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EVOLUTION OF FAMILY OWNED BUSINESS IN SAUDI ARABIA

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Keywords: Family owned business; evolution; challenges; interview

ABSTRACT

The study aimed to understand the evolution of family business in Saudi Arabia. In this study, the primary and secondary data were used. The primary data was collected from first-hand experienced and involved qualitative and quantitative approaches. The primary data was collected through interview and secondary data was collected from books, journals, theses and online website. The interview was conducted with large family owned businesses in Saudi Arabia which helped in understanding of evolution and role of these companies to the country. The samples were included most family businesses in Saudi Arabia who had knowledge and experiences. The sampling method was focused on selected respondent based on top 100 family businesses in Saudi Arabia. The interview showed family owned business made the firm unique in Saudi Arabia. Family owned business were developed and mature and usually last for many generations. Big firms such as Al Zamil group and Al Tamimi group faced several issues and challenges from being family owned in regard to hire non-family members to contribute in the business successful, succession plan and strike a balance between family and business.

Keywords: Family owned business; evolution; challenges; interview

INTRODUCTION

Evolution is number of challenges over time also can be defined as growth and development. Business evolution is defined its origin, growth and continues development with expansion in various sectors that contribute and run the economies. The business evolution went across five progressive stages or developmental steps which are local, regional, national, international and global businesses. All type of business follows the same life cycle. There are four different stages of business that each stage focus on comprised set of special organizational activities, structures and strategies. Furthermore, these stages are categorized by size, diversity and complexity. Besides, ithe business also described by five main management factors includes managerial style, organizational structure, extent of formal systems, major strategic goals and the owner's involvement in the business.

Family owned business plays main role in most capitalist economies which contributes to the creation of jobs and wealth that ranges from small enterprises

to large conglomerates that operate in multiple industries [1-3]. The family business is business owned or managed with aims to pursue and shape the business vision by a dominant coalition controlled same family member or small number of families which potentially sustainable across families generations [4]. Nature of family business group is determining strategies including diversification and its impact toward performance [5]. When business is transferred to next generation, not only financial assets which are passed on but also social and cultural capital (CSR activities and value system) [6].

Family business comprise 70-95% of all business entities in most countries around the world [7]. According to European Barometer, family businesses ad contributes 70% of GDP and 60% of working manpower in Europe [8]. In global, small medium enterprises (SME) are providing 80% of job availability in the private sector and contributes 47% of world GDP [9]. In Spain, tourism is a core sector, family businesses 89% and represented estimation of 57% of private sector's gross domestic product and 66.7% of employment generation [10].

In Saudi Arabia family owned businesses plays important role in any economic development. Saudi Arabia has large number of family owned businesses representing 51% of total employment in the country and contributes revenue of 232.5 billion Saudi riyals. Family owned business has different strategies, structures and rules that differentiate their business from others. The study aimed to understand the evolution of family business in Saudi Arabia.

METHODOLOGY

There were two research methods which were qualitative and quantitative. The qualitative research which works with small sample selection to conduct deep information on certain event. Meanwhile, qualitative research was more general and more concerned with events, person and without numerical data. The quantitative method which was more specific, a hypothesis had stated and proved that hypothesis and concerned with collection and data analysis in numeric form. The data generated was analyzed mathematically.

In this study, the primary and secondary data were used. The primary data was collected from first-hand experienced and involved qualitative and quantitative approaches. The primary data was collected through interview and secondary data was collected from books, journals, theses and online website. The interview was conducted with large family owned businesses in Saudi Arabia which helped in understanding of evolution and role of these companies to the country.

The data were collected through interview, review documents and journals. The samples were included most family businesses in Saudi Arabia who had knowledge and experiences. The sampling method was focused on selected respondent based on top 100 family businesses in Saudi Arabia. There were 9 respondents selected for interview as shown in Table 1.

Table 1: Companies for interview

Company name	Interviewee name	Position
Alwan Co.Ltd	Mohammed Alwan	HR manager and company partner
Lomar Thobe	Loai Nassim	Founder and CEO
AlMashfa Hospital	Adel Makhdoom	CEO
Al Zamil Group	Abdulrahman Al Zamil	Finance manager

Al Tamimi Group	Fawaz Al Tamimi	Finance manager
Nawah Healthcare Company	Ali Enaya	Operation manager
Al Haj Hussain Alireza Alhadad Alharbi	Muhammad Alireza Abdurahman Alhadad Fayz Alharbi	CEO Owner Executive manager

Alwan Co. Ltd is company that operates in the agricultural and environmental services industry. The company aims to develop agricultural services such as cultivation, irrigation, plant maintenance and landscaping. Lomar Thobe was founded by Loai Nassem and Mona Al-Haddad which consumed two years to study the market after selling thobes to 200 customers from home.

AlMashfa Hospital is boutique Hospital that caters to middle-upper and upper class of the community of Jeddah especially Makkah region and whole country. AlMashfa is healthcare provider that achieves the aspiration of all involved or benefit from its services.

Zamil Group Holding company is global investment company with diverse interests and capabilities. Zamil Group Holding had provided innovative, high quality and price competitive products and services included investment opportunities for investors, partners and stakeholders in the industrial, petrochemical and services sectors. Meanwhile, Al Tamimi Group was founded in 1953 by Sheikh Ali A. Al Tamimi decided to start his journey as an entrepreneur by established a company that specialized in building pipeline construction and general contracting.

Nawah is leading company in healthcare and medical equipment, technology and solution specialized in provided patient care expertise and latest medical technologies in Saudi Arabia. Nawah is dedicated to being at forefront of Kingdom Saudi Arabia health care sector by offering global renowned products and technologies to healthcare providers and genuine difference in the patients treatment quality.

Ali Reza had founded investment company which oldest trading families in Saudi Arabia. Ali Reza had successfully improved the marketing level in trading, manufacturing and services in Saudi Arabia and Gulf Cooperation Council (GCC). The company started in small office in Jeddah in last 40 years and Ali Reza had come one of best dynamic diversified groups in Saudi Arabia.

Al-Haddad is based in Jeddah and established in 1990 by Khalid and Basheer Al-Haddad with 3 leading business included retail, distribution and sales service. AlHarbi Trading and Contacting Co. is leading Saudi contacting company specialized in planning, executing and management of contacting projects

RESULT AND DISCUSSION

Result

In Table 2, Al Tamimi group was second generation for family owned business. Al Tamimi group had been evolved in first 50 years runned by first generation and handed over to the second generation in year 1990. The factors led to successful evolution of the business with the family was consensus on major issue, clearly defined responsibilities among family members. The good delegation od authorities to c-suit level and third generation was engaged with clear career path. Besides, Al Tamimi group also finding right people especially non-family members to contribute for business successful.

Table 2: Interview answer for Al Tamimi Group

Question	Interview answer
What stage of family owned business was first , second or third generation?	The family owned business was second generation.
Please tell us how your business evolved over the period?	For 50 years, the business was ran by first generation and handed over to the second generation during 90's.
What factors led to successful evolution of your business to this stage?	Family was consensus on major issue, clearly defined responsibilities among family members, good delegation of authorities to c-suit level and third generation was engaged with clear career path.
Please tell us of the family, non-family and business challenges your firm faced in this evolution	Finding the right people (non-family members) to contribute to the business successful

Al Zamil Group was in fourth generation for family owned business as shown in Table 2. The founder started the company as basic trading company, evolved with second generation to manufacturing. The second generation was still active and arranged for third and fourth generations entry and succession. Harmony between second generation and values set by the founder. The challenges the firm faced in this evolution were succession, emotional ties to business and others.

Table 3: Interview answer for Al Zamil Group

Question	Interview answer
What stage of family owned business was first , second or third generation?	The family owned business was fourth generation
Please tell us how your business evolved over the period?	The founder started basic trading company, evolved with second generation to manufacturing. The second generation was still active and arranged for third and fourth generations entry and succession
What factors led to successful evolution of your business to this stage?	Harmony between second generation and values set by the founder

Please tell us of the family, Succession, emotional ties to business and non-family and business others challenges your firm faced in this evolution

In Table 4, AlHaj Hussian Ali Reza business was in second generation. The business evolved over the period with brand development and expanding of the branches. The factors led to successful evolution of the business to this stage with brand development and customer satisfaction. Most challenge was satisfy the customer and studied the needs in each region and with each brand.

Table 4: Interview answer for AlHaj HUssian Ali Reza

Question	Interview answer
What stage of family owned business was first , second or third generation?	The family owned business was second generation
Please tell us how your business evolved over the period?	Brand development and expanding the branches
What factors led to successful evolution of your business to this stage?	Brand development and customer satisfaction
Please tell us of the family, non-family and business challenges your firm faced in this evolution	Most challenge was to satisfy the customer and studied their needs in each region and with each brand

In Table 5, AlMashfa Hospital was family owned business in second generation. This business was idea that became a vision, looked for ways to our vision and had best private practice in medicine in Saudi Arabia. The respondent said there was three years of studying and data collecting to build the hospital and set the rules and regulations and after ten years of planning and equipping the hospital were able to run. The factors led to successful evolution that the belief behind company purpose and vision as well as strict missions and values. Besides, the people that believed in company beliefs also one factor lead to successful evolution. The challenges for AlMahfa Hospital was finding people that appreciate that hospital and one goal was the patient. Other challenge was government bureaucracy and through the rules and regulations of the country.

Table 5: Interview answer for AlMashfa Hospital

Question	Interview answer
What stage of family owned business was first , second or third generation?	The family owned business was second generation

Please tell us how your business evolved over the period?	The idea became a vision which the company looked for ways for the vision and had best private practice in medicine in Saudi Arabia. The company used three years of studying and data collecting to build the hospital and set the rules and regulations and after ten years of planning and equipping the hospital that able to run.
What factors led to successful evolution of your business to this stage?	Belief behind the purpose and vision as well as had strict missions and values. The hospital had been surround with people that believed in our beliefs.
Please tell us of the family, non-family and business challenges your firm faced in this evolution	Most challenge was finding people that appreciate that was hospital and goal was patient not the finances and focused on the patient, Main goal and other challenge was government bureaucracy and through the rules and regulations of the country

In Table 6, the company was in second generation. The business was started as a booth that sold the flowers and store was opened which located in Jeddah after established as an institution. The factors led to successful evolution of the business which provided best quality in all services included good networking and communication with stake holders. The challenges were faced in this evolution included labor law, regulations, competition and finding qualified employees.

Table 6: Interview answer for Alwan Co. Ltd

Question	Interview answer
What stage of family owned business was first , second or third generation?	The family owned business was second generation
Please tell us how your business evolved over the period?	The company was started as booth which sold the flowers with opened store that located in Jeddah after established as an institution.
What factors led to successful evolution of your business to this stage?	The company provided best quality in all services such as good networking and communication with stake holders
Please tell us of the family, non-family and business challenges your firm faced in this evolution	Business: labor laws and regulations, competition Family: finding qualified employees

In Table 7, Lomar was in first generation which started with a tailor with a collection from the house. Currently the company have 400 employee which 85% of employees were Saudi. The factors led to successful evolution of the business were passion and confidence. The company challenge was brand development and let other accepting the changes in traditional outfit was associated with the culture.

Table 7: Interview answer for Lomar

Question	Interview answer
What stage of family owned business was first , second or third generation?	The family owned business was first generation
Please tell us how your business evolved over the period?	The company started a tailor and a fashion collection from the house. Now, the company had 400 employee which 85% of employees were
What factors led to successful evolution of your business to this stage?	Passion and confidence and in the idea itself
Please tell us of the family, non-family and business challenges your firm faced in this evolution	Brand development and let other people accepted the changes in traditional outfits which associated with the culture

In Table 8, Alharby was in second generation. The company had evolved through different business type industrial, contracted and services companies in different sectors. The contracting and service companies was most successful sector and had good growth. The company had focused in human power. Besides, the company believed and support their employees and recruited best person in the market. The challenges were study the needs or requirement of the customer. Besides, other challenge was gain the financial accurate positions and find suitable supporters banks or Saudi industrial funds.

Table 8: Interview answer for Alharby

Question	Interview answer
What stage of family owned business was first , second or third generation?	The family owned business was second generation
Please tell us how your business evolved over the period?	The company was started in different type of business industrial, contracting and services companies in different sectors. The contracting and service companies had good growth.
What factors led to successful evolution of your business to this stage?	The company had focused in human power for company growth. Besides, the company also believe and support the employees and recruited best employee in the market.
Please tell us of the family, non-family and business challenges your firm faced in this evolution	The challenge was study needs or requirement of the customer. Other challenge was earned financial accurate positions and find suitable supporters bank or Saudi industrial funds

In Table 9, Alhadad company was in second generation. The company had met other agency for corporate with the company. The factors led to successful evolution was passion and aim to be known for best provider for tools. The

challenges were some suppliers were unavailable with the cost and financial factors.

Table 9: Interview answer for Alhardad

Question	Interview answer
What stage of family owned business was first , second or third generation?	The family owned business was second generation
Please tell us how your business evolved over the period?	The company met other agency to ask for corporation
What factors led to successful evolution of your business to this stage?	The company had passion and aim to be known for best provider for the tools
Please tell us of the family, non-family and business challenges your firm faced in this evolution	The challenge was some supplier were unavailable with cost and financial factors

In Table 10, Nawah Healthcare was in second generation. The company grew over years tremendously. The result of building teams and unifying market of interest. The company also focused to handle the healthcare business in different means. The customer centricity, leadership, integrity and creativity among factors lead to successful evolution. The main challenge was strike balance between family and work. Other challenges was ability to manage the company which grew in very fast pace especially leadership aspects.

Table 10: Interview answer for Nawah Healthcare

Question	Interview answer
What stage of family owned business was first , second or third generation?	The family owned business was second generation
Please tell us how your business evolved over the period?	The company was growing over years tremendously which resulted built teams and unified market interest. Besides, the company also focused on handle the healthcare business in different means.
What factors led to successful evolution of your business to this stage?	The company had focused in customer centricity, leadership, integrity and creativity
Please tell us of the family, non-family and business challenges your firm faced in this evolution	The challenge was striking a balance between family and work. Other challenges was ability to manage the company which grew in fast pace

Discussion

Based on the interview, 25% of family owned business were survive into second generation which meant all the listed companies were reliable, well established

and mature. Al Zamil group was in fourth generation, Lomar thob was in first generation and other remain companies were second generation.

There were many factors that led to successful evolution and important ratio of these factors can be distinct from one company to another. Common factors between companies were harmony between the generation, customer satisfaction, clear responsibilities among the employees and passion. The factors that lead to successful evolution which the respondent from Al Zamil had mentioned harmony between second generation and values set by the founder. Alwan company added that providing best quality in all services such as good networking and communication with stake holders also important factors that contributed successful evolution.

Besides, the interviewed companies had variety of challenges such as finding right people from outside family, succession, customer satisfaction, financial issues and government regulation. In Nawah Healthcare company remarked being in senior leadership position in leading healthcare enterprise was challenging task itself. However, main challenge was strike a balance between family and work. Other challenge was ability to manage the company while grow in fast pace especially leadership aspect.

CONCLUSION

In conclusion, the evolution means the growth and development and applied in the growth and development of organization to meet the goals. The interview showed family owned business made the firm unique in Saudi Arabia. Family owned business were developed and mature and usually last for many generations. Moreover, big firms such as Al Zamil group and Al Tamimi group faced several issues and challenges from being family owned in regard to hire non-family members to contribute in the business successful, succession plan and strike a balance between family and business.

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