How to Manage Your Family Business

How to Manage Your Family Business:

The 10 Imperatives for Success

By

Josiane Fahed-Sreih

Cambridge
Scholars
Publishing

How to Manage Your Family Business: The 10 Imperatives for Success

By Josiane Fahed-Sreih

This book first published 2019

Cambridge Scholars Publishing

Lady Stephenson Library, Newcastle upon Tyne, NE6 2PA, UK

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

ISBN (10): 1-5275-3397-2
ISBN (13): 978-1-5275-3397-4

TABLE OF CONTENTS

ABOUT THE AUTHOR

Tel: 961 3 411 811 (Mobile)
Fax: 961 9 740 163
Email: jsreih@lau.edu.lb
j.fahed@supervalue.com.lb
cpi@cyberia.net.lb

Dr. Josiane Fahed-Sreih is a full-time Associate Professor of Management in the School of Business at the Lebanese American University. She is the founder and currently the Director of the Institute of Family and Entrepreneurial Business at the Lebanese American University. She is currently the Chairperson of the departments of Hospitality Management and Marketing at the Lebanese American University. She served as an Associate Chair to the Department of Management. She holds a PhD from Sorbonne University, France and is a fellow member of the Family Firm Institute, USA. She holds the responsibility of the Middle East Coordinator for the Family Firm Institute, USA.

She is a Family Wealth and Family Business Consultant. Dr. Fahed-Sreih is the winner of the 2007 International Award for family business from the Family Firm Institute in the US, in recognition of outstanding achievement in furthering the understanding of family business issues that occur between two or more countries. She has participated in and organized international conferences, workshops, and seminars. She has presented at major conferences locally and internationally, and consulted on management issues in many countries, especially the Middle East (Lebanon, Saudi Arabia, Dubai, Jordan, Kuwait, Syria, Qatar, Bahrain), Cyprus, and France. As a consultant Dr. Fahed-Sreih has worked with a number of family businesses on issues including generational transitions, developing business, and family governance plans and structures; finding and articulating family missions and values, facilitating decision making and conflict resolution; setting managerial development policies, family compensation and employment policies, family dividend policies, family meetings, family retreats, and many more. She currently sits on five boards of directors as a shareholder, one as a Chairman of the board, and one as an independent advisor in the private sector; she is also involved as an advisor on boards of community service organizations.

Dr. Fahed-Sreih speaks regularly to trade and professional groups, and presents her research at academic conferences worldwide. Her research interests are in Management, Family Business Management, Boards of Directors functioning, and Corporate Governance. In 2004, she published her book in the US on *Facts and Figures Concerning Family Business in Lebanon* and contributed to many compendiums on Family Business Management in the Middle East in articles, book chapters, book reviews, and academic articles in internationally refereed journals.

ACKNOWLEDGMENTS

I would like to thank Mr. Shadi Khoury, my research assistant, for his efforts in making this project a reality. Mr. Khoury employed the required efforts, motivation, and enthusiasm to get the book on track. He did the necessary follow up relentlessly. Thank you.

PREFACE

Since the dawn of time, humanity has always strived to pursue knowledge and power, whether it be tangible or intangible. Humans, in context with most other mammals, are paternal and family-oriented, which creates the need to extend their line. However, due to our mortality, the limits in which we can create and maintain power are differential and short. All that remains as a legacy is, in the first instance, the name and the family. A legacy could be seen as an infinite number of actions or objects, but the desire to enshrine one's memory through a legacy is what defines the actions of a family or individual. In the past, leaving a legacy was limited to a few, as they consisted of kingdoms and empires made by great individuals. In our modern age, it can be commonly found in the form of family businesses. Family businesses have become a method where families gain power and influence through the economy. As a result, the family gains recognition and is associated with a monetary value. Therefore, a family would have established itself as a dynasty with successors where every next generation will inherit the name that has been developed over time.

Family businesses that would span generations require the implementation of various plans. Plans developed from the result of extensive research into the arts of founding and running a company, up to how the market functions and evolves. Even after the company kicks off and transforms into a successful venture, the knowledge of how to begin and maintain a streak of success is what eventually defines it as a legacy for the future.

Family businesses are the drivers for the economy. They make up the majority of businesses worldwide and create most of the jobs. This book summarizes the top ten imperatives that are crucial to family business success and continuity. It goes from establishing a common vision, to capitalizing on the family value system, and to creating effective human resources policies and a high-performing board of directors. It also focuses on the creation of sound corporate and family governance plans, planning for succession, educating the next generation, and creating an entrepreneurial mindset. Moreover, it stresses on maintaining fairness in the process and addressing the conflict of interest issue, and it ends by the imperative of communicating to enhance unity and adapt to the environment. Special attention is given to family dealings and the importance of family unity in order to grow, succeed, and achieve business results. In addition to the leadership attributes that are crucial to any business success, this book adds the family component that, if not managed adequately, can lead to tensions and conflicts.

Family businesses, in fact, provide results that are better than non-family corporations. "One-third of all companies in the S&P 500 index and 40 percent of the 250 largest companies in France and Germany are defined as family businesses, meaning that a family owns a significant share and can influence important decisions," stated a study conducted by management consultants McKinsey in 2010.

Family businesses around the world are seen as successful and secure to the extent that 65 percent reported in 2014 to have seen growth in the past year (PwC (a), 2014). Furthermore, the survey revealed that 70 percent of the family firms, that were asked, even believe steady growth will await them in the next five years. On the global stage, 15 percent are preparing to expand and grow quickly in a five-year span (PwC (a), 2014). These results have shown that family businesses are in a good place and are only going to get better. The businesses project great results and sustain the economy. In the Middle East, family businesses have actually been more successful than in the rest of the world by reporting 79 percent sales growth over the past year. Also, 40 percent of them are expecting growth in the next five years (PwC (a), 2014).

Family businesses in Lebanon are considered as a pillar for economic growth and play an important role in creating employment opportunities. This function of employment creation is especially notable when compared with some other Arab countries. The private sector in Lebanon provides an estimated 1,050,000 out of a total of 1,240,000 employment opportunities, leaving to the public sector only 190,000 positions.

In the course of structuring the business and enhancing family communication, a family business should have a close look at its strategic perspectives and the legal environment, as well as the opportunities to grow the business to a size that would keep the same lifestyle for the subsequent generations. These aspects could be beneficial to the company's future, but before a family business can grow and develop, it requires a well-defined management strategy that clarifies the hierarchy of the company and the framework of rules, such as sound corporate governance as well as a high-performing board of directors. The corporate governance defines the parameters which the board of directors can work under, whilst keeping a set of guidelines on how the company should function. The family constitution will define the rules of entry to the business, how family and non-family members will work together in the business, and how they can exit if they wish to.

This book also addresses the rules and order of succession during transfer of ownership and methods of family business operations. Moreover, it discusses the fundamental necessity of the board of directors to any firm, especially to family firms where research suggests that when forming a board of directors, 80 percent of the problems of the family businesses were resolved. In addition, the boards of directors bring outside expertise to the family business and help in its strategic direction. The board members' mandate is to set the strategic direction of the business in line with the common vision that shareholders agreed on. In summary, this book presents a set of important imperatives that should be looked at when managing family businesses for success and continuity.

Imperative One

Establish a Common Vision

Foresight

The family should get together and decide on a common vision for the years to come while taking into consideration the different visions of subsequent generations. Shareholders should establish a common vision that will translate into a family mission and business mission. Older and younger generations should sit together and establish this common vision. Leading this process is crucial. The role of leadership is very important in making sure that the common vision can satisfy the worries and concerns of all generations and lead the business to higher levels.

The history of mankind is full of historical figures and individuals who strived to achieve greatness and ascend to power and legend, whether it may be in science, politics, or even trade. Such people with ambition will want to fortify their positions by leaving a legacy. Just like a dynasty that rules a kingdom for several generations, a family business is an enterprise that grows into a corporation. It is started by an individual and effectively becomes a legacy for the family. Family businesses were, are, and will always be constituents of an economy as long as ambitious individual entrepreneurs strive to create a legacy.

A study conducted in 2003 showed that approximately 35 percent of the United States' S&P 500 businesses were family firms that have outperformed management-controlled firms by 6.65 percent in return of assets with over 18 percent equity in the years between 1992 and 1999 (Anderson and Reeb, 2003; Poza, 2010). However, a family business requires attention and care to the various risks and changes that management-controlled corporations do not encounter. Risky problems such as succession, in-family conflict, and hierarchy, among others, affect how the business functions. In the Middle East, family businesses face risks and additional problems when compared with other regions of the world, due to the conservative society and the region's diverse cultures, politics, religious identities, and business ethics. At the same time, family businesses have the local market advantage over international corporations looking to assert influence in the region. When first entering the market, business owners must take steps to ensure that the company is complementary towards the culture and idiosyncrasies that are involved.

Take steps to ensure that the company is complementary towards the culture and idiosyncrasies that are involved

Establish a common vision as it is the first and most significant step in creating a foundation for a successful business

To create a successful family business, the founder and their potential successors must agree on a common goal or objective that their company will strive to achieve. Establishing a common vision is therefore the first and arguably the most significant step in creating a foundation for a successful business. Running a family business requires dedication and commitment from all family members who will have to contribute in order to ensure the success of the business. This is why establishing a common vision with other family members will lead the company on the right track towards success. What is frequent in family businesses is that older generations have very conservative visions as compared to the younger generations. A first step in organizing a family business is to bring the family together and decide on a common vision in

A first step in organizing a family business is to bring the family together and decide on a common vision

order to direct the first steps of the family business. As time passes, the goal can change due to circumstances, market crises, or the rise of a new era. However, although operations and methodologies can change with time, the company's fundamental vision should be planned to always remain the same. This is extremely important for family businesses since, unlike management-controlled businesses where the board controls conduct, family businesses typically undergo a succession of individual leaders. Each leader comes from within the family but might have an opposing plan or effect that is invoked upon the board of directors, effectively changing the company's future.

Although operations and methodologies may change with time, plan the business's vision to always remain the same

This weight of the leader in decision making for a family business also has a positive side since it ensures consideration of the 'family legacy' in the decision-making process. It is further to be taken into account that family businesses come in many forms ranging from sole proprietorship, partnerships, and limited liability companies, to holding companies, and even publicly traded (albeit family-controlled) companies which would affect the process of decision making by the leader.

From another perspective, a family business is defined as an enterprise in which two or more family members own 15 percent or more of the shares, family members are employed in the business, and the family intends to retain control of the firm in the future. Under this definition, family businesses are differentiated by both the active involvement of the family in the enterprise's management and by the intent of family members to retain ownership of the firm (Schulze et al., 2001). Among these different forms of incorporation, a business will definitely be considered as a family business if the last name of the chief executive officer (CEO) and/or the editor is the same as that of the owners (Gomez-Mejia, 2001). When the ownership is in the hands of the family and their kin are in leadership positions in the business, there is no doubt

Do not mix personal and business relations together, such as helping family members join the workplace without proper experience or exposure, thereby placing the company at risk that it is a family business, but if the family has a minority ownership in the business while retaining leadership positions could it still be seen as a family business? Well, it should be considered a family business if the family has effective control over the strategic direction. The criteria that should be taken into consideration when deciding whether it is a family business or not are the percentage of ownership, the voting control, the power over the strategic directions of the business, the involvement of multiple generations, the active management by family members, and the desire or intent to remain a family business. A family in power within their business should not mix personal and business relations together, such as helping family members join the workplace without proper experience or exposure, thereby placing the company at risk.

Criteria for a family business:
- Percentage of ownership
- Voting control
- Power over the strategic directions of the business
- Involvement of multiple generations
- Active management by family members
- Desire or intent to remain a family business

In the system theory approach, which is one of the dominant organizational theories in today's management, the family comprises the three overlapping, interacting, and interdependent subsystems of family, management, and ownership. The subsystems must be integrated so that the entire system functions in a unified way in order to perform optimally. From a system perspective, the family firm will face difficult systemic alignments and misalignments as the next generation joins the firm and it experiences an accelerated growth resulting from product and service innovation. Note that the individual perspectives of members of the family toward issues, priorities, and problems will be differently defined because of their position in the system. This phenomenon leads to a further categorization of family businesses based on their propensity to have a family-first, ownership-first, or management-first perspective on issues and to significant sub-optimization of the family business, which

Integrate the overlapping, interacting, and interdependent subsystems of family, management, and ownership in order to perform optimally

A common vision unifies the family members' opinions and business decisions

leads to a lower level of performance. Even though having established a common vision, the company might face problems that will cause the vision to shift in accordance with the situation at hand; one problem that a family business is likely to encounter is the willingness – or not – to change the direction or method of conducting business as new eras begin. This resistance could very well cause the family company to lose its ability to compete, but it is also possible that the family will become divided in opinion and decisions as the younger and more modern generation assume greater roles in decision making. This reaffirms the importance of a common vision in unifying the family members' opinions and business decisions.

Determine the core values and how their behavioral response would be fit for the company's personality in accordance with its vision

A company must establish successful values, such as "traits, beliefs, and behavioral norms that company personnel are expected to display in conducting the company's business and pursuing its strategic vision and strategy." (Johns and Saks, 2005: 29) Managers play a crucial role in the development of values while integrating them within the strategic vision. In order to do so, managers need to determine what the core values are and how their behavioral response would be fit for the company's personality in accordance with its vision. Moreover, this step needs to stem from the strategic vision itself to accommodate the creation of values. Therefore, the strategic vision must be clearly transmitted to all managerial levels, low and high, to involve and prepare the company as a whole for the coming objective and required determination to establish a long-lasting personality embedded in the company. Its purpose is also to boost the morale of the employees and promote organizational teamwork to reach set objectives. This in turn helps narrow down the strategic vision to more controlled and individual tasks for each employee, creating a sense of individual achievement towards a collective-based objective.

According to Johns and Saks (2005), there are seven recommended characteristics to follow when involving oneself in a vision statement. The

graphic characteristic is the visual representation of the result of upper management visions and decisions for the company and its future. After which a **directional** plan is charted; it will become a reference point for proper navigation along the lines of the vision and future changes. In order to remain on the correct path, the company and management within must remain **focused** as to make the allocation of resources and the decision-making process easier and more efficient. However, before the creation of any plan, management must determine whether it is **feasible** and **easy to communicate** in order to reach the **desirable** state of business in the long-term activity of the company. Finally, the company and management must be **flexible** as unexpected problems may arise, causing the management to revise and redefine their strategic plan towards the set vision.

The main reason why change seems to be a poor decision is purely due to the fact that originates from an old generation where success was built around a different set of technologies, and ideas are now being changed rapidly. This offset in concepts sometimes creates a clash of mentalities where the risk of change outweighs the reward, because of the belief that changing a working system will cause a dysfunctional working atmosphere. However, there is an opposite view according to which family businesses have a built-in desire to uphold the family company's image and protect the family's name and reputation. Since the family name is perceived as either an established brand or one in the making, it is in the family business's interest to consider decisions, including those affecting its perception as a socially responsible enterprise, as measures that will protect its legacy. With that mindset, family businesses tend to care more about factors such as the quality of the product or service and the environment than about achieving higher returns on invested capital.

Make CSR a part of the family business's strategic planning as CSR enriches the business's value and aids in developing a promising vision

Family businesses are generally perceived as being less socially responsible when compared with public or management-run corporations due to many incentives for family businesses to reduce tax liabilities and derive competitive advantage by whatever means possible. Adding corporate social responsibility

(CSR) aims to the strategic planning of the family business enriches its value and aids in developing a promising vision for the business. Placing ownership structure aside, what really differentiates family businesses from management-controlled businesses are often the intentions, values, and strategy that are influencing interactions of owners who are members of the same family. The result is a unique blend of family, management, and ownership subsystems to form an idiosyncratic family business system. This family management-ownership interaction can produce significant adaptive capacity and competitive advantage over non-family businesses.

In the Middle East, 40 percent of family businesses have expressed interest in social issues in a survey conducted by PwC (a), 2014, and realize that reputation and social responsibility are among the key challenges of the next five years. Usually it's the young leaders that initiate such steps toward change due to the fresh mentality of their generation. As leaders in family businesses, plan to make Corporate Social Responsibility (CSR) strategies that positively influence the vision of the business. As one older leader from Lebanon said in response to the survey, "When our children come back with their Western education they have a bigger vision and want to do things 'the modern way'. Sometimes we are not prepared for this. However, we definitely notice changes because their horizons have broadened and we have to understand that." (PwC (a), 2014: 12) Increased social awareness and rejuvenation of the family business are important for preservation of competitiveness as markets globally are trying to reform and change and become more professionalized. When asked about their priorities for the future, companies scored over 50 percent across China, Taiwan, Peru, Turkey, Russia and Eastern Europe, in terms of the need to professionalize. Accruing more knowledge on the advancements of technology should be one of the priorities of any business owner who must be involved in order to stay one step ahead of competitors. According to Johns and Saks (2005: 25), "To commit the company to follow one

Get more knowledge on the advancements of technology as it should be one of the priorities of any business owner who must be involved in order to stay one step ahead of competitors

direction versus another pushes managers to draw some carefully reasoned conclusions about whether and how to modify the company's product focus and long-term direction."

Another way to establish a common vision is to define the goals and to plan on how to reach them in a rational and realistic manner. The plan should focus on both the guidelines in the short term and on long-term thinking. If the goal is attainable in the short term, then it is wise to work on reaching full optimum efficiency to reach that goal. Family businesses usually have an advantage in the long-term planning since they are better than other enterprises at thinking long term, due to the fact that families usually have a clear view of their commercial objectives over the next 10 to 15 years. Whereas many publicly listed companies and enterprises with financial investors are dominated by the next quarter's financial outcomes as their top priorities, family businesses have higher priorities for the next generation rather than focusing on the direct financial outcomes and the distribution of the dividends.

This expanded field of vision could only be established by a family that is united and one that clearly sets its objectives.

Energy services group '*Hunting*' provides a case in point, with the company tracing its origins back five generations to the last quarter of the 19th century. Charles Samuel Hunting entered the oil business in the 1890s, but he was already expanding on a successful ship-owning company set up by his father in 1874.

Today the group is chaired by Richard Hunting, who is a firm believer in taking the long-term view. "People aren't constantly looking over their shoulder in case we will be bought"; he says, citing 130 years of trading and experience. "During that time, the business has been through many cycles, so one doesn't panic when one hits another. We don't assume that when we are in an upswing, it is necessarily going to last" (Leach, 2016: 7).

Strive for being professional in your business; this decreases conflict among family members

Companies run by family members must be professional in order to reach greater heights and excel when compared with their past. This is a statement and a way of life that needs to be shown at work and in their homes, among their children, and with their friends to increase their trust and their capability to do good business. Being professional is a common goal that all family businesses and their leaders should strive for as it will yield great results in the long run for the business and will decrease conflicts with other family members.

Make proper strategic planning and set suitable visions to aid in preventing conflict in the family business, and to help the business survive to the next generation

As Ghassan Nuqul – the head of Nuqul group in Jordan and a UAE first-generation family business owner – responded to a study, "It's only a matter of time – it may not happen in the second generation, or the third generation, but conflict will eventually arise at some point" (PwC (a), 2014). This suggests that conflict will inevitably exist in family businesses, which makes managing conflict a key point, not just to the survival of the business, but to the survival of the family itself.

Conflicts between family members arise when they feel something is not happening when they deem it right. This is due to a lack of professionalism. Issues such as disagreements over succession and management also deter employees, since feuding among family members decreases the trust built between the company and the employees. It is even hurting their chances of getting new talent that could boost the company's interests. These problems are among the reasons why most family businesses do not last beyond the second or third generation unless they reform their ways, make proper strategic planning, and set suitable visions.

As family businesses enter the succession process and move along the family tree, later generations might adopt a conservative mentality, especially if the company is large and had successes in the past. This is due to the fact that psychological effects from the pressure to avoid failure and carry on with the family business's winning story leaves them unwilling to invest in risky growth or innovative processes and technologies. This strategy may sometimes be the most appropriate, where the vision of the business would be best implemented through maintaining a conservative strategy.

The importance of family businesses makes them vulnerable to macro-economic and political impacts, which can lead to negative issues. In 2014, 63 percent of Middle Eastern family businesses named the global economic situation as a key problem, with an increase of three percentage points from the naming of this problem in the years 2012 to 2014. With 70 percent of family businesses describing it as a key problem, this number was 22 percentage points higher than in 2012 when only 48 percent found the economic situation problematic (PwC (a), 2014).

Set up a proper corporate governance framework and define how it impacts both the family and the family business

In balancing the conservative and risk-friendly aspects of a family business, corporate governance plays a crucial role. It is essential to set up a corporate governance framework and define how it impacts both the family and the family business in cases of succession and inheritance. One must remember that succession and inheritance are fraught with uncertainty and must be planned for accordingly. Corporate governance in family firms determines and affects the succession of ownership in the business and the inheritance of ownership, assets, wealth, and the continuation of the legacy. This deeply affects how the family functions and the way they will implement their plans for management, which will be a deciding factor whether the company will live to see the next generation.

Remember that succession and inheritance are fraught with uncertainty and must be planned for accordingly

It is the presence of effective corporate governance that truly establishes the guidelines which allow the family business to flourish based on the organization of functions and management. Corporate governance sustains and directs the directors and the rest of the company, which makes it essential to the development and the execution of the common vision.

Recommendations

- Take steps to ensure that the company is complementary towards the culture and idiosyncrasies that are involved.
- Establish a common vision as it is the first and most significant step in creating a foundation for a successful business.
- A first step in organizing a family business is to bring the family together and decide on a common vision.
- Although operations and methodologies may change with time, plan the business's vision to always remain the same.
- Do not mix personal and business relations together, such as helping family members join the workplace without proper experience or exposure, thereby placing the company at risk.
- Integrate the overlapping, interacting, and interdependent subsystems of family, management, and ownership in order to perform optimally.
- Make CSR a part of the family business's strategic planning as CSR enriches the business's value and aids in developing a promising vision.
- Get more knowledge on the advancements of technology as it should be one of the priorities of any business owner who must be involved in order to stay one step ahead of competitors.
- Strive for being professional in your business; this decreases conflict among family members.
- Make proper strategic planning and set suitable visions to aid in preventing conflict in the family business, and to help the business survive to the next generation.
- Set up a proper corporate governance framework and define how it impacts both the family and the family business.
- Remember that succession and inheritance are fraught with uncertainty and must be planned for accordingly.

IMPERATIVE TWO

CAPITALIZE ON YOUR FAMILY VALUE SYSTEM

Foresight

Transmission of family business values and other family values are crucial. Sit together as family business members and refer to the founder's value system and relate it to the value system in the business. Come up with a list of values the family shares and make it explicit to the younger generations. Make family unity as one of the basic values. Family unity is an important family value; invest in unity.

Values are principles that are taught and are shown through the behaviors of individuals. Some define values as "a broad tendency to prefer certain states of affairs over others." (Johns and Saks, 2005: 101) They can also be considered as rules or a form of guidance that is perceived as correct towards certain conducts of behavior. Values are usually implemented at a young age by the parents or other family members, or possibly by those that are role models to the child. The presence of values may empower or weaken personalities due to how they enforce their limitations. A set of values that are combined and related towards the community's perception of ethical conduct form the basis of tradition and, in turn, become the foundations of culture. For example, in some countries in the Middle East, gender diversity is still a lingering remnant of traditional values that is even now instilled within the system of proper conduct.

Values are an important and intricate part of the systematic development of a human being's personality from a young age. It may affect the individual in many ways. However, as soon as the value is accepted and practiced, it becomes part of the expected behavioral response of the individual. Therefore, depending on the values taught, the individual will follow a certain doctrine of lifestyle, thinking that this may or may not change with time. This doctrine will change the values from being a mental evaluation of self-thoughts to become traits used inside the sphere of social interactions, thus creating the background of the individual. Values are not only a personal trait but can also be occupational. For example, a research study concluded that there are occupational differences to the ranking of values when compared to the average individual (Johns and Saks, 2005). This changes the behaviors of the employees and in turn would cause a clash of values between the employee and the nature of the work if they were not compatible. To return to the point of the importance of values, it is what differentiates you from others. It becomes an important bond between family and friends and as more personal values are made, they are all shaped to be the future link to your children.

Shape your family business culture in ways that capitalize on the founder's influence and help ensure continued success well beyond the founder's generation

Values have a transferal result due to their presence in behavioral habits, thoughts, and actions. This can be seen in the way people conduct business, especially as business owners. Any individual who owns a family business will create, manage, and implement decisions based on his or her palette of experiences and values. These decisions will reflect the owner's identity to the company which will become the herald of the company's business in the market. However, every business should adopt an identity that fits the culture of the market it is involved in to increase its effectiveness. With that said, a business owner should make sure that the company values are compatible with or, at least, respect the domestic culture of the market to avoid a clash of values.

Culture – being commonly described as ‘the way we do things around here’ and in the family enterprise, a family’s unique way of interacting with each other and the world – actually shapes the culture of the business for generations. In fact, the culture of almost any organization can be directly linked to the founder’s values and is generally handed down through the generations in a way that ensures continued success. Due to the effect of globalization, the continued business between foreign countries helps bridge the rift amid cultures. Although, on the surface this may seem that culture is no longer an obstacle to overcome, research has shown that “16–40 percent of managers who receive foreign assignments terminate them early because they perform poorly or do not adjust to the culture.” (Johns and Saks, 2005: 102) This is especially true in family businesses where the understanding of culture and the usage of values is the primary unseen driver of success of the business and even ultimately of the family. However, family business leaders can also shape their business culture in ways that capitalizes on the founder’s influence and helps ensure continued success well beyond the founder’s generation. A trend that comes with culture is routine, being a habit that is hard to change especially when that trend has brought success in the past. This is why the older generation is afraid of change, which includes rapid innovation in technologies and techniques. Within the Middle Eastern culture lies another ‘flaw’ that complicates the integration of females inside the sphere of work-related societies. Therefore, the lack of gender diversification causes another clash between cultural philosophies concerning Middle Eastern and most Western ideologies.

Although following the traditions of the country where the business operates is wise, females should not be overlooked as their inclusion increases the talent pool at the owners’ disposal

Gender plays a significant role in Middle Eastern social politics and trade. The lack of gender diversity among the Middle Eastern workforce – found especially in the countries of the Gulf region – in conjunction with a dominant state religion, a wide array of governmental decrees and decisions, and an environment that has lately become a melting pot of cultures and different religious perceptions, creates an obstacle that businesses face in the region. Gender diversity in the Middle East is a significant issue that has not been resolved in most of the countries. Such issues cripple the way companies work, especially if they deal with the Western culture. Although following the traditions of the country where the business operates is wise, females should not be overlooked as their inclusion increases the talent pool at the owners' disposal.

The reasons that might diminish existing cultural perceptions abroad are the lack of opportunities, and the undermining of female presence in almost all sectors, private or public, in some cases like the Kingdom of Saudi Arabia. However, not all the countries in the Middle East are like that. In Lebanon, women are given almost the same equality as men. This gives them a defining role and allows them to step up towards education, research, business, and assuming a leadership role.

The culture in general in the Arab countries refers to a system of governance and values that is headed by the father, who is the sole provider in the family and considered the patriarch. Patriarchy is a social system in which males hold primary power and predominate in roles of political leadership, moral authority, social privilege, and control of property; in the domain of the family, fathers or father-figures hold authority over women and children. This patriarchal system functions according to seniority leadership and male authority, where the males usually take over the business and leadership is in the hands of the older male. In this patriarchal system, there exists a 'rift' or gap between genders in the cultural heritage that causes women usually not to assume big roles in firms. This mostly comes from the presence of Islam, which promotes patriarchy and male superiority when it comes to work and decision making. As that may be the case in certain areas in the region, this old tradition of patriarchy has inexplicitly raised the caliber of the indigenous natives in the region to create and manage a family business.

Understand the role and capacity of family businesses in an economy

In order to realize the full potential of a family business, it is also an imperative to understand the role and capacity of family businesses in an economy. As it is defined, a family business is one that, quite simply, is influenced by a family or by a family relationship that perceives itself to be a family business. The family as a body may effectively control business operations since it owns more than 50 percent of the voting shares, or because family members fill a significant number of the top management positions (Leach and Bogod, 1999: 4).

One should incorporate values in the family business to successfully create an identity. Equally, it is essential to regard the regional or cultural context under which family businesses operate. The Middle East is considered as a region of conservative thinking but there are areas where this applies more so than in other parts of the region described as the Middle East and North Africa (MENA). The countries in the GCC (Gulf Cooperation Council) function differently than Lebanon or Syria, with different traditions. These traditions (much more evident in the Gulf than in the Levant) include gender imbalance, polygamy, patriarchy, dominant religious denomination, and tribal societies.

Incorporate values in the family business to successfully create an identity

The strength of family businesses as opposed to management-owned corporations is, according to *Family Businesses: The Essentials,* "ownership and management are in the same hands, so they tend to have a far longer time horizon. A family-owned business will use words such as courage, loyalty or authenticity to capture what they stand for." (Leach, 2011: 4). One of the many aspects that differentiate an ordinary business from a family business is the touch of its owners' values reflecting in the values of the family business. Throughout history, family businesses have shown success over other types of businesses.

Values are one of the most essential building blocks for any business, and in particular for family businesses. The importance of family businesses in the global economy according to many studies cannot be underestimated, and the majority of owners are not single individuals but literally members of the same family. According to (Poza, 2010) over 80 percent of all businesses worldwide are family firms, from well-known companies to the corner grocery store and local business. Moreover, in the United States and most Western economies, it was estimated by a statistical study that about 75 percent of all family companies are majorityowned by a married couple; they were categorized as controlling-owner family companies. Around 20 percent of all family companies in the United States are ownership controlled by sibling partnerships while an estimated 5 percent of family companies are cousin consortiums (Poza, 2010).

Family businesses are present and booming economically in all the top markets. Many statistical research papers have been produced and different figures published, but the most conservative results have shown that the proportion of family-owned firms is between 65 and 85 percent. Moreover, research disproved the assumption that family businesses are primarily at small scale and will never grow to large size. Studies by Professor John Ward showed that one third of the world's 1,000 largest companies are controlled by families. It was shown also that the economic impact of the family-owned firms differs between countries: they dominate commercial life in the markets of Asia and Latin America, and play a larger than commonly thought role in developed markets like the United States of America, Germany, and Italy (Leach, 1999: 2,3).

According to Poza, 2017, in the United States there are about 17 million family firms that constitute around 90 percent of all businesses .Moreover, 167 family-owned companies were identified in the Fortune 500 while among the listed firms in the stock exchange around 60 percent of them are formed from family ownership. The same is true in Latin America. For example, (Bertrand and Schoar, 2006) indicate that in Argentina, around 20 percent of family ownership is found among 65 percent of the top 20 family businesses. Meanwhile, in the Middle East, a census study conducted by (PwC (b), 2014) revealed that 80 percent of the businesses in the region are family businesses. Originally established 50 to 60 years ago and maturing over the course of the years, they diversified their investments and created a number of successful conglomerates (PwC (b), 2014).

Family businesses in the Middle East are a significant source of economic activity and employment. However, only 5 percent of family businesses survive beyond the third generation. "Statistics show that over 70 percent of businesses in the GCC are either family-owned or controlled, demonstrating that this business model is the essence of local societies and regional economies. As such, they play a vital role in economic development – not only through their business contributions but also by creating an investment environment that is open, safe, secure and transparent.” (Pedersen and Partners, 2014)

To remain viable, family businesses must continually grow and develop. Like any other business, they are obliged to change and adapt to external environmental factors. Let us reiterate: consideration of the family business governance frameworks and regular planning provide opportunities to take stock and gain perspective – something not easily done among the pressures of daily business activity. As the family grows and matures, planning is crucial to accommodate changing family relationships/dynamics and circumstances, and to keep the family unified. Trust is vital to all organizational relationships; the establishment of a clear and fair set of rules and applying them consistently is fundamental to the building of trust among family members. Trust between members is a ‘must have’ within a family environment, especially within a family business. It is considered as a value that has to be integrated in the business.

Encourage trust within the family environment, especially within family businesses, as trust is considered a value that has to be integrated in the business

Do not incorporate values within the family business that clash with domestic cultural perspectives

In macro- and micro-economic terms, family firms are proven to be significantly important to every nation’s local and foreign markets. In order to have a successful family business, a corporate identity reflected from the values, desire, and image of the family in charge needs to be created. Moreover, the local culture, mentality, and traditions will also have an impact on how the company will run within its borders and define its sovereignty. There should not be values incorporated within the company that clash with domestic cultural perspectives.

In the Middle Eastern Gulf countries, tribal societies have long focused on the family as a unit of interest and they dominated in both politics and society. This importance of family extends to businesses,