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Unsustainable Family Business in Saudi Arabia - The Roadmap Ahead

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ABSTRACT: Family businesses play a crucial role in the global economy. The GCC especially the Kingdom of Saudi Arabia occupies a significant place in the global economic pie. It offers many employment opportunities to the Saudi and non-Saudi nationals and contributes a significantly to the GDP. According to the government sources there are an estimated 538,000 family businesses in the Kingdom and together this family business cluster contributes approximately 216 billion dollars to the national GDP and provides employments to approximately 7.2 million workers that constitute about 52 percent of the total workforce.

Beside such a great potential there are only a few of them can thrive and survive in the present circumstances in the market. Just a third of family businesses are successful thanks to a new generation of entrepreneurs in command. Future success depends to a large extent on the successive achievements of these newly minted entrepreneurs and sustainability of family businesses of such companies in the past affects the success of future generations of these family businesses. There are many challenges these family businesses are facing once left them unattended may cause them to fail is the focus of this study. Hence there is a need to focus on several attributes of sound management in order to be able to continue and grow to remain sustainable would be contribution of this study.

The purpose of this study therefore is to identify the various success factors associated to the question of unsustainability of these family businesses (FB) in Saudi Arabia (KSA). Our understanding indicated that Family Businesses (FB) is short-term oriented. For sustainability these FBs need to create and give more importance to factors such as strategic thinking, to train next of kin to ensure succession planning and sound corporate governance for business longevity. As recommendation the immediate family members and potential business leaders emerging from the younger generations need to be trained for their business continuity and survival.

Keywords: Family business, Small and medium enterprises (SME), Sustainability, KSA

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1. INTRODUCTION

Since the inception of commerce, humans have known the family business model, which is owned by individuals who have a family relationship. With the global development of business, there was a need to expand the circle of participation and decision in these companies to transform from family companies to joint companies of any kind or public companies.

Family businesses make up a large proportion of business sectors in mostly developed countries of the world such as the USA, Japan etc. Family based firms represent more than 90 percent of the number of operating companies, employ 60 percent of the workforce and contribute 57 percent of the gross product. In 2018, an average of 80 percent of these companies generated profits of more than 10 percent. Family businesses make up 85 percent of the companies in the United Kingdom, contribute nearly a quarter of the GDP, and absorb 50 percent of the workforce in the sector. In China, family businesses make up 86 percent, contribute 41 percent of GDP, and employ 41 percent of the manpower. In the countries of the European Union, the proportion of family firms lies between 70 and 95% of these companies which eventually contribute 70% of the national product.

1.1 Background

Family companies continued because of their control over capital and business knowledge. However, these companies soon faced risks after the absence of the second generation, often due to the weak ties that they built on and followed them in the first and second generations. While some sources assert that 20 percent of family businesses reach the third generation, and 3 percent or less may continue beyond that.

In 2016, a joint project was announced between bodies affiliated with the Ministry of Economy and Planning and the Financial Market Authority [1] to urge family companies in the Kingdom to transform into joint-stock companies. Family companies in the Kingdom represent 95 percent of registered companies, and control nearly 50 percent of the GDP for Non-oil. According to Al-Eqtisadiah's list of the 100 largest Saudi companies for the year 2012, more than 10 percent of the largest companies in the kingdom are still family or closed companies.

Developing family businesses and employing modern models of ownership through a participatory economy based on shared values and capabilities will help the family business sector to grow and achieve economic diversification that contributes to increasing national income, addresses unemployment issues, and opens prospects for exporting local trade to compete at global levels.

As usual practice in a form of family business is that decision-makers are often from the close family members who own the company and leads it over successive generations. An important strength of such companies is their routine activities and the focus of their owners on managing the business affairs. Family members who join the company early age are the one who quickly learn the mechanism of the work and trade secrets. Their responsibilities ranging from how to manage the company until understand the nature of the market competition where it operates into teaches them dos and don'ts of the family businesses.

In GCC (Gulf Cooperation Council) regional groupings family businesses [2] account for 80% of non-oil and gas businesses which as the common understanding is bigger part of their GDP. This amounts more than 95% of the private sector of the economies and is generating more than 70% of the employment in the region. Similarly, 90% of the Saudi's private sec-tor entities are family-owned businesses. These statistics however show the significance of family business that needs attention for survival in the regional economy in general and the Kingdom's economy in particular

Academics and practitioners have proven by engaging in deep literature search those family businesses who follow the best practices as captured in the latest literatures last relatively longer. Long-term growth scenario of family businesses is an established topic of research. By listing those success factors which helped to balance between the family and the business interface are considered inevitable for survival and to avoid disappointment of unsustainability of family businesses.

1.2 Aim and Objective of the Study

The above background knowledge paves the way to find out that besides the government's support to achieve rapid economic growth of the country and the facilities made available by the government for the development of family-owned businesses, why a very small number of family businesses succeeded to the next generation? The authors wanted to dis-cover why there exists a gap between generations? Since KSA is not exception to this phenomenon from the rest of the GCC member countries and other parts of the world, authors decided to embark on the investigation of Family Business Unsustainability in the King-dom.

The more we studied and spent time in library and read published materials on family business sustainability issues encompassing topics such as conflict resolution, poor relationship management between many stakeholders and ill found corporate governance, lack of innovative ideas, gender equality, presence of ethnicity, absence of key performance indicators of business, less concerns of succession planning, the bad influence of family members, dearth of family capital, vacuum in leadership and overall management, created a natural urge to go into deep to unearth the truth from gold mines of family business in the King-dom. Hence this journey to find out the truth shows that some of the topics addressed are related to rate of family business survival and reason of unsustainability.

Thus, the general objective of this research is to identify the factors that have an impact and influence on the sustainability and viability of a family business. Also, to prioritize the im-portance of factors such as succession planning, strategic thinking, corporate governance, leadership, family business values, family capital and role of advisors for large and medium size family businesses in the KSA. However, the two specific objectives of this research we choose are as follows:

1- To identify the factors that influence the viability of a family business in KSA; and

2- To prioritize factors such as succession issue, strategic planning, corporate governance, role of leadership, family business values, family capital and role of advisors for survival of the family businesses in the Kingdom.

1.3 Research Methodology

Research methodology is a crucial step in undertaking any study [3]. This study involved a simple step of literature search and desk work in library. Hence the authors decided to collect articles, books, conference and other secondary data materials to conduct and analyze the data. These materials were made available from different scientific articles [4] and catalogues by using Qassim university facilities offered by the site administrator of journals. We also made by use of Google scholar search engine to locate articles related to factors influencing family businesses sustainability in Middle East and North Africa (MENA) [5] but especially Arab and Gulf countries.

During the search we summarized that in order for family businesses to be sustainable, they must have basic factors. First, there is a crucial need of long and short-term strategic thinking. Secondly, a sequential strategic plan (succession planning) between generations to lead the company is equally necessary. And thirdly, corporate governance model depending upon the Family Business Sustainability is to ensure good management.

The above issues needed an investigation of the facts to answer the following questions and the research concerns:

a. Whether family businesses in Saudi Arabia usually have a strategic plan for the future generations.

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b. Whether the family businesses in Saudi Arabia do have a succession planning to ensure no gaps between generations to leading a sustainable business.

c. If family businesses in Saudi Arabia have long term sustainability agenda and strategic plans, what is rate of success? and finally,

d. Whether these so-called survived family businesses in Saudi Arabia have any model for suitable for corporate governance.

1.4 Significance of Research

This research has is very significant role to play due to the fact that many economies related problems of individuals and families are related to FB (Family Business). It creates employment and is source of income for the masses. It also contributes to creation of economic health and national wealth by contributing to the potential GDP of the Kingdom. This is also significant from the point of view of the Kingdom's agenda of pursuing Vision 2030. Be-cause family businesses are one the important sectors of the future national economy away from the traditionally depended oil based national income.

Interest in these family businesses as one of the economic tributaries is given priority in the Saudi economy and also it is one important point of Saudi economic transformation pro-gram and Kingdom's Vision 2030. These projects should be provided with more support, motivation and qualification to implement advanced business models, also to achieve advanced levels of governance on this sector and long-term strategic plans in order to achieve the sustainability agenda of this economic and business model for development that will become backbone useful to Saudi GDP growth.

2. LITERATURE REVIEW

Prior researchers stressed that family firms need to operate for their long-term survival and growth. They also have discussed the success factors for the long-term sustainability of a family business. Nevertheless, a few studies have successfully combined all the major success as well as survival factors in previous researches. Researchers usually discuss each success factor separately. However, our observations identify a major gap in all the previous researches is that authors have not prioritized the importance of each success factor. By laying down all the known factors in the literature and investigating the current family businesses, particularly in the context of the KSA is therefore focus of our present study. This brings us to address the research question of this study. To address the question such as what factors should the Saudi family businesses consider preparing for their survival and long-term sustainability?

Based upon the literature search this study considers the success factors, such as succession planning, strategic planning, corporate governance, leadership, family values, family capital, and family firm advisors as necessary pre-requisite. The study also examines the significance of each factor in large and medium size family businesses in Saudi Arabia. Authors believe that the results of this study may guide family business owners the need to concentrate on their business sustainability to ensure business longevity through generations to come to address the question of unsustainability of Family Business in Saudi Arabia.

The literature review focusses on the issues and factors greatly affecting the family businesses (FB) across countries [6]. Our assumption is and therefore we concurred that no exception to the study of family businesses in the GCC region especially in reference to the economy of Saudi Arabia, to be undertaken. Those are the common problems and challenges facing the family businesses such as lack of strategic thinking, poor governance vis-a-vis family politics of succession planning and control. These issues are discussed in the following and hereafter in the subsequent paragraphs.

2.1 Strategic Thinking

Strategic planning [7] is the process of developing a business strategy for creating internal and external operations strategically aligned to establish profitable future growth of the family businesses. Hence there existed many literatures in terms of strategic thinking and its role in operating family businesses.

Saaty, T.L. [8] in his book entitled "Executive Continuity "Charting an ambitious future for family businesses is like planning a space adventure. Bata Shoes has been the world's largest shoe company since its inception in 1894. Some family members recently joined an INSEAD program that discusses family business issues, the "Family Business Challenge". When they finished an exercise exploring family vision and values, a second-generation member asked, "Why is there no shoe store on the moon?" His ambition was logical: after the company's huge success, what are the limitations of the world's most famous shoe giant other than space? While this is too daring, it sticks in our minds as a powerful metaphor for how successful family businesses think when planning their future plans. The more we dig into the way we run family businesses; we realize that the long-term plans for companies are a bit like planning a trip through space.

It requires the ability to communicate effectively, share values and vision, sound planning, and significant investments in talent, material strength, and accountability. No family company can enter the space without the commitment of its members to a common goal that brings them together and puts them on the vehicle itself. Many family businesses bypass the family planning process and thus stay at the launch pad. And even when it gets ready to set off, the journey will be turbulent without a proper family plan, and it will lose track, and in the worst case, their vehicle will crash. The most common reason for this is the family's failure to develop a plan following the death of the founder. Siblings often fight for leadership or share the family business or push it toward the abyss as they try to gain control. Many family businesses believe that they can sustain the company by avoiding thorny is-sues such as governance, ownership, and corporate succession. But we see the opposite on the ground.

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We have seen the fall of many family businesses that have a good plan and strategy, due to their marginalization of family matters and lack of realistic planning. Successful family businesses deal with some questions directly: Values: What is important to a family? Large family businesses share some of the values that drive business and family decisions.

2.1.1 Vision

What future do you aspire to in light of these values? Adherence to the vision of the company as a family helps to set rational and achievable goals and strategies. "Corporate and Fam-ily Strategy": How can we achieve the corporate and family visions? Things get more personal when a family shares the business world. Therefore, combining the corporate strategy with the family strategy is crucial. For example, if the family's vision is to maintain long-term ownership of the company, the family strategy should involve qualified individuals in the activities of the company and effective planning for the next generation.

Investing "Human Capital and Financial Capital": What human and financial resources will we contribute with? Decisions regarding financial investments are a challenge even for the most capable and productive families. Such decisions involve conflicting demands and have implications for the family's legacy. Determining who will work in the company or not, and the opportunities for those who wish to step down in the middle of the road, are critical decisions that must be considered.

Ward also explained the factors in strategic planning for family businesses; it starts with family commitment and goals to continue the business into the future. Therefore, the sub-criteria for strategic planning are family commitment on continuity. Family issues and collective goals matters the most. Strategic planning to pursue the set goals is a key factor in ensuring the family business' long-term sustainability for achieving such objectives and future strategic long-term goals.

Family business strategic planning includes addressing sensitive issues related to family members joining the company such as positions, benefits and responsibilities. It also includes creating a family council (assuming there are enough family members to make this meaningful). The council provides a platform in which family members can present their views and concerns and allows them to participate in the making of company policy.

Strategic planning also includes developing a written code that defines family values and policies, i.e., a constitution or family charter.

2.1.2 The planning process

This step-in family business consists of three main stages.

The first stage: As with any strategic planning process, it is an assessment of the current situation. This involves studying the status and status of both the company and the family, including the current structures of management and ownership, and the family's relationship with the company and the role of non-family employees.

In the second stage: the family sets its policies and goals, starting with the long-term goals of the company. For example, to what extent does the family want to grow the company, will it remain a family business or is the family looking to exit in the near future? In light of this, policies should be developed that address key issues regarding the family's relationship with the company, such as the involvement of family members in the business, ownership-sharing and succession in management.

In addition to answering the question of long-term goals, it is necessary at this stage to clarify the philosophy of the company, how family members become involved in the company, the rights to own ownership and management shares, and the relationships between family members. Also, during this stage, questions arise about the involvement of family members in the company. Such questions as do family members are interested to work for the company or do, they want the company to work for them? What are the criteria for joining the company? How will the roles of family members be determined?

Questions also arise about the ownership of the stakes in the business, such as whether shareholders consider themselves owners, or do they consider themselves custodians to enjoy the benefit of the next of kin in future generation? If the company's shares are viewed as a capital investment that can be liquidated, is everyone aware of this? Are there exit procedures that a shareholder who wants to liquidate his share can follow? Are stocks viewed as non-transferable and kept as a trust for future generations? If so, is everyone aware of this, and is the company in this case able to provide income and pension rights to the owners in-stead of treating them as shares as capital assets that can be liquidated? Who are allowed to own shares in the company, who will enjoy the right to question and control by conforming voting rights; and what is the dividend policy?

With regard to management of succession issues, questions arise about the criteria for selecting the next leader (or future leaders)? And when will leadership be transferred to the new generation? What should be done? What is the alternative if the choice of the next leader (or the next leaders) is wrong? In the event that there are no leaders from within the company (in the position of CEO, his deputy, or directors of major departments), are leaders outside the company used? What are the criteria for choosing them? This will be followed by answering questions such as what is the nature of the ownership issue in this case and how will the company be supervised, directed its work, and controlled as far its management is concerned?

With regard to relationships within family members, these questions arise: What are the responsibilities of family members towards each other? What is the best way to ensure a general atmosphere that fosters mutual respect and support; and how should conflicts within the family be handled?

Also at this stage, the family can seek the services of a consultant who specializes in family business issues, to help them decide on goals and policies by developing an objective vision at this critical stage of the planning process. The involvement of a qualified professional counselor from outside the family can be of great value when the family meets to discuss issues related to their strategic plan.

The third and final stage: This involves the implementation planning stage, and this includes identifying the family members responsible for implementing certain aspects of the plan (who will be responsible for organizing family council meetings? Who will mediate in cases of conflict between family members? And so on) and setting a timetable for implementing the plan. And deciding how to monitor and evaluate implementation.

Recent studies that dealt with the future of Gulf family businesses [9] facing current challenges have confirmed that failure to find an appropriate formula for strategic planning in these companies constitutes a major headache on the way to continuing beyond the fourth generation, especially as this matter contributes to the lack of clarity of the organizational structure of companies. Family businesses at the present time, as the Gulf family companies, and due to the well-established family customs and traditions, can continue to work in them until the third generation, and problems begin with the advent of the fourth generation, as many of its members have many interests and aspirations away from the concerns of their family company.

Among the recommendations that came out of these studies, strategic planning for the future of family businesses' business ranked first on the list of requirements for success and continuity, while a clear organizational structure comes in second place, and then it is imperative to establish an effective board of directors that takes the leadership in these companies with the participation of members In the council from outside the family, they can help impart some independence and preserve the interests of the company in balance with the interests of the family.

In order for family businesses to be successful and to ensure continuity, they must use the following five tips:

1) Not employing relatives except with expertise:
Completely refrain from employing relatives or children except after they have gained five years of experience outside your company, as the training period and professional work will burden their skills, instill in them professionalism and self-reliance, and strip them of vanity, love of control and exclusivity of opinion These are the main reasons for the flight of talent from family businesses.

2) Professionalism and skill:
Hire your team based on professionalism and skill, and move away from favoritism and passion, with each applicant undergoing rigorous training, tests, and standardized assessments.

3) Commitment to professional titles:
Stay away from family titles, stick to professional titles; This led to following the organizational culture, adherence to professional frameworks, and avoiding the random captive framework.

4) Educate employees about their tasks:
Ensure that each partner or employee is aware of his work tasks and the limits of his authority: Where does it start, where does it end, and how is its performance evaluated? And be strict when an employee encroaches on someone else's authority.

5) Preventing the manifestations of paralysis:
Monitor closely the relationship between employees inside and outside the family and fight any manifestations of paralysis or gatherings; It is not a waste of time.

2.2 Corporate Governance

The family businesses expansion and their increase in size, in addition to the change in the ownership structure in them, and many other factors represent challenges that this type of companies face in order to remain sustainable. Many of these companies cannot survive and grow in an expansionary direction that reaches them into the financial markets and public offering for many reasons, including those related to the size of the company and its activity, and what is related to the idea of its owners of controlling this trade as it is a secret of the royal family alone. According to corporate management schools, the capitalist school adopts the approach of separating the ownership of company shares and professional management, and in this school the owners exercise the functions of management and control independently that enable the activation of corporate governance tools and their guiding rules. Whereas the other school represents the socialist ideology by adopting the existence of two chambers, one for directors and the other for advisors, for the company's business.

In closed family companies that have reached the second or third generation, and with the size of these establishments to the point where it is difficult to implement the method of management in the previous way, the existence of two boards, one for management and the other for control, has become an urgent matter to separate the powers of owners and to re-duce the risks of conflicts of interest and delay in decision-making. This situation applies in some large family businesses.

Therefore, the existence of clear mechanisms to practice family business governance, its application, and the activation of disclosure and transparency tools have become an imperative for the continuation of these companies, preserving the national economy and the level of growth and sustainability of these companies and protecting them from risks and fluctuations in global markets.

Integration of efforts to develop these companies needs support and motivation from all sectors. Despite the importance of these companies, studies on the reality of these companies remain limited, and do not provide hope in order to explore the depths of this type of commercial activities, or to develop them in order to achieve gains at the national level, and this matter needs official attention to activate it. Also, one of the risks facing family businesses is the poor performance of the board of directors, and this weakness is often due to courtesy without taking into account the importance of efficiency and effectiveness in management, and perhaps the combination of ownership and management is what we see common in most family companies, confirming their short life and possibly their demise in the event. Not professionally processed.

To avoid these expected challenges and risks, it requires the existence of an "active" family charter, and the term "active" is intended to provide guarantees that help adherence to this charter from within and outside the company, provided that this charter obtains the approval of family members and becomes the reference to ensure the continuity, stability and progress of their company and making strategic decisions that determine its future.

In addition, the application of the principles of good governance is considered utmost significant to ensuring the stability and continuity of family businesses. Implementing the good governance system is not an optional issue in case the family business is not a joint stock company yet that has defined constitutional and legal provisions. We have seen some family companies that took the initiative from early on in implementing this system despite the fact that some of them have errors and abuses of ignorance rather than intent due to the novelty of the system and the absence of competencies and experiences that help correct this defect in the event that it occurs, but this initiative indicates awareness and awareness of the risks The future is with these companies, and it is a good indicator that calls for the Ministry of Trade and Industry to take the initiative in supporting these companies and to motivate other family companies to take the initiative in implementing the governance system for the benefit of these companies.

Business Roundtable, on Thursday, (September 8, 2008) [10] Governance at work: Governance is the body that arranges or the relationship and lines between owners, workers, and managers, so that there are clear lines between management, ownership and workers, so that every person knows what he has and what he owes.

The status of the presence of institutions at work: such as the Board members, the Advisory Council (optional), the higher powers and responsibilities, the relationship in the supreme and the Board of Directors, and the employment policy (written, clear and approved by all), and the stock policy and policy for family members. Usually, several questions are asked in this field in companies, such as questions related to the composition of the board of directors: Is it all from the family? Because you are not allowed to establish affiliated companies. And was there the name of the general manager from the family or were there better options from outside the family. Is it possible to have an advisory board, for example, and what are the limits of the authority of the board of directors with the general manager if he is from outside the family? The questions the owners must answer and be clear, and it is better for them to be written, referring to any dispute arising.

Governance in the family: The central company and the objectives of the subordinate crowd in communicating family values and the long-term vision of workers, as well as the economic community affiliated with the unit of achievements and challenges that the company is going through. Building channels of communication and official communication, enabling family members to communicate their ideas and suggestions. As well as allowing the family to meet and make decisions necessary for the continuation of the company.

Family institutions: the family proceeds once or twice a year through the family's council is the link between the family and the family council at the family's office in their different treatment, various committees such as the education committee, the share redemption committee, the planning committee and the entertainment and excursion committee.

Interest in recruitment, motivation and bonuses: The company should pay much attention to the topic of Hello, because this is one of the topics that creates usually sensitivity among individuals in the same family.

Part of the perimeter/Part of the business: Also, this issue of general promotions at work on the rest of the employees of the General Organization for promotions and bonuses. There are no exceptions.

2.2.1 Some reasons of failed governance

An important risk is for the founder to remain immersed in the routine work in order to build a commercial empire, without paying attention to the factor of time and the need to prepare a succession planning and to equip the second row of leaders who will continue to maintain and build the entity with the same orientation. In the event that the administration moves for any reason, it begins to fall into the abyss. Another risk is the belief that the separation of ownership and management is not important, so that the founder of the project remains in control of everything, and with the development of business and the emergence of new forms of challenges, the project owner fails to keep pace with developments and these entities fall and decay. Another risk is the belief that the founder's children are able to manage the project like their father, and dependency until they are forced to involve them in making and decision-making, so fictional stories begin to appear, and many unrealistic behaviors emerge that indicate negligence and failure to prepare leaders compatible with the service of family entities.

According to the Family Business Research Chair at the Business School of the University of Navarra, Spain and founded in 1978 to support family businesses, the five most important mistakes that family businesses should not make are:

First: Assuming that business runs within the family and because of it only. And here are always the mistakes that the owners do not feel, which is the preference of children over entities, so the result is devastating for all parties, so it is necessary to explore the characteristics of each family member and know his capabilities, and to distinguish between succession being done from within the family or it is better to resort to professional management.

Secondly: confusion between personal and family relations. Separation between work and family relations is an important matter in managing family businesses. The board of advisors or the company's board of directors is not a family forum or forum, rather it is part of professional management, and a distinction must be made between the two.

Thirdly: the belief that market rules do not apply. Family companies are part of the economic environment, and they face what the business market is facing, and the presence of privileges or preferences that do not comply with the rules of the market may be one of the biggest mistakes that family businesses make.

Fourthly: to postpone planning for administrative succession. The idea that the founder abandons the business and hand over the helm to others may be one of the most difficult issues facing family business owners, and it may be a reason for the company's failure to continue or keep up with the requirements. According to a study conducted by the Research Chair with KPMG and Russell Reynolds Associates, it found that more than half of family businesses lack a succession plan at the leadership level.

Finally, to avoid the belief that the company will not face difficult circumstances is absolutely necessary. The belief that the company will not be hindered by weak governance is a misconception and may cause its end. Therefore, prevention is better than cure, and it comes through good planning and working professionally.

The existence of a family charter in companies has many goals, the most important of which is organizing the foundations of the inheritance of ownership and power in the company in a way that is binding on all members of the family, and building a frame of reference in which the family members are committed to preferring the public benefit over the personality and determining the strategic paths and how to adhere to it, in addition to considering it as a source from which a deduction is derived. Any internal conflict that may arise between family members needs to be attended.

Among the most important areas that should be included in the family charter are the existence of the company's mission, objectives, and property rights in terms of its inception, shares, transfer and termination, the mechanism for employing family generations in the company, methods of preparing them to assume responsibility, standards for occupying leadership positions, the powers available in decision-making, the mechanism for resolving family disputes, in addition to the foundations Distribution of profits among family members and the rules for treating retirees among them.

Transparency and clarity in transactions and financial aspects is important for preserving the stability of family businesses and taking care of the family's reputation and trade name, as family companies play an important role in the national economy since it contributes to the gross domestic product and addressing many economic issues, and their impact means being affected by the local economy that is facing Many challenges, and praise be to God, we have many capabilities and competencies capable of overcoming these challenges.

2.2.2 Challenges in governance

Survival of a multigenerational family firm is another challenge. It must demonstrate excel-lent management and governance. The survival of Family business is dependent on solid footings of good governance for the longevity of both the family and the firm [11]. Family businesses governance differs from nonfamily business governance for the following rea-sons:

(1) The family has a long-term relationship with the business,

(2) The family has its own cultural views and norms that are implemented in the business and perpetuated by the successive generations; and

(3) The stakeholders and board members are genetically related to each other. Hence, to secure their long-term interests, both the firm and the family need structured governance.

These challenges might include how to deal with the loss of a family leader; how to select a new leader; how to share collective decision making; how to share wealth; who can work inside the business; who will be appointed to the Board; what business activities can family members undertake on their own account; how will the family deal with a member who wishes to exit the business; and so on. There are many issues in this respect, all of which can present significant challenges to the family and if these are not considered by the family which usually become source of tensions over a period of time results in family conflict and often separation.

2.3 Succession Planning

Planning for the success of a family business is succession planning, that is, laying the foundations and strategies necessary to transform leadership from one generation to the next, while ensuring the existence of a succession plan for the most competent members of the family of the owners of this or that company. But this is by no means easy. It is linked to psychological and personal aspects.

Rich Sorenson said, Family Business Expert and Academic Director at St. Thomas University in Minneapolis: "Succession planning is challenging; because it is related to the difficult reality that the owner will retire.

A 2017 report by PricewaterhouseCoopers noted that "succession planning is a constant problem for family businesses."

Despite the importance of this aspect of planning, it is completely overlooked, and there are fewer family businesses' owners who think of developing a tight succession plan [12], the most difficult challenge facing all family businesses is the issue of succession. One generation hands rein of family business control over to the next generation. This creates complexities for matters for everyone involved of the extended family including the senior members in the family. Thus, the incoming generation members and sometimes the non-family members are also involved in the management of the business demonstrate restrained relationship. To explain this simply, look at how does the founder of a successful business in say the Middle East decides to hand over to say his 12 children from perhaps more than one wife and tension arises among the siblings? It is clear that the children will require a very different basis of governance for the collectively running of the business involving 12 owners from different and delicate parenthood of one father who was the Founder and lone decision maker. For family businesses moving from the second to the third generation or be-yond the challenges of succession take on even more complexities and multiple socio-economic dimensions. Simply speaking succession requires a 5 to 10-years of successful planning and grooming next business leader by giving an opportunity to a chosen successor among the equals which should include 'transitional plans' is a big question. Families seldom give regard to such succession planning, and in time this presents substantial challenges to the incoming generation. Henceforth can and quite often does end in failure.

Succession planning is a structured approach to plan ahead for the business leadership positions in the established family business. This can improve and polish a potential leader's skills through experience. And the assignment of appropriate tasks to individuals who will one day lead the family business will eventually be challenged at least we can say? If a business lacks proper succession planning, it doomed to be a business failure. Succession is one of the most crucial issues usually experienced by family businesses. The sudden death of the family business leader/founder will likely cause a dispute between the heirs and siblings and the question of potential successors about the legitimate issue of transition of power, authority and rights and duties get messed up, which will create thorny estate issues.

Hence, those prior studies highlighted the importance of succession planning to ensure the success of the generation after generation involving power transition and family politics drags otherwise the successful business continuity. To continue and to prepare for the transition to next generation, the succession plan must be initiated by the business's founder at earlier is better and continuously updated from time to time even after a successful business transition is an inevitable task. According to Sharma, et al. [13], the succession process can be successful only in the presence of sincere intentions to pursue succession including commitment to the sustainability of firm. A desire to keep the firm afloat in the family and the ability of a trusted successor to assume control ensures sustainability.

An expert in organizational behavior for family companies, Dr. Nouf Al-Ghamdi told "Al-Riyadh" that approximately 80% of family businesses in the Gulf States Nations will face a challenge related to the transfer of power and succession from one generation to another over the next ten years is a great concern, and the transfer of assets valued at about a trillion dollars to the next generation of family businesses in the Middle East is a formidable task ahead.

She further added that Families, by their very nature, are an interconnected network of di-verse personalities, competing interests and private disputes and the potential differences among them is great headache. She realizes that the absence of family governance structures can be the biggest cause of conflict, especially around succession. Then it passes to the first generation so that it becomes a "family without a company", but in future generations it is a "family company", and therefore every company must plan to prepare a succession in the family that is acceptable to maintain the company, and the importance of setting clear criteria for selecting qualified family members to lead the business, setting well thought out standards of governance and transparency.

She said that 52% of the companies interviewed have clear responsibilities in the relationship between shareholders and the board of directors, and between the board and the executive management. It is important for family businesses to establish a legal structure that best fits the succession plan in family work, dynamics, and family goals. "Ownership will be transferred quietly to the second generation, given that the continuation of family businesses in the Gulf countries is important as they are the main support and engine of the economy, as they contribute between 60 and 75% of the economy's GDP.

And at the local level, Dr. Al-Ghamdi indicated that there are many disputes and legal is-sues between family members in local courts amounting to billions of dollars. These disputes delay succession and certainly do not provide good examples or good practices, and that 41% of family business owners are concerned about the axis of succession of generations to the company, and 49 % Of family business owners do not trust the performance of family businesses with the next generation, while the same percentage believes that the second generation is not mature to lead family businesses, 78% of company leaders admit that there is no system and work mechanism to prepare leaders of the next generation.

Dr. Al-Ghamdi said that the "emotional" nature of family companies compared to other companies is a major obstacle to the professionalization of family businesses, that is, to adopt a more competitive business environment by introducing more stringent management systems and employing exceptional talents. The strengths and weaknesses of the family business model lie in the word Family and working with relatives can create high levels of trust and commitment, but it may lead to tension, hidden or overt conflicts, as individuals struggle to separate logic and emotions and work to make their projects and family life successful. The risks arising from not confronting them will also increase. These challenges are faced over time.

It is evident through research that there are various factors that can cause resistance to plan to transfer responsibility to the heir in the family business. These factors can be classified into a few types: factors related to the founder such as family-related factors, and workers-related factors.

2.3.1 Factors related to the founder

The founder appears to have severe psychological resistance to planning for retirement, and the most prominent types of factors that appear in the individual are fear of death and his aversion to relinquishing power also his feeling of losing his justification and his bias against planning and his failure to choose among his children and finally his feeling of jealousy and competition [14].

Family related factors:

Other factors emerge from the resistance to planning to transfer responsibility to the heir. There is, for example, the wife's resistance to change. She sees her husband's retirement losing many of her important roles that she used to enjoy in the company and around the company from social matters.

Factors related to the workers and the environment surrounding the company:

Workers may feel a lack of job security due to the transfer of responsibility from the company and this may create obstacles on the way to the transition. Senior managers close to the founder feel that the new management may bring about wide changes in the company, which may threaten their role and authority in the company, and clients and suppliers out-side the company may not want to give Confidence in the new owner, and all this is reflected in the founder.

- If you believe in the importance of planning, and that planning for the success of a family business begins with success in developing a solid succession strategy, then you should start that early. It will take many years to get a competent person - from the family - to train and prepare him to lead, and it is important to start that early.

- The longer the succession planning process continues, the greater the opportunity for a per-son to bequeath leadership to guide, educate, and test the ability of his children and successors to make progress in the interest of the company.

2.3.2 Islam as official religion/Shari'a law

Whilst the above is presented as a general concept to the issues facing family businesses, there are some specific issues as well. These issues relate to family businesses in the Middle East. Beside some practical aspects of dealing with family businesses there are specific aspects of Shari'a law compliance [15]. Passing the family business under law of inheritance to the incoming generation is resolved by Shari'a. And this does not necessarily be in line with the founder's business plan and does not require any planning because Shari'a law will take precedence over one's plan.

Family businesses in the Middle East therefore need not have strong view that there is hardly any scope of succession planning to be done in terms of the continuity of the family business. The succession issue facing the family business in their view is taken care of due to the fact Shari'a gives all the clarity which is required. We understand their point of view very much but the laws of Shari'a provide clarity only of the entitlements due to the family members of a deceased person's estate. However, it does not stop one to help the incoming generation with other matters in relation to planning which are vital to the unity of the family. Thus, the continuity of the family business is still vital. Consideration on these might include the following.

- Relationship with siblings working inside the business matters thus develop their working relationships.
- How the various stakeholders build their business relationships is another important consideration?
- Who and how the election of the Board members take place in the system?
- How and when family members are reporting to the collective family members?
- How is power game and with whom will power be shared collectively?
- How will the style of the current Chairman of the family business be tackled?
- Who will set the vision, mission, goals, and direction for the business?
- How will, finally the family wealth be shared amongst the shareholders?

There are many more, but these are just a few examples on which the incoming generation needs clarity. The major issue is not resources but how they should build and manage their business relationships with each in ownership tussle and management line up. Such matters should be addressed in a timely manner. And in this scenario both the senior and incoming generation must play equally important roles.

To sum up that literature on family business sustainability in Middle East needs to be expanded to go to extra miles in managing family business. Authors have seen fall of many famous and good family businesses that have a plan but not long-term business strategy [16], weaker succession plan that was not based on knowledge and experience. This was mostly based on elderly man in family, lack of governance or failed on governance due to some reasons. So, if Family businesses start to build and use these factors such as long-term strategy with clear visions, Governance model that have clear lines of communication between management, ownership and workers matters at the end. So that every person in the family knows what he has and what he owes for the succession plan for next generations to work. This will be useful so family business sustainability remains intact that can survive for longer time.

3. CONCLUSION AND RECOMMENDATIONS

Being a small in nature family business research topic is full of interest. It constitutes quite higher percentage of national GDP and enhanced employment rate in a developed economy. The Kingdom of Saudi Arabia has recently joined G 20 group of nations which are categorized as economically developed and sustainable nations. This study is an attempt to help in this direction of nation building and is based upon the information collected through literature survey and discussed issues and challenges in managing family businesses. This aca-demic endeavor is to conclude and recommend future course of actions in family types of businesses to grow, manage and sustain in Saudi Arabia in particular and GCC in general.

3.1 Conclusion

As a concluding remark one can say as it is known elsewhere that a grandfather starts business, father grows and developed the business, but the issue of sustainability is on test at the third generation of grandchildren level. Many experts define business sustainability as meeting current needs without compromising the next generation's ability to plan, organize and manage to meet its needs. As researchers have emphasized that each family business should have a plan for sustaining the business through the generations. This will serve both the needs of the business and the needs of the family. Thus, setting right choices within constraints of both the family and the business onto the right path is very generations' responsibility in ensuring sustainability. Depending on the business scale, it might not be affordable to have many family managers since many chefs spoil soup. Therefore, managers should be selected thoughtfully through succession planning process by organizing business through efficient corporate governance. This will be based on who can lead and improve the business performance by meeting the pre-determined performance indicators. However, if some family members want to exit and liquidate their shares, so to be allowed through the business's precise value and contractual exit terms fairly. This should be known and agreed upon through professional external family advisors such as auditors, lawyers, and bank professionals. These matters should be addressed in advance by the family members long be-fore they come into play. There are no tensions, if and when all family members are thinking rationally, objectively and fairly. There are priorities and important business issues for the family members themselves to address as discussed above. All these aspects are under-lined at the heading of their 'Family Governance' if they want to ensure continuity to avoid family business unsustainability, constitutes key elements of recommendations in managing a family business in Middle East.

3.2 Recommendation

An understanding of Standard Operating Procedures (SOPs) to manage the family businesses in our part of the region, clarity on how it evolves and the way they propose to deal with each of these challenges is inevitable to handle unsustainability of family business. The business family members should come to their resolve and record these as their rules or their Family Protocols in ensuring business sustainability for generations to come. Such Protocols should be signed by all family members and should, wherever possible, be incorporated into the Constitutional Contracts of the Family Business. Failing which one fish is enough to make ocean dirty.

As we discussed that Family businesses are not new and face some of the above challenges all over the world. However, the solutions can be different based on the cultural differences which may exist between say Western Europe and the Middle East or similarly elsewhere in the world. In authors' view, each family should have a clear vision of the future for both the business and the family whereby that vision includes the strong desire to continue the family business to the next generation to avoid not an unusual problem of unsustainability of established businesses. Furthermore, the family members (senior generation and incoming generation) should address each of the above challenges of succession, strategic planning and governance to ensure business sustainability, strong and effective family governance mechanisms and robust family Protocols. By doing and handling such issues in the checklist of things to do which they can, will go long way in ensuring a smooth and effective transfer of the business over time.

Finally, we can say that working in family form of business carries with it many challenges, but it also carries many beautiful meanings and wonderful outcomes, which are the preservation of the legacy and the continuation of work to avoid any catastrophic result of unsustainability of family business.

4. SCOPE FOR FUTURE RESEARCH

By no means whatsoever we claim that our study and this research paper are not free from limitations of time and space. Nevertheless, an expansion of family business literature in the Middle East is inevitable and henceforth a new endeavor needs to be continued passionately. Based upon the extensive literature search we are of the opinion that further investigations have to be carried out to advance the research interest in this area of study.

An empirical data collection, analysis and discussion exercise must be undertaken by the relevant authorities. This will enable further details to understand underlying premises of thought to enable government and people of the region understand issues well to facilitate reform. This is to ensure that our national agenda of being a developed nation by 2030 can be easily achieved. This is simply because small and medium size businesses are considered backbone of economic growth and national development by providing self-employment and social security.

Beside above there is a need to introduce courses and curriculum in institutions of higher learning offering graduate degree programs to train future generation of entrepreneurs who can be entrusted to lead the way for future development

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of family or small and medium size businesses in the Kingdom.

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