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### BUILDING LOYALTY AMONG NON-FAMILY EMPLOYEES IN FAMILY OWNED BUSINESS IN SAUDI ARABIA

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**Keywords: Employees; non-family; loyalty; companies**

#### **ABSTRACT**

The degree of employees' loyalty among non-family employees working in family owned businesses was related to employee and subsequently company's performance. Several factors have been identified as being related to the loyalty of non-family employees in a family owned business included perceptions of fair and equal treatment, fair and equal opportunities for recognition and advancement, fair and equal development opportunities, fair and equal compensation. This study comprised of quantitative research through a survey of close-ended questions. Primary research was data collected directly in form of an experiment, interviews and questionnaires. Secondary research is conducted through critical evaluation of current related literature generated by research conducted by other. A survey was conducted among 151 non-family employees in Saudi family owned businesses to determine non-family member employee's perceptions of company policies related to treatment, recognition, advancement, development and compensation of non-family members employees. The result showed that all factors, non-family member employee perceptions were mixed with approximately 50% had positive perceptions and approximately 50% had negative perceptions.

**Keywords: Employees; non-family; loyalty; companies**

#### **INTRODUCTION**

Many of the businesses currently operating in Kingdom of Saudi Arabia can be classified as family owned businesses. Majority businesses have engaged both family members and non-family member employees.

Retaining well performing employees was all businesses need strive through development of various policies and retention strategies. Non-family employees in a family owned business are unfair treated in family owned business with unequal advancement opportunities or insecure jobs compared family member employees. This can cause low levels of employee satisfaction and loyalty to the company and subsequent low performance and possible loss of the employees.

Family owned business model plays an important role in most countries economies because contribute to creation of jobs and wealth which ranged from small enterprises to large conglomerates that operate in multiple industries [1,2]. Family owned businesses comprised 70-95% of all business entities in most countries around the world [3]. In addition, family businesses in Europe contributes 70% of GDP and 60% of working manpower [4].

Family owned business can be small, medium (SMEs) or large [5]. The family owned business is business governed and/ or managed with intention to shape and pursue the business vision which controlled by family members that potentially sustainable across the generations of the family or families [6]. The family nature of a business has an impact on the business's strategic behavior which given family members not only pursue the financial goals fulfilment but also work for family owned business survival and continuity [7]. Family owned businesses are focusing on long-term sustainability and maintain the business in the family which approximately 30% of family owned business survive into second generation and 15% reach maturity and survive until later generation [8].

Family owned businesses develop fair policies and strategies that encourage non-family employees satisfaction and loyalty. These policies give non-family employee a perception of being valued and rewarded on same scale as family employees being judged based on criteria other than being a family member and having same advancement opportunities as family member employees.

Employee loyalty is defined as the extent to which the personnel are faithful to the organization, having felt of bonding, inclusion, care, responsibility and devotion. There was strong correlation between trust, employee satisfaction and employee loyalty [8]. The employee loyalty need to though of as a parallel counterpart to consumer loyalty [9]. Companies develop distinct brand propositions and segmentation strategies to attract consumers since important to think similarly when attracting, retaining and motivating talent.

Family owned businesses are perceived as having a sustainability advantage over non-family owned firms, a perception which is valid [10]. Family businesses can attain sustainable competitive advantages only if professionalization is initiated and maintained by family members such as family business founders or successors [11]. Employment relations are complex and made more so by the tensions between needs and expectation of family and non-family employees [12]. The study in this area is limited by number and diversity of variables which influence family business cultures including regional cultures and ethnic heritage of the owning family among other factors [13].

Although, over 90% of all Saudi companies are Saudi owned and only 5% companies survived into third generation and most of the successful family owned businesses are less than sixty-five years old [14]. The study aimed to determined non-family member employee's perceptions of company policies related to treatment, recognition, advancement, development and compensation of non-family member employees.

## **METHODOLOGY**

The quantitative research is determined as study method. The quantitative research required gathering information in such a way as to generate statistical

numerical data. Quantitative analysis also permits specialists to test particular theories rather than explore with qualitative data.

Primary research was data collected directly in form of an experiment, interviews and questionnaires. A survey would be best method of data collection due to large number of responses required and desire to allow the respondents to remain anonymous. Secondary research is conducted through critical evaluation of current related literature generated by research conducted by other.

This research was undertaking the collection of both primary (quantitative) and secondary (qualitative) data. The primary data is undertaken in form of survey consisted of six questions related to demographics and eighteen questions related to non-family employee perceptions related to non-family employees. Secondary data is collected by an examination of current literature.

A quantitative survey was conducted on non-family member employees in family owned businesses operated in Saudi Arabia. The survey was in form of a questionnaire in which the respondents was asked to rate their perceptions of family owned businesses rating on Likert scale of 5 shown to have an effect on non-family employee loyalty.

A survey in which respondents remained anonymous was chosen as best way to gather data while avoiding any concerns the non-family employees had about the data being shared with company management. In additions, the data is collected from large population, interviews would not been practical. The survey is available online for three months and 151 respondents for the questions related to non-family employee perceptions of Saudi family-owned business practices.

The secondary data was review of current literature related to the loyalty of non-family member employees to the family owned businesses that employed by. This data was used to generate the questions to used in the primary research. The sample consisted of 150 non-family employees employed in six different family owned businesses

## RESULT AND DISCUSSION

### *Result*

Figure 1 is represented respondent distribution based on working place. There were 87.39% of respondents located in Jeddah while 1.25% of respondents were located in Makkah al Mukaramah.

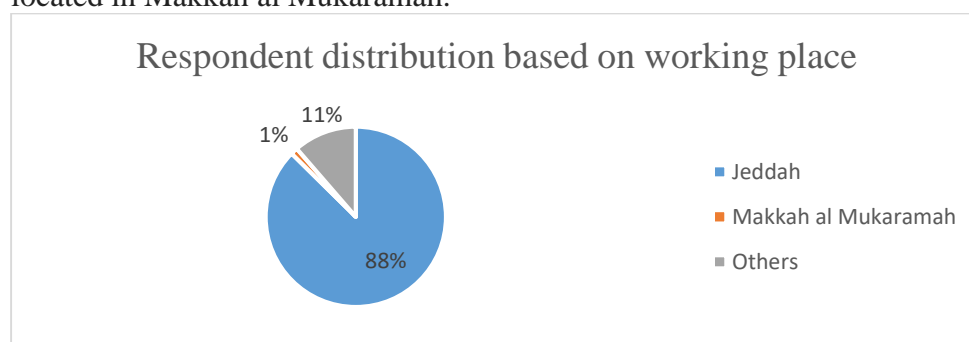


Figure 1: Respondents distribution based on working place

Most respondents had been working with their respective companies between one years and three years or four years and eight years with 35.29% and 32.35%. Meanwhile, 1.68% respondents had worked for their company between 23 years

and 26 years as shown in Figure 2. This result showed that employee turnover was high between 1 year ad 8 years and only small number of respondents remain with the company until retirement.

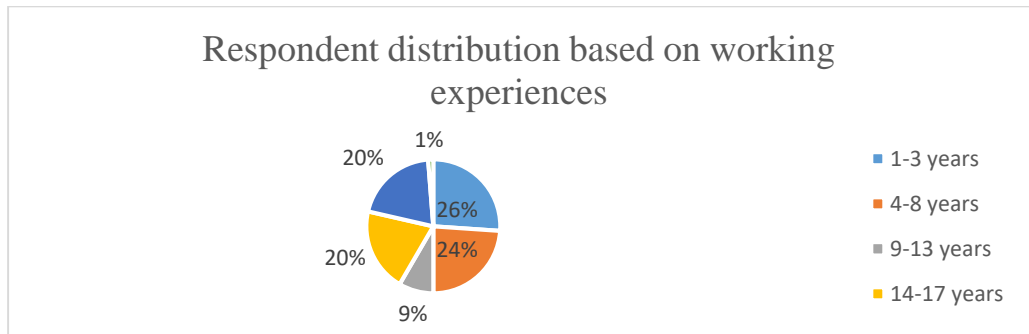


Figure 2: Respondents distribution based on working experiences

Figure 3 is represented respondent distribution based on nationality. There were 44.96% respondents are Saudi nationals and 15.55% respondents were expatriate from India wheseas 39.49% of respondents were expatriate from other countries.

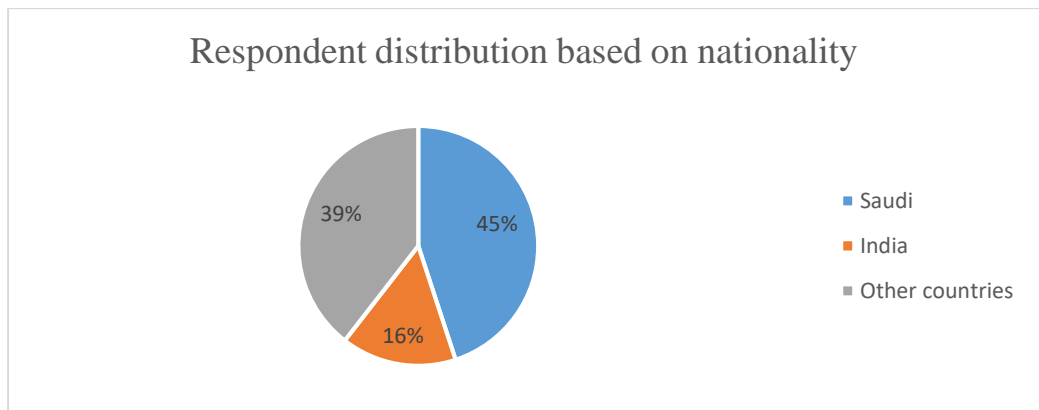


Figure 3: Respondent distribution based on nationality

Meanwhile, 89.50% respondents were male and 10.50% respondents were female as showed in Figure 4.

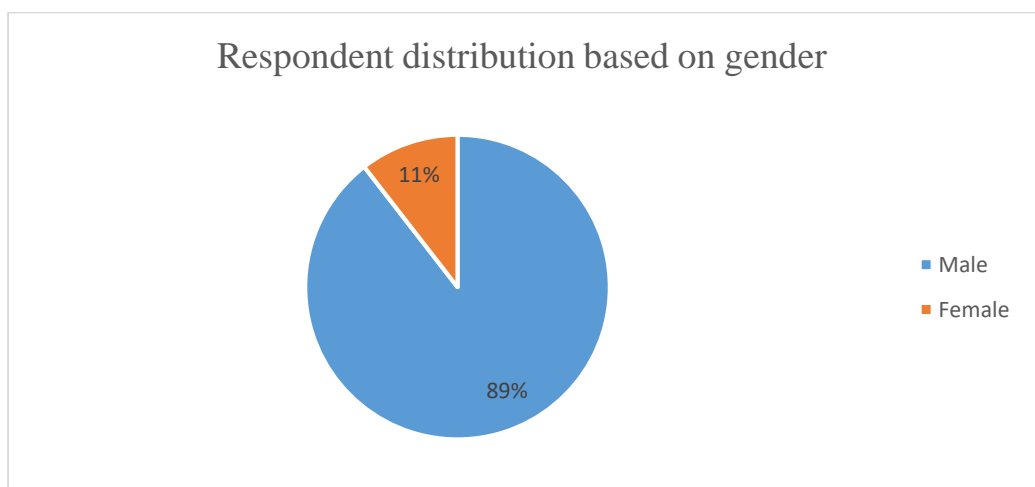


Figure 4: Respondent distribution based on gender

Table 1 shows the outcome of the questionnaire. In Table 1, 32 respondents claimed always, 51 respondents answered most of the time, 20 respondents claimed rarely and 16 respondents claimed not at all on company policy fairness for the owner and family. Meanwhile, 18 respondents answered always, 33 respondents answered most of the time, 23 respondents answered rarely and 32 respondents answered not at all that for employee had many advancement opportunities.

For employees never think the job position was threatened by nepotism, 54 respondents were answered always and 13 were choosed rarely. There were 52 respondents answered always, 44 respondents answered most of the time and 16 respondents answered not at all to recommend the compny to a friend.

In additions, 48 respondents answered always and 30 respondents answered not at all that employees did not intend to look for employment in other companies. For overall opinion of companies practices related to non-family employees was positive statement, 52 respondents were answered most of the time and 10 respondents were answered not at all.

There were 40 respondents answered most of the time, 40 respondents answered sometimes and 22 respondents answered not at all on engagement in decision making in the department. Besides, 37 respondents answered most of the time, 28 respondents answered rarely and 30 respondents answered not at all for training are provided to employees for self improvement.

For employees felt respected by seniors statement, there were 82 respondents answered always, 10 respondents answered rarely and 6 respondents answered not at all. Furthermore, 45 respondents answered sometimes, 16 respondents answered rarely and 13 respondents answered not at all on prejudice was discouraged in the company.

For prejudice prevails in the company's statement, there were 45 respondents answered sometimes, 30 respondents answered rarely and 33 respondents answered not at all. For employees gained the promotion from the company's statement, 18 respondents answered always, 36 respondents answered most of the time and 29 respondents answered not at all.

There were 26 respondents answered sometimes, 21 respondents answered rarely and 18 respondents answered not at all on work is appreciated and recognized by seniors in the company. For salaries were increased on regular interval's statement, 5 respondents answered always, 34 respondents answered rarely and 58 respondent answered not at all.

There were 27 respondents answered sometimes, 27 respondents answered rarely and 43 respondents answered not at all on bonus was granted when the company's target was achieved. For family member employees respect non-family member employees's statement, 14 respondents were answered sometimes, 14 respondents were answered rarely and 12 respondents were answered not at all.

There were 31 respondents answered sometimes, 14 respondents answered rarely and 14 respondents answered not at all on overall working conditions were positive. For overall company culture was positive's statement, there were 29 respondents answered sometimes, 19 respondents answered rarely and 15 respondents answered not at all.

Table 1: Questionnaire answer

Questionnaire	Questionnaire answer				
	Yes- always	Yes- most of the time	Yes- sometimes	Yes- but rarely	Not at all
Company policy was fair for the owner and family	32	51	32	20	16
Employee have many advancement opportunities	18	33	45	23	32
Employees never think the job position was threatened by nepotism	54	29	23	13	32
Employess would recommend this company to a friend	51	44	22	18	16
Employees did not intend to look for employment in other companies	48	31	28	14	30
Overall opinion of company practices related to non-family employees is positive	40	52	33	16	10
Employees engaged in decision making in the department	31	40	40	18	22
Employees are provided training for self improvement	32	37	24	28	30
Employees felt respected by seniors	82	38	15	10	6
Prejudice was discouraged in the company	38	39	45	16	13
Prejudice prevails in the company	17	26	45	30	33
Employees gain the promotion in the company	18	36	39	29	29
Work was appreciate and	35	51	26	21	18

recognized by seniors in the company					
Salaries were increased on regular interval	5	23	31	34	58
Bonus was granted when company's target is achieved	31	23	27	27	43
Owner family members respect non-family member employees	83	28	14	14	12
Overall working conditions were positive	38	54	31	14	14
Overall company culture was positive	39	49	29	19	15

### ***Discussion***

Most respondents are worked in companies located in Jeddah which is more open and cosmopolitan than other cities in Saudi Arabia. Therefore, the result reflected non-family employee perceptions in Jeddah only and not rest of the Kingdom. Most employees (more than 60%) are worked for company for less than 9 years and over half of those respondents are worked less than 4 years. This result could reflect high employee turnover and problem with non-family employee retention. Most of non-family employees were Saudi but still less than half of employees surveyed. Meanwhile, other respondents were from other Arab countries and South Asia with minority being from western countries.

The non-family employee workforce was culturally diverse and the fact that over half of the workforce was expatriate might account for lack of long term employees. Besides, most respondents were men which reflected cultural employment practices. Non-family employees respondent were mixed but most respondents were under 35 years old.

The respondents felt that company policy was fair for the owner and non-family employees with over half of respondents answered "always". The employees perceived policy as unfair which had negative effect on employees' loyalty. Samara et al. (2017) suggested that the fairness is important in family owned business which can bring benefit significantly to business itself in term of reputation and achieving long-term family owned business survival and success [16].

Most non-family employee workforce are worked with company for 8 years or less. There were 34.47% respondents claimed that always or most of time had same advancement opportunities as family members and 63.53% respondents did not received same opportunities. In contrast, previous studies found family employees are often provided with better employment opportunities, better compensation package and better training and development opportunities [17]. In additions, 54.48% respondents never think the job position was threatened by nepotism and almost a contradiction of the previous statement. There were

64.83% respondents who would recommend the company to a friend and 53.79% respondents claimed that did not intend to look for other employment in next two years due to contract restriction on non-Saudi employees.

Furthermore, 61.38% employees had positive overall opinions on the company practices related to non-family employees which is slightly higher than the percentages shown as positive responses to specific practices. There were 48.28% respondents answered always or most of the time involved in decision making in their department or company. Meanwhile, 51.72% respondents felt that their input was not valued or considered and had negative effect on employee loyalty. The positive employment atmosphere is very importance which help to maintain the employees at the workplace for long period [18]. Matzler et al. (2007) found strong correlation between trust, employee satisfaction and employee loyalty [19]. The interpersonal trust strongly impacts employee satisfaction and employee loyalty.

The result also showed respect from family members for non-family employees was high as 55.17% respondents who responded that always the case. Overall, the result showed mixed perceptions of non-family employees perceived their experiences at the companies. Approximately half of specific company practices were observed being always or most of the time as positive for non-family employee but other half view those practices as negative and had negative effect on non-family employees' job satisfaction and employee loyalty.

## CONCLUSION

In conclusions, the employee loyalty have impact toward employee's and company's performance. Management need to treat the employees with respect, fair promotional and advancement opportunities, work compensation, appreciation and recognition of efforts and employee loyalty promotion. The result showed approximately half of the non-family employees in Saudi family owned businesses had positive perceptions of the company's practices in these areas. Non-family employees perspective on the factors that affected employee loyalty was mixed which half of the employee had positive outlooks on their company's performance in these areas. In additions, approximately 60% respondents had positive outlooks on overall working conditions and organizational culture.

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