).

> *"It is very hard to discuss succession between family members, especially in our strong family-based society. It is similar to discussing the death of the founder"*
> (Head, Chair, 2G) FT Holdings (JSC)

Cultural factors also have a substantial influence on the absence of succession planning. In Saudi culture, one of the most sensitive subjects to consider is a person's death or sudden departure. The topic becomes particularly sensitive in a family context when a child proposes that his parents should plan for their exit and, consequently, for transferring business control to him or her.

7.6.2 Competition Among Successors for Control

On the other hand, successors and members of the next generation face other kinds of succession conflict such as competition, comparison and the division of shares and power. The main reason for this problem could be the large size of Saudi families. Men in Saudi Arabia are allowed to marry up to four wives, which is acceptable in Islamic law and in society and culture. Furthermore, even with only a single wife, the size of nuclear families is relatively large compared to in the West. That increases the likelihood of envy and jealousy between siblings and members of new generations. The founder of the NY Group, which is a limited partnership company, explained that it is hard for a typical Saudi family business to survive more than the third generation because of the large numbers of family members who would be involved in ownership. He said that the third generation could amount to 150 family members who share the inheritance.

> *"We are different from in the West where there are small numbers of family members. We have relatively large number of children, so by the third generation the company could be owned by 150 family members. That's why Saudi companies usually end by the third generation"*
> (Founder, Chair and CEO, 1G) NY Group (LLP)

However, the problems of the large numbers of family members in the next generations has not appeared clearly in the research data. The closed partnership solution discussed in section 7.6 has presumably reduced the extent of this problem. The data shows that, with a large number of inheriting family members, those who are not interested or involved in the business tend to sell their shares to the others. The son of the founder in the TQ Group, which is a limited partnership, thought that his own children would not want to be involved in the family business. He explained that the number of family members by this time would be large and the company would become joint stock for all of them, and that it would not be an appealing career for his own children to work in the firm.

> *"The number of inheritors will increase, and the company will become joint stock. It is not an appealing environment for our children"*
> (Son, CEO, 2G) TQ Group (LLP)

In the literature it is suggested that preparing the new successors is the founder's responsibility. Also, the founder's awareness of the importance of succession planning will result in successful planning for the company's future. The founder of FT Holdings, which is a joint stock company, emphasised this responsibility of the founder and added that this would reduce jealousy, competition and conflicts among siblings in the future.

> *"It is all the founder's responsibility to plan for the future. He needs to pull himself out gradually from control and to turn it into joint-stock company by involving others so that common interest overcomes the problem of jealousy"*
> (Head, Chair, 2G) FT Holdings (JSC)

However, the hesitation about discussing succession with the founder and the silence about this issue due to Saudi cultural factors could create another problem between candidate successors. That such conflict occurs is clear from the response of the first son in the OX Corporation, which is a sole proprietorship. The son knew that he and his sister were the two candidates for succession. However, he expressed his confidence about being the successor because he had a better relationship with their father.

> *"My sister and I are the two candidates for succession, but I think I have a stronger position because I am knowledgeable about the business activities as I am closer to our father"*
> (First son, executive, 2G) OX Corporation (SP)

Similar responses from candidate successors imply the existence of competition to be the successor of the business. This could occur because of the lack of a succession plan. This confirms the statement in the literature that one of the most common reasons for succession to fail is viewing succession as one event, where the founder leaves the decision to be discussed when he retires or leaves the business.

"I am the oldest son I used to go with my father everywhere when I was a child. I also worked in the summer for my monthly allowance. We started from the beginning in small jobs and grow to become executives"
(Nephew, manager, 2G) ZL Company (LLP)

"I think my husband (son-in-law and nephew of the founder) is the next successor because he is the current executive; besides which, everybody loves him"
(Daughter, executive, 2G) TL Company (SP)

"Technically I am running the business now as the future successor"
(Brother, CEO, 2G) BL Holdings (PSP)

"I think I am the right successor because I worked with my father from the beginning. I have enough experience"
(First son, executive, 2G) HR Company (PSP)

Succession should be viewed as a process that takes place over a period of time. It includes planning for the transfer of leadership, management and/or ownership from the founder or the senior generation to one or all of the next generations. Intergenerational succession is a complex process for the family leader because it includes dealing with personal and economic issues (Westhead, 2003). A lot of family business scholars suggest that this problem can be solved by developing a succession plan for the next generation (Miller *et al.*, 2003; Westhead, 2003; Royer *et al.*, 2008). The next section discusses the resolution of succession conflicts in the Saudi context using family governance.

7.6.3 Need for Effective Family Governance

The need for a succession plan and planning for the future of the business stems from the need for a system to manage the business. With the strong power of the business founder or family leader, he could make arbitrary decisions that could harm the business or the family's interests. Hesitation among other family members when facing the family leader could cause tension and the need for a management system or family governance. Davis and Harveston (1998) argued that some decisions made by the family leader could cause minor family conflicts, but decisions related to succession could cause major family conflict. Thus, Harvey and Evans (1994) suggested that issues of succession in the family business need to be confirmed by various stakeholders, especially by key employees (managers) and family members. In other words, 'family governance' that includes rules and policies for family members, is required.

The concept of family governance has been discussed in chapter five. It is a different concept form corporate governance. In Saudi society, family governance means the constitution that rules all family members' business relationships and interactions. Family governance works as the reference point for all conflicts among family members so as to avoid direct confrontation. However, family governance is not a magical solution to conflict among family members and especially to personal jealousies and problems of self-control (Schulze *et al.*, 2001).

Table 7.5 Reasons for the need for family governance

Illustrative quotations	Interpreted reason
"The real difficulty is the need for clear governance as you know we will have other partners that have different visions" (Founder, Chair, 1G) FL Company (LLP) "The main reason behind our continuity is not just that it is a joint stock company but also there is transparency and governance" (Head, Chair, 2G) BB Group (JSC) "I set a company governance system of transparency, but we need to register this governance as a legal document that affects the future in case of a death" (Founder, Chair and CEO, 1G) HR Company (PSP)	Transparency
"I would be glad if my sons joined the family business, but of course under the governance rules" (Head, CEO, 2G) AN Holdings (JSC) "I wish we would have corporate governance and family governance to ensure the continuity of our business for our new generations" (Head, Chair and CEO, 2G) KH Group (JSC) "We have family governance rules for the involvement of new generations depending on their qualifications and job vacancies" (Head, Chair, 2G) BB Group (JSC)	Involvement of the new generation
"In 40 years of working together we created non-written family governance. It should be written down" (Founder, Chair and CEO, 1G) AJ Company (PSP) "Toward our succession and continuity, we started to draw up family governance. It is not officially finalized" (Founder, Chair, 1G) SL Group & Co (JSC)	Family interactions

In the Saudi Arabian context, the issue of conflict among family members is very sensitive since family relationships are considered to be a high priority in the norms of Arab and Islam culture. It is not acceptable at all for relationships between two family members to break down due to business conflict. Stories of collapsed family businesses spread as the moral of a story, as shown in the last section. Therefore, the need for effective family governance arises in managing succession. The data reveals many motivations expressed by the research participants as reasons for requiring effective family governance. Table 7.5 shows these reasons as demonstrated in this research.

Transparency

Family members know that there is a lack of transparency in their businesses; thus, there were some comments from interviewees about having family governance rules to guarantee transparency. This is compatible with Ali *et al.'s* (2007) argument that corporate governance may exert the cooperate transparency (Wan-Hussin, 2009).

> *"The real difficulty is the need for clear governance as you know we will have other partners that have different visions"*
> (Founder, Chair, 1G) FL Company (LLP)

The founder of the FL Company, which is a limited liability partnership, said that a difficulty with having corporate governance is the requirement of transparency, with other partners joining in the future. He knew that justice means clear equality between family and non-family board members. He described this as difficult because he was the CEO of his business with absolute power, giving centralization of decision-making and control over his own children who worked with him as executive, manager and personal secretary. However, he implied a willingness to give up this sole control power for the good of the business. Transparency would lead to equal treatment for all family and non-family members, encouraging them to work in harmony, as advocated by this founder (Wan-Hussin, 2009).

Furthermore, the chairman of BB Group, which is a public joint stock company, confirmed that the success of their succession was due to transparency and good governance. When the company had reached this level of maturity, there were other stakeholders who shared interests with family members. Thus, there is a need for transparency and clarity between business partners and other stakeholders.

"The main reason behind our continuity is not just that it is a joint stock company but also there is transparency and governance"
(Head, Chair, 2G) BB Group (JSC)

However, the most simple forms of family businesses such as sole proprietorships and simple partnerships which do not have formal governance rules could lack information transparency between partners. This could cause conflicts between family members and hinder continuity and succession. Therefore, family members need to transform family enterprises into private, or public joint stock companies as this entails restrictions and procedures to clarify and govern the operations of management and the requirements of corporate governance.

"I set a company governance system of transparency, but we need to register this governance as a legal document that affects the future in case of a death"
(Founder, Chair and CEO, 1G) HR Company (PSP)

The founder of the HR Company, which is a partnership company, started as a sole proprietor and then changed to a partnership with other non-family members. He was still thinking of the future of the company for his sons and daughter and therefore, suggested setting a legal governance system that would have a positive impact upon the continuity of the family business in terms of financial transparency. He stressed that qualities such as transparency and honesty in dealing with others would reduce conflicts between family members and encourage success and continuity in the family business.

New generation involvement

The emergence of new generations in the family business may be combined with a lot of conflict between family members such as due to nepotism and jealousy, especially between cousins and extended family members. They may demand a fair chance, equal payment and equal shares in ownership. Succession means transferring ownership and leadership from generation to generation of the family (Miller *et al.*, 2003; Gilding *et al.*, 2015). Thus, the succession process includes a high completion between the members of the new generation. One of the more successful experiences of family businesses in controlling the involvement of new generations was from the BB Group, which is a joint stock company. The head of the family, who was the chairman of the company, said that they had governance rules for the involvement of new generations depending on their qualifications and the job vacancies available. Applying these rules to all new generation members with no exceptions eliminated personal conflicts and especially the negative effect of nepotism.

"We have family governance rules for the involvement of new generations depending on their qualifications and job vacancies"
(Head, Chair, 2G) BB Group (JSC)

Another example of a family business that applied family governance is AN Holdings, which is a joint stock company. The CEO and head of the family expressed his happiness if his own sons would join the family business to work with him, but of course following the family governance rules that applied to all family members.

"I would be glad if my sons joined the family business, but of course under the governance rules"
(Head, CEO, 2G) AN Holdings (JSC)

Even though most family members knew the positive effect of having family governance rules in solving problems of next generation involvement, not all family businesses have developed such rules. This is because there is no legal requirement for the application of family governance. It is, however, a good solution to manage personal problems between family members and to avoid direct conflicts. The chairman and the CEO of the KH Group, which is a joint stock company, wished that his business had a family governance system to ensure the continuity of the business for the next generations:

"I wish we would have family governance to ensure the continuity for our business for our new generations"
(Head, Chair and CEO, 2G) KH Group (JSC)

This is strongly related to Saudi culture, which gives very high priority to family relationships rather than the business relationships. Family conflicts could reduce goodwill and the shared understanding of family members (Kellermanns and Eddleston, 2004), which is not acceptable in the Saudi context. Thus, family governance procedures are required to manage family conflict. Miller and Le Breton-Miller (2006) argued that there are four core dimensions that affect family business governance: the level and model of family ownership involved, family leadership, the broader involvement of multiple family members; and the planned or actual participation of later generations.

Family interactions

Family business governance in general refers to a system of processes and structures put in place at the highest level of the business, family, and ownership structure to make the best possible decisions regarding the direction of the business and in assuring accountability and control in a well-developed family firm. This involves an understanding of how the business and its governance structure, such as the board of directors and the management's executive committee, interact with the family and its structures. Some scholars such as Schulze *et al.* (2001) see family firms as being rife with personal rivalries and problems of self-control that are not easily resolved within the context of family governance. However, the present data shows a strong relationship between personal and self-control problems and family governance. The founder and chairman of the AJ Company, which is a partnership company, said that their successful experience of working together for 40 years as family members had created an unwritten family governance system. This implies that fair rules and guidelines had been applied to all family members equally in organizing their business interrelationships.

> *"In 40 years of working together we created non-written family governance. It should be written down"*
> (Founder, Chair and CEO, 1G) AJ Company (PSP)

Another interesting response concerning the preparation of a succession plan and the continuity of the family business came from the founder and the chairman of the SL Group & Co, which is a joint stock company, who stated that they were preparing a formal family governance system.

> *"Toward our succession and continuity, we started to draw up family governance. It is not officially finalized"*
> (Founder, Chair, 1G) SL Group & Co (JSC)

The interview data reveals that family members were very emotionally perceptive about the family business due to their strong family relationships. Thus, family members were very sensitive concerning any disagreements and conflicts in business relationships as these could damage their family relationships. Family governance works as the reference point for all conflicts among family members so as to avoid direct confrontation. For example, nepotism is a custom in Saudi society that could be practised in a positive way to support family members. However, too much nepotism could harm or even destroy a business (Long, 2005). To solve this problem without damage to family relationships, family governance may include hiring rules for family members such as the qualifications and years of experience needed.

7.7 Conclusion

There is an almost complete lack of studies of family business succession in the Middle East (Palliam *et al.*, 2011). This chapter presents the research findings relating to intergenerational succession in Saudi family firms. It explores succession in family businesses in Saudi Arabia in terms of the continuity ensured by the transfer of power and the management of the company into the next generation. Observation of the typical patterns of interaction between the businesses and family members facilitates the study of intergenerational relationships and succession in family businesses.

Barnes and Hershon (1976) argued that the founder or family leader is the family member most responsible for the continuity of the family business. The analysis of the research data reveals high levels of awareness of the importance of succession planning and its relationship to the future and continuity of the family business for the next generations. However, there are variations in the application of this awareness to an actual succession plan. The data shows that the variation depends on the current governance structure of the firm. In family businesses where management and ownership are still in the hands of the founder or senior generation, the involvement of the next generation is controlled by them. The founder or senior generation prepare the next generation for succession through early education or formal education to increase familiarity with the business from an early age and to enhance the relationship between the company and the children. Furthermore, they control staffing and the hiring of members of the new generations. and pressure may be applied by the senior generation or founder in forcing the children to study and work in specific subject areas depending on the needs of the family business. This reflects the managerial style of Saudi culture, which is a high-power distance culture. Also, as Dyer (1988) argues, decision making is more centralized in first-generation family firms than in those run by subsequent generations.

On the other hand, in large businesses where ownership and management are separate, the application of succession plans is different regarding the preparation of the new generations. Senior generations focus on ownership succession instead of management succession. This is because they themselves don’t manage the business but instead control it through their ownership. Therefore, they want their children to succeed in ownership and control. This finding may not be specific to the Saudi context, and the literature on family business succession is largely silent about ownership succession, instead focusing on the succession processes used and models of transforming management between generations.

In neither management or ownership succession is conflict between the senior generation and the next generations as well as between siblings eliminated. One of the main reasons for such conflict is the founder's resistance to succession and desire to maintain control over the business by making autocratic decisions. This has been interpreted in the literature as the founder viewing the business as their own creation and development (Lewis and Churchill, 1983; Kets de Vries, 1985; Dyer, 1988). However, the analysis of data in this research suggests another interpretation of this phenomenon. The second and later generations accept this sole control as part of their culture in respecting the family leader and senior family members. This is strongly related to the very high priority given to family relationships rather than business relationships in Saudi culture. Family conflicts could reduce goodwill and the shared understanding of family members (Kellermanns and Eddleston, 2004).

Another type of conflict among family members specific to the Saudi context is the influence of Islamic inheritance law, which regulates the financial rights of the next generations as heirs. The inheritance of property includes shares in a company or partnership. As clarified in chapter five concerning Sharia law in Saudi Arabia, Islamic succession law means that a male heir gets twice the share to a female heir (Awang, 2008). This can lead to many issues between siblings. The most common phenomenon reflected in the data is the exclusion of women from the business by liquidating their shares. As they have the larger shareholdings, male siblings usually inherit the business together.

Finally, an interesting finding in this research is the dependence on family governance to overcome conflicts between family members. Successors and the next generations may face problems of competition, comparison, and the division of shares and power. The size of Saudi nuclear families is relatively large compared to those in the West. This can exacerbate problems of envy and jealousy between siblings and the members of new generations. Sonfield and Lussier (2004) argued that it is natural for family, as they move into subsequent generational involvement, to 'go public' in order to grow and to ensure management or financial resources for growth. The present findings are compatible with this, in that when asked about the succession plan or the future of the family firm to ensure its continuity, 50 per cent of respondents replied that ownership would be separated from management by changing the legal form of the company in the future. The main three reasons for this given by the respondents, beside the need for continuity, were eliminating arbitrary decision making, avoiding family conflicts and the need to depend on official board decisions. Consequently, the idea of family governance appears in Saudi Arabian context as a different concept from corporate governance. In Saudi society, family governance means the set of rules which determine all family members’ business relationships and interactions. Family governance works as the general reference point for all conflicts among family members so as to avoid direct confrontation. It is not acceptable at all for relationships between two family members to break down over business conflicts. Stories of collapsed family businesses spread as the moral of this story, as shown in the research data. Therefore, the need for effective family governance arises in managing succession. The analysis of data reveals many motivations expressed by the research participants as reasons for requiring effective family governance, such as a motivation for better transparency in the business and the regulation of family members’ involvements and interactions. However, the family still control the business through ownership.

Chapter Eight:
Conclusion and Recommendations

8.1 Introduction

This chapter summarises the research and presents a discussion of its main findings. Referring to the literature on family businesses, the results of the research are considered in the light of the research questions in the context of Saudi Arabia. In addition, the achievement of the objectives of the research is discussed, highlighting the contributions made by this study. Finally, the limitations of the study are clarified, and recommendations and suggestions for future research are presented at the end of the chapter.

8.2 Summary of the Study

The main purpose of this study is to investigate family businesses in Saudi Arabia and explore their working dynamics by focusing on the interactions between family members. Moreover, this study enhances the understanding of the field of family business in the Saudi Arabian context by comparing the findings with those in the existing literature. In order to achieve this, the research has been divided into four main areas of investigation developing four research questions. Firstly, the study of family businesses in the Middle East entails an examination of their role and importance in the economic growth and prosperity of the Kingdom of Saudi Arabia. Secondly, the characteristics of the social organization and governance of Saudi Arabian family businesses are identified by studying the wider social and cultural forces which are influential in shaping their structure and organization. Thirdly, the strategic management of family businesses is investigated by studying the role of family members and their practices in shaping company strategy. Fourthly, observation of the typical patterns of interaction between the businesses and family members facilitates the study of intergenerational relationships and succession in family businesses.

The study of family business has gained prominence over time due to various factors such as the increasing volume of publications and the numbers of academic institutions teaching family business programmes. (Sharma, 2004). The family business is a traditional general model of business, and is among the most popular types of organisation in the world (Bird *et al.*, 2002; Olson *et al.*, 2003; Astrachan, 2010; Gupta and Levenburg, 2010).

Furthermore, family businesses bring substantial assets to the microeconomy, giving them a major role in shaping the macroeconomy (Davis, 1983; Muske and Fitzgerald, 2006; Oukil and Al-Khalifah, 2012). Thus, family businesses play a vital role in the economic landscape in most countries (Astrachan and Shanker, 2003; Sharma, 2004). Family businesses have an important role in the market as well in the majority of Asian countries (Miller and Le Breton-Miller, 2005; Miller *et al.*, 2007). In Saudi Arabia, family businesses comprise 95% of private companies (Achoui, 2009). Moreover, according to the Saudi Chamber of Commerce, investment in family businesses is equivalent to 10 per cent of GDP and 40 per cent of non-oil GDP at approximately 22.5 billion SR (roughly 4.6 billion pounds sterling) (Ramady, 2010).

The main participants in this research were family members involved in family businesses, as they are considered to be the vital elements that shape and control these businesses. Chua *et al.* (1999) argued that it is the family's involvement which gives family business its unique nature compared to other types of business. Handler (1989) claimed that most researchers interpret family involvement in terms of ownership and management. Furthermore, according to the definition of a family business used in this research, it is an organization that involves a family (or families) through their ownership and management. This definition encompasses most businesses in the Middle East and in Saudi Arabia, which is the main context for this research. Therefore, providing there is a family influence on a company, this differentiates it non-family firms, and in this sense unique.

In conclusion, the importance of family businesses has been widely acknowledged as a significant research subject, and thus there is a need for extensive investigation in this field (Chrisman *et al.*, 2012). However, surprisingly little empirical work has examine the techniques, tools, and approaches to planning that are actually used in family firms (Rue and Ibrahim, 1996). Kassem (1989) also affirmed that this knowledge gap is particularly manifest in Saudi Arabia. Therefore, this environment is still loaded with scholarly opportunities, but they have to be identified and researched.

Saudi Arabia is one of the largest and most important countries in the world. Its oil wealth gives the country a high ranking as one of the most important countries affecting the global economy (Ramady, 2010). Moreover, its vital location gives the country geopolitical and political security significance, as it has an effective role in regional and global decision-making. Thus, it plays a strong political role in coordination with world powers. Since the discovery of oil in the Gulf region in the 1930s, the Middle East has been in transition. The subsequent increases in revenue have resulted in drastic changes and significant industrialization within these countries. Welsh and Raven (2006) called for research to expand our knowledge about family business and its cultural variations. In particular, they called for research to include Saudi Arabia, Bahrain and UAE as there is a need to understand Middle East management techniques and culture.

Research Objectives

1. To discover the role and importance of family business to the economic growth and prosperity of Saudi Arabia.

2. To explore the role of wider Saudi social and cultural forces in shaping the structure and organization of Saudi Arabian family businesses

3. To identify the influence of family members and their practices in shaping the strategic management of Saudi Arabian family businesses

4. To investigate the typical patterns of interaction observed between the business and family members within family businesses.

Research Questions

RQ1. What is the role and importance of family business in the economic growth and prosperity of Saudi Arabia?

RQ2. How do wider social and cultural forces shape the structure and organization of Saudi Arabian family businesses?

RQ3. How do family members and their practices shape the strategic management of Saudi Arabian family businesses?

RQ4. What are the typical patterns of interaction between the business and family members within family businesses?

8.3 Contributions of the Study

This study contributes to the literature on family business. It aims to provide a better understanding of family businesses in Saudi Arabia in the light of the need for more academic research in this particular context. Sharma *et al.* (1997) argued that family businesses are not a homogeneous group, and so what works for one does not necessarily work for others. Therefore, it is important to clarify the types of families, businesses and business environments being studied. It has been proven that culture has a significant impact on management practices (Glaister *et al.*, 2009). Ali (1995) argued that there is a general agreement among management scholars that there is no culture-free theory of management. There are even calls to conduct studies at country/regional level to take account of cultural differences (Davis *et al.*, 2000; Welsh and Raven, 2006). Therefore, strategic planning in the Arabic world is expected to be different from that in the Western world. Davis *et al.* (2000) argued that, more than any other area in the world, business in the Arabian Gulf is viewed as a way to enhance a family's social standing rather than merely as an impersonal, wealth-generating, market-driven activity.

This study makes several contributions to knowledge within the field of family business research. These contributions are classified into four themes relating to the four research questions. Each was tackled in a separate chapter to form the four empirical chapters of the thesis. Chapter 4 considered family business in the Middle East, examining the role and importance of family business in the economic growth and prosperity of Saudi Arabia. In order to reach conclusions an analysis of the 'grey' literature about the Saudi economic system was conducted. The main area of concern was the country's heavy dependence on oil revenue. The Saudi government has been aware of the importance of income diversification, especially after the fall in oil prices in the 1980s. One of the country's main objective has been to establish a successful system for expanding the non-oil market and to support private enterprise, including family business. Government support was given to businessmen to establish their businesses. Thus, business founders tended to have low educational levels with a lot of wealth to manage. Even though the Saudi economy has grown rapidly, its human capital has not developed as rapidly. There is a large proportion of non-Saudis in the workforce and a large number of family-owned firms lack human resources management (HRM). The Saudi government is aware of the lack of HRM in family businesses due to the impact of family dynamics on business operations. The government has spent significant sums of its oil revenue on education in order to raise the educational level of Saudi citizens and to provide the market with skilled Saudi workers instead of foreign workers.

This research has found that the activities of family businesses follow the pattern of the country's progress and financial development. Businesses established before the consolidation of the Saudi state tend to engage in craft activities such as fine jewellery. In the period between 1950 and 1970, after the discovery of oil and the economic boom in Saudi Arabia, most family businesses were active in the manufacturing and retail sectors, which coincides with the industrial revolution in the country. Moreover, women's empowerment has a big role in the ninth development plan of the country. The research sample included 10 women, 90 per cent of whom joined the family business in 2010 or after, indicating that the rate of female involvement in the business matches the development plans of the country. Family businesses in Saudi Arabia now form approximately 95% of private sector companies and represent 40% of non-oil GDP. They are a vital economic resource for the country. Obstacles facing family businesses are related to finance and the market, such as limitations concerning communication in the market, access to raw materials, financing, and a lack of training and knowledge.

Chapter 5 then considered the social organization and governance of Saudi Arabian family business by studying the wider social and cultural forces which are important in shaping their structure and organization. This research emphasises the role of the family and society as the main organizational and institutional forces that shape family business in the Saudi context. Saudi society has a significant effect in shaping family businesses. The culture of Saudi society is shaped by three major influences of religion, Arab traditions and the tribal system. However, religion is the most influential power in the society, as the country established Islamic law and become an Islamic state. Religious leaders control public debate over the central values of society (Le Renard, 2008). Thus, Islamic law is all-pervasive, resulting in distinctive practices such as gender segregation, male inheritance at double the female's and other gender practices that affect family businesses in Saudi Arabia. Based on that, this research adds several contributions to the literature on family business. Saudi families have a very high degree of insider exclusivity in decision-making, ownership and control of businesses compared to those in the West. This has encouraged some scholars to define family business in the Middle East as family-owned and -managed, which is completely consistent with the present data. The governance of the family business is shaped in such a way that allows family members to assume the highest authority and to control the business by controlling the board of directors. The chair and CEO is most often the founder or a leading family member, who is able to represent the family's interests on the board.

The data also show, that out of the total of thirty family businesses in this research sample, 17 are completely men-only organizations with no female work involvement. On the other hand, there are 13 businesses in which working women are involved, 4 in the women's domain sectors and 9 in non-women's domain sectors (women's domain sectors are officially classified by religious leaders in the country). Another effect of Islamic law is related to business ownership. Under Islamic Inheritance law, in calculating the successors' shares for males and females the ratio applied is two to one in favour of males. This means that a typical son takes double the share of a sister when they inherit the business. This law gives males more power as they own the largest share of the business and it makes it easy for them to exclude their sisters by buying their shares. However, the ratio of two to one in Islamic Inheritance law has caused another gender issue concerning male and female ownership during the life of the owner. Therefore, the data reveal that involving female family members in shareholding depends on the family head's personal interpretation of Islamic law and the significance of patriarchal power over women.

Furthermore, the role of women cannot be ignored, as they play vital but often understated roles in family businesses. They are very powerful in managing the family as an organization. They are the spine of the family which holds it and the business together and stabilize the situations. Daughters in particular feel a very strong emotional attachment to the family business, expressing positive emotions toward it. They show very powerful participating roles in supporting the business through their management and executive positions. However, this role is kept hidden in the business, but their remarkable strength should not be underestimated. They may have been hidden to avoid loss of face, but in the new era in Saudi Arabia following publication of the 2030 Vision for the country, their role is set to become more visible. This is compatible with previous research into father-daughter business relationships where daughters are not considered as managers, despite the strength of their credentials, until crisis creates a critical need (Dumas, 1989).

Chapter 6 discussed the strategic management of family business through a study of the role of family members and their practices in shaping company strategy. Using the strategy-as-practice approach, the characteristics of the three SAP components of practitioners, practices and praxis in different types of family business were investigated. The research put forward an original typology of family businesses based on the size and age of the firm, as the importance of these variables in affecting business strategy is emphasised in the literature. Therefore, the research classified family businesses into four categories: large and long established (old), large but recently established (young), old small or medium-sized enterprises (SMEs), and young SMEs.

Focussing on family members as practitioners, the study found that business founders and family leaders have great power and usually dominate decision-making. They gain that power from the social culture of Saudi Arabia. Also, the management style of the country encourages patriarchal behaviour that leads them to be centralised, dominant, and bureaucratic. However, the effects of the influence of family members on strategic decisions decreases with the size and age of the firm since, with increasing organizational complexity, more structured management processes are likely to have formed. As for strategy practioners in the four types of family business, in large businesses whether old or young the CEO and executive managers were members of the strategy team with some influence from the family. On the other hand, the role of family members, and especially the founder, was stronger in influencing business strategy in SMEs, although with some delegation to junior family members. It is worth mentioning that the presence of founders in young businesses that are still in the first generation stage and where the founder/s is/are still alive, leads to a high degree of centralization of control and sole decision-making power. The study also highlights the role of the founder in affecting the succession process. Thus, it is essential that the founder accepts the need to share power and decision-making with others. This could increase the likelihood of successful succession and ensuring continuity for the business.

Large and old family businesses used more formal strategic practices than informal practices. Most business strategy was determined through formal meetings such as board meetings, other multilevel meetings, market monitoring, benchmarking, and formal family council meetings. Thus, there was less influence from the family on business decisions and a clear separation between the family context and the business context. However, because of family relationships outside of the business, there were some informal family meetings at home or over family meals to discuss strategic business decisions, but this was not common. In general, the occurrence of formal family meetings occurred more often than informal family meetings. The involvement of family members took the form of shareholding activities through the board rather than direct involvement in the business. On the other hand, in large and young family businesses there appeared to be some influence of family members on business decisions. In fact, however, the family and business contexts were clearly separated with only a moderate level of influence from the family on business decisions. In cases where the business was owned by a nuclear family, family members met at home and discussed business issues there. However, there was a clear effort to avoid the family's total control over the business in order to achieve a mature separation between the family and the business. Thus, decision-making processes followed a rational procedure and usually involved family members and non-family members. Therefore, the outcomes in praxis of these practices were the existence of clear strategic aims, tactics, and methods and a competitive stance with some degree of influence from family members depending on their position in the organization.

The study found that, in family firms that are old SMEs, strategic decisions were concentrated among senior members of the founder's family. The strategic process usually involved family members, with a certain tendency to also involve non-family members, especially in businesses that focused on quality services and loyal customers with after-sales care. Strategic decisions were made by striking a balance between family and business goals. Thus, the strategic practices tended to be informal, such as in casual family conversations and meetings. Therefore, the family and business contexts were to some extent separated but with some blurring of boundaries, such as when discussing business issues in the family context and vice versa. This degree of confusion between the family and business contexts led to a balance between family and business goals in making some strategic decisions. However, casual family conversations and meetings do not necessary produce a clear written strategic plan. Thus, although it seems that there was more freedom for family members to be involved in the business, some rules were applied. The strategic practices in this type of business were concentrated among family members such as in formal and informal family meetings with a tendency to also involve non-family members such as in board meetings, committees, workshops and market monitoring. This pattern produced a praxis that depended on the relationship between the family and business contexts, such as when following market demand, expanding available resources and fulfilling family interests. On the other hand, in the family businesses that were young SMEs, strategic decisions were mostly made by family members during formal and informal family meetings. Typically, these meetings occurred during casual conversation between the founder and his sons. This phenomenon occurred because in some cases the board of directors consisted only of family members. Furthermore, these kinds of casual conversations produced confusion between the family and business contexts as business issues were discussed among the family. However, the research shows a sufficient awareness of the importance of taking strategic decisions away from the family, and to instead depend on research and formal board meetings. Informal strategic practices were conducted in family meetings and discussions and the sites of formal practices included daily work, board meetings, family meetings and efforts to improve services and products. This resulted in praxis that concentrated on serving current customers and gaining customer loyalty and satisfaction. No clear evidence was found of strategy for expansion. Thus, strategic decisions could be compatible with family interests. Moreover, informal meetings between family members occurred more often than formal ones. The family context provided a foundation for the strategic decision-making process more than the business context.

Chapter 7 then identified the typical patterns of interaction observed between business and family members within family businesses in order to characterise the intergenerational relationships and the nature of succession in family businesses. As proven in the literature, the study confirmed that the founder's awareness about the significance of preparing a succession plan is a very important factor affecting business succession. The analysis of research data reveals high levels of awareness of the importance of succession planning and its relationship to the future and continuity of the family business for the next generations. The founder's awareness leads to the suitable preparation of the next generation to take over leadership of companies in the future. The research found two main methods for succession in family businesses depending on the current governance structure of the firm. Firstly, in family businesses where the management and the ownership were still in the hand of the founder or senior generation, the involvement of next generation was controlled by them. The founder or senior generation prepared education the next generation for succession through early education or formal education to increase new generation's familiarity with the business from an early age and to enhance the relationship between the company and the children. Furthermore, they controlled the positions and hiring of new generation members and some pressure from the senior generation or the founder was found in forcing their children to study and work in a specific field depending on the needs of the family business. This reflects the managerial style of Saudi culture, which is a high-power distance culture.

On the other hand, in large businesses where the ownership and management were separated, the application of succession plan was different regarding preparing the new generations. Senior generation focussed on ownership succession instead of management succession. This is because they themselves did not manage the business but instead they controlled it through their ownership. Therefore, they wanted their children to succeed it ownership and control. This finding is probably not specific to the Saudi context; but the literature on family business succession seems to be silent about ownership succession. Instead it focuses on the succession process and models of transforming management between generations.

The research shows the important role of the early education of children in preparing the next generation to succeed in the business. They gain the necessary basic skills at a young age and join the business automatically as they grow up. This is one of the most common ways of preparing the next generation in the Saudi context as it is believed to be one of the duties of the parents toward their children. Furthermore, formal education and training programmes also fall under the same category of parental duties. The research shows a very positive impact of formal education and training programmes in preparing the next generation and increasing their experience with the goal of successfully taking over the business. The research also found that strong family ties and relationships play a key role in developing the next generation's business skills to deal with company problems in the future. It is important to ensure positive relationships among family members across the different generations to maintain a healthy and strong environment in the business. On the other hand, the study shows that the actual involvement of the next generations in the business is also a vital aspect in the succession process. It enables the candidate successors to practise the business but under the supervision of the founder or members of the senior generation who assess their capabilities.

The study has also pointed out some obstacles to the succession process. The founder's resistance to retirement and passing on power to new generations is problematic in most family businesses around the world. However, in Saud Arabia the transfer of leadership and power rarely proceeds smoothly. The reasons for this relate to Saudi culture, where relationships in the family are reflected in business relationships. Therefore, the fear of financial uncertainty or loss of respect from other family members drives many business founders to continue to exert control over management even after a successor has been appointed. This has been interpreted in the literature as the founder viewing the business as their own creation and development (Lewis and Churchill, 1983; Kets de Vries, 1985; Dyer, 1988). However, the data in this research revealed another interpretation of this phenomenon. The second and later generations accepted this sole control as part of their culture in respecting the family leader and elderly members. This is strongly related to Saudi culture that gives very high priority to family relationships rather than business relationships. Family conflicts could reduce goodwill and the shared understanding of family members (Kellermanns and Eddleston, 2004).

Another conflict among family members that is particular to the Saudi context is the influence of Islamic Inheritance law, which regulates the financial rights of the next generations as heirs. The inheritance of property includes shares in a company or partnership. As clarified in chapter five concerning Sharia law in Saudi Arabia, the law of succession follows Islamic succession law, where a male heir gets twice the female share (Awang, 2008). Therefore, this leads to many issues between siblings. The most common phenomenon which appeared in the data is excluding women from the business by liquidating their shares. Male siblings have the larger shares and thus usually inherit the business together.

Finally, an interesting finding in this research is the dependence of family members on family governance to overcome conflicts between members. Successors and the next generations may face problems of competition, envy and the division of shares and power. The size of Saudi nuclear families is relatively large compared to those in the West. This can exacerbate problems of comparison and jealousy between siblings and the members of new generations. Sonfield and Lussier (2004) argued that it is natural for family business to as they move into subsequent generational involvement to 'go public' to grow and insure effective management and financial resources for growth. This is compatible with the data from respondents in this research when asked about the succession plan or the future of the family firm to ensure its continuity, fifty per cent of respondents replied that ownership would be separated from management by changing the legal form of the company in the future.

The three main reasons for this given by the respondents besides the continuity were: eliminating arbitrary decisions, eliminating family conflicts and dependency on official board decisions. Consequently, the idea of family governance appears in the Saudi Arabian context. Family governance is a different concept form corporate governance. In Saudi society, family governance means the constitution that rules all family members' business relationships and interactions. Family governance works as the reference point for all conflicts among family members in order to avoid direct confrontation. It is not acceptable for relationships between two family members to break down over business conflicts. Stories of collapsed family businesses spread as the moral of the story, as shown in the research data. Therefore, the need for effective family governance arises in managing succession. The data reveals many motivations expressed by the research participants as reasons for requiring effective family governance, such as the motivation for better transparency in the business and the regulation of family member involvement and interaction. However, the family will still control the business through ownership.

8.4 Limitations of the Study

The collection of interview data which requires face-to-face communication can be difficult in the conservative Saudi society. Also, due the sensitivity of the information collected from participants about their businesses, they informants could have had doubts about possible breaches of their privacy in disclosing information about the family and its wealth and business. This could limit the researcher's access to useful information and potentially restrict the number of participants. It is essential to be aware of the potential risks involved in order to maintain safety during the research process. For all fields of research, it is very important that the research context, culture and norms are understood by the researcher, enabling respectful interaction with informants without transgressing cherished values. In the present study, this could be assured since the researcher is from Saudi Arabia and fully familiar with the prevailing culture.

The researcher's gender may not be an issue of concern in some research areas. However, in conducting this study, the researcher's gender was a very important factor in gaining access to some participants and family members. Saudis consider the family – and especially its women – to be a very sensitive topic if discussed in public as well as when interviewing female family members. This has been a limitation of many other studies performed in the same context. However, the fact that I am a female researcher led participants to feel safe in divulging information about the family and its issues. Another limitation of the present research is its limited geographic location, with a restricted sample of study participants. Moreover, Saudi Arabia's society, culture and business environment are unique to the country. Therefore, the research results and findings cannot easily be generalised and must be considered limited to Saudi Arabia.

The researcher's background, experience, knowledge and intuition could affect the research results. It is very hard to separate the researcher's personal views from the research observations. According to Babbie (2015), a researcher's beliefs and assumptions influence the way that the researcher thinks about the phenomena being studied. Therefore, in this study, the researcher adopted the method of reflexive thinking, which helps in providing an awareness of how her own pre-existing understanding may influence the current research (Haynes, 2012). New theoretical knowledge is built upon the researcher's new understandings achieved during the research process and modifying the researcher's prior assumptions (Giddens, 1993). However, no matter how rigorous the researcher strives to be, no research of this type can be completely objective. This is especially the case when the researcher is from a Saudi cultural background and part of a business family. The interpretation of the data could be affected by assumptions made due to this background, even though it has been analysed using a strong and proven scientific method.

A final possible limitation of the study concerns the participants' openness and honesty and the accuracy of the information provided. During the interviews, the interviewees sometimes tried to guide the interview toward their own agenda in order to foreground certain information and perhaps conceal other details. This could occur because interviewees wanted to present a positive account of their business, especially during a face-to-face interview. In order to mitigate these problems, in this research a variety of family members from different job positions, ages, and genders were interviewed in order to get different perspectives and viewpoints regarding the same subject (Creswell, 2013). Also, research notes were taken concerning the business site and its environment and the non-verbal behaviour and language used by participants.

8.5 Suggestions for Future Research

Since this research represents one of the very few studies conducted in the Saudi context about family business, it suggests future opportunities for research into family businesses in Saudi Arabia. Furthermore, this thesis has investigated family business from many angles, introducing findings relating to strategic management, social organization, intergenerational relationships and succession. Thus, various issues for family businesses could be tackled in subsequent investigations. Future research could develop themes considered in this study and corroborate or contradict its findings.

Since this study has employed qualitative research only, future research could use a mixed methods approach to analyse the factors that affect family businesses in Saudi Arabia. Also, using widely distributed surveys may offer a good opportunity to generalise some of the present findings. Future research might wish to focus on one of the issues considered in this study and investigate it in more depth. For example, succession has been studied here from the perspectives of both the successor and senior generations, whereas future research could focus more on the points of view of the next generations and their involvement, preparation and concerns. Likewise, more could also be discovered about the visions and missions of the senior generations and their plans for succeeding generations.

Furthermore, given Saudi culture and its role in shaping family businesses in Saudi Arabia as well as society's norms and religion further investigation is required in relation to family business and its governance. The role of women in Saudi society and in family businesses is a major issue of concern in this study, and much more research based upon the present findings could be conducted to discover more about the vital role of women in family business. It has been found in this research that women are very powerful in managing the family as an organization. They are the spine of the family which holds it and the business together and stabilizes the situation. However, the significance of this role may have remained hidden for cultural reasons. Following publication of the 2030 Vision for Saudi Arabia, the often crucial roles played by women in family business will likely become more visible, creating role models for younger generations of women who wish to play a full part in the socio-economic development of their country, building on the many achievements of those who have gone before them.

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