HOW TO MANAGE YOUR FAMILY BUSINESS

The 10 Imperatives for Success

Josiane Fahed-Sreih

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

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

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PREFACE

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

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

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

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

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

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

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

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

Imperative One

Establish a Common Vision

Foreword

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

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

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

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

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

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

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

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

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

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

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

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

Criteria for a family business:

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

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

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

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

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

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

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

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

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

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

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

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

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

Get more knowledge on the advancements of technology as it should be one of the priorities of any business owner who must be involved in order to stay one step ahead of competitors direction versus another pushes managers to draw some carefully reasoned conclusions about whether and how to modify the company's product focus and long-term direction."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Recommendations

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

IMPERATIVE TWO

CAPITALIZE ON YOUR FAMILY VALUE SYSTEM

Foresight

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

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

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

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

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

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

Gender plays a significant role in Middle Eastern social politics and trade. The lack of gender diversity among the Middle Eastern workforce – found especially in the countries of the Gulf region – in conjunction with a dominant state religion, a wide array of governmental decrees and decisions, and an environment that has lately become a melting pot of cultures and different religious perceptions, creates an obstacle that businesses face in the region. Gender diversity in the Middle East is a significant issue that

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

has not been resolved in most of the countries. Such issues cripple the way companies work, especially if they deal with the Western culture. Although following the traditions of the country where the business operates is wise, females should not be overlooked as their inclusion increases the talent pool at the owners' disposal.

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

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

Understand the role and capacity of family businesses in an economy

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

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

Incorporate values in the family business to successfully create an identity

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

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

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

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

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

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

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

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

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

In the Middle Eastern Gulf countries, tribal societies have long focused on the family as a unit of interest and they dominated in both politics and society. This importance of family extends to businesses, where approximately 98 percent of commercial activities in the GCC, which includes Saudi Arabia, Kuwait, and four other Gulf states, are family run (Welsh and Raven, 2006).

Do not mix politics with business for taking sides creates friends equally as well as enemies

Similarly, Lebanon, a country in the Levant of the Middle East, also has a long tradition of family dominance over both political rulers and businesses. This tradition has been traced to feudal times, and is pervasive even today. The patron–client relationship in Lebanon is termed Zauma Clientelism and integrates political, militia, and business functions. Politics influences the personal values, and may reflect on disputes at the level of the family business and its values. As such, do not mix politics with business for taking sides creates friends equally as well as enemies.

Work on increasing the family business's corporate social responsibility as a reflection of the family business values

Local and regional traditions in the Middle East are correlated with the difference in religions, which bring their own cultural idiosyncrasies that sometimes dictate certain ways of life, heritage traditions, and the political hierarchy. The heritage of the Middle East is extremely diverse and differs from one sub-region to the next.

The world economy places pressure on businesses, especially family firms. As the economy wanes, family businesses are forced to change, adapt, and apply tough choices to survive. This places extra pressure on family businesses and changes their objectives even if to a smaller extent. A study conducted in 2012 reports that 70 percent of family businesses are compelled to 'give' to the community and support it. However, in 2014 this number dropped to 59 percent due to tough economic decisions and different priorities (PwC (c), 2014). A positive note on the conservative traditions of the Middle East is that the community is regarded as a priority to family businesses. As a result, in the Middle East, the study reports in 2014 that 86 percent of family businesses feel responsible towards the community and still support it (up from 78 percent in 2012) (PwC (a), 2014). Here lies the importance of

CSR that is a front-line purpose for all businesses, and in particular family businesses, reflecting the values of the family business.

The Middle East is a melting pot of major cultures and religions combined with different forms of traditions, all united by the concept of patriarchal rule found in each country in the region. Sociology, anthropology, business, and economics literature have all contributed to the development of theoretical frameworks addressing the effect of culture, religion, and ethnicity on management. Western thought often conflicts with Arab culture and religion. Industrialization, while welcome, complicates the duties of managers who strive to achieve modem results while maintaining their traditional values. This duality and contradiction is an inherent part of the Islamic culture that dominates the Middle East. The countries can be divided and shown as sub-regions such as the Levant and the member states of the GCC.

The culture surrounding your family business influences the types of values of your family business

Society in Lebanon can still be considered as patriarchal in nature, while perhaps it is less so than in other countries of the Middle East. This directly influences how family businesses function and the hierarchy of management. Patriarchy comes from conservative traditions that have been in effect for many generations. The presence of religion added to tribal traditions shaped how behavior and dealings in the region are affected. Until the recent exposure to Western culture and globalization, the Middle Eastern people had to deal primarily with members of their own culture. Countries found in the Levant, such as Lebanon, Jordan, and Syria, are more politically, religiously, and culturally diverse by nature. Countries in the GCC are more dominated by one religion and a certain form of government but have seen a large amount of diversity

Balance between the traditions and culture of the entourage your family business works in and the working trend of other cultures on the global level when creating, adjusting, and adapting the values of your family business arrive in the course of the 20^{th} and 21^{st} centuries due to significant tourism and job opportunities.

Patriarchy in Middle Eastern societies is very much linked to the dominant religion in the area which is Islam. This is one major cultural thread that ties the Middle Eastern countries together, being created from a patriarchal society. In a family business setting, and as corporations get older, the younger generations sometimes express a desire to reform the business to reflect the current working trend seen on the global stage. Traditions can also create problems within the family that may destroy the company and create tension between family members who would want to break that tradition for reforming the company's identity.

In the Middle East, unexpected governmental regulations usually can affect businesses more negatively than positively. The effects of governmental regulations and decrees change from one country to another in the Middle East. The real concern over this issue in the region has increased from 46 percent to a staggering 68 percent in 2014 (PwC (a), 2014). The key challenges that family firms face in the 5-year projection which they see as risks that might deter them from achieving their targets are the ability to find the right skills, political/regional instability, succession, and the shape of the economy.

For example, the Middle East, where companies identify a 27 percent chance of instability in the market over the next five years according to the 2014 study, is also expected to face a 52 percent increase in political instability over the same period (PwC (a), 2014). Although despite those dire expectations, companies active within the region still expect a 73 percent chance of attracting more talent while global firms expect a 61 percent chance over the next five years (PwC (a), 2014). The economic situation in the Middle East is stable regardless of the political instabilities. However, the region is influenced by globalization and of advancements in technology especially taken from the West. Naturally, all corporations do compete with each other especially in advancements in technology that give them

Take the technological advancements and the change in the entourage into consideration in the adaptation of the family business value system an edge over their competitors. Based on the (PwC (a), 2014), at least 81 percent of firms (including family businesses worldwide) believe that world technological advancements can and will transform their business drastically over the next five years.

This signifies a change in how business could be conducted since technology is a main force that shapes how firms can compete in local, regional, and worldwide markets. Family businesses are also aware what advancements in technology could provide or change. According to (PwC (c), 2014), there were 79 percent of family firms that asserted that technology is in the top three global trends that warrants attention. Moreover, 72 percent are aware that they have to adapt and change their external affairs in order to better compete while also regrouping and organizing themselves internally to counter change. Take the technological advancements and the change in the entourage into consideration in the adaptation of the family business value system. The study also reveals that 43 percent of those firms recognize the need to have the right talent in order to build an effective foundation that can and will defend and overtake others. In the Middle East, 73 percent of the family firms also believe it is important to stay technologically powerful and implement the changes that are required to achieve this. Furthermore, 41 percent also want to find talent to increase their capacity to conduct business globally and locally (PwC (a), 2014)

These findings are especially impressive since the Middle East was not always the fastest region to adopt advancements. It is a clear sign that the markets are developing very fast, thus increasing the competitiveness of family firms in the region. The business must be managed and organized well to communicate with its consumers. Let the family business values positively influence the management and organization of the family business and vice versa. This requires a huge investment, and this is where the Middle East shines.

Let the family business values positively influence the management and organization of the family business and vice versa

Due to the traditions that bind the region together socially and ethically, family business owners deal with things in a conservative manner that is common among patriarchal societies. However, to stay competitive in the market today, family businesses must accommodate the current trend in technologies and business mentalities that are required to survive and grow. Draw the family business values in a way that leads to the growth and survival of the business in all circumstances.

Draw the family business values in a way that leads to the growth and survival of the business in all circumstances

Around 60 percent of Middle Eastern family firms expect to spend more in advanced technology within five years (PwC (a), 2014). This accelerated innovation will give family companies an edge in the market and according to the PwC Next Gen Survey of 2014, 64 percent of the family firms in the region have committed to such IT and high-tech investments as the highest priority (PwC (c), 2014). This will increase the growth of the business and those seeking to grow rapidly will look to innovation as a key asset to better sustain themselves in the future. However, transitioning to new technologies and adapting to the changes are risks which some family firms are unwilling to take due to conservative mentalities. This closed-mindedness stirs up from the unwavering attachment to generations of tradition and culture.

Since patriarchy runs deep within our conservative traditions, it is possibly one of the greatest assets to an entrepreneur to create a family business. Patriarchy in the Middle East is evident in the domination of the public and private sectors by men. It persists, even despite the recent rise of globalization, and almost all countries including the Gulf region, excluding Saudi Arabia, have begun giving women opportunities never before seen. Due to the dynastic organization of the government in the Kingdom of Saudi Arabia and the application of Sharia law, which is patriarchal rule through direct rule of the Qur'an, the kingdom is still the most conservative nation in the Middle East,

Do not provoke unhealthy rules set by countries as that will give the company a bad reputation as well as trouble within the country especially towards women. This can be seen as reflected in the values of people in the Kingdom of Saudi Arabia, and thus reflected in the values of their businesses, and in their family businesses. However, this gender imbalance has decreased over the years and recently women have been given bigger roles and responsibilities in all fields. The resurging cry for equality has given women a chance to compete with men in many positions. In order for your family business to survive, its vision should take into consideration the rules that may be seen as extreme from a cultural perspective that are set by certain countries. Therefore, do not provoke governmental enforced rules set by countries as that will give the company a bad local reputation as well as trouble within the country.

In modem days, countries such as the United Arab Emirates, Oman, Syria, Kuwait, Bahrain, and Tunisia, which were once very aligned towards extreme conservatism and patriarchy, are now beginning to educate their societies including women to play a role in their private and public sectors. In fact, increased efforts have changed the level of education of women and their involvement at the workplace (Yousef, 2004). "Rising labor force participation and a maturing age structure have raised the growth of female labor supply to around 5 percent annually between 1990 and 2010" (Yousef, 2004).For women who could, in some respects, contribute the most to the economy, the situation still remains very challenging. "Only 20 percent of women ages 15 and older in MENA countries are in the labor force — the lowest level of any world region. The highest levels of native female labor force participation in MENA countries are found in Lebanon, Morocco, Turkey, and Yemen, where women constitute more than 25 percent of the labor force" (Roudi-Fahimi and Moghadam, 2003).

While it nonetheless may be true for the Kingdom of Saudi Arabia and a few GCC countries that they try to prolong their conservative nature regarding their traditions and decision making, some other countries asset their laws on a slightly/completely different than that of the rest of the Middle East. An example of such a country would be the Republic of Lebanon, where specific gender dominance does not exist. A different approach from the GCC also applies to the state religion which also affects corporations with various governmental decisions. In the Levant region in the Middle East, especially Lebanon, conservatives have created maybe the purest form of conservative democracy in the Middle East, effectively joining all the cultural mentalities of the major religions to accommodate the way of life in the country; this is due to the nature of the political congregation between Western influence and Arab traditions. It is believed in Lebanon and the Arab countries, more than anywhere in the world, that family businesses are a way to enhance a family's social standing rather than an impersonal, money-generating activity or a market-driven activity to generate wealth. This special way of managing a business in Lebanon and the Arab countries relates to the socio-economic and cultural backgrounds of these families. In this aspect, the values in family businesses are of major importance to their owners, thus improving their social standing and respect through the proper implementation of culturally appreciated values. Draw your family business values in a way to improve your social status and respect through their proper implementation.

> Draw your family business values in a way to improve your social status and respect through the proper implementation of these culturally appreciated values

Even in Lebanon where the conservative level is not as extreme as in the Kingdom of Saudi Arabia, for example, there is still a semi-patriarchy system in place that can be felt especially in the way the family businesses function as a whole.

Some families in Lebanon still exclude women from their inheritance rights in the business, and also from holding leadership positions in the business. This is not only found in Muslim families, but also extends to many Christian families.

It is a question of its own why Lebanese family firms prefer to remain family businesses and avoid Initial Public Offerings even though they know that international markets and globalization favor a change to publicly traded companies, financially and managerially. These family companies favor protectionism; they favor conservatism and a high level of secrecy which is in contradiction to the flotation of shares on public financial markets, and thus another form of cultural interference.

Recommendations

- Shape your family business culture in ways that capitalize on the founder's influence and help ensure continued success well beyond the founder's generation.
- Although following the traditions of the country where the business operates is wise, females should not be overlooked as their inclusion increases the talent pool at the owners' disposal and maintains the long-term stability of the business.
- Understand the role and capacity of family businesses in an economy.
- Incorporate values in the family business to successfully create an identity.
- Encourage trust within the family environment, especially within family businesses, as trust is considered a value that has to be integrated in the business.
- Do not incorporate values within the family business that clash with domestic cultural perspectives.
- Do not mix politics with business for taking sides creates friends equally as well as enemies.
- Work on increasing the family business's corporate social responsibility as a reflection of the family business values.
- The culture surrounding your family business influences the types of values of your family business.
- Balance between the traditions and culture of the entourage your family business works in and the working trend of other cultures on the global level when creating, adjusting, and adapting the values of your family business.

- Take the technological advancements and the change in the entourage into consideration in the adaptation of the family business value system.
- Let the family business values positively influence the management and organization of the family business and vice versa.
- Draw the family business values in a way that leads to the growth and survival of the business in all circumstances.
- Do not provoke unhealthy rules set by countries as that will give the company a bad reputation as well as trouble within the country.
- Draw your family business values in a way to improve your social status and respect through the proper implementation of these culturally appreciated values.

Imperative Three

Create Effective Human Resources Policies and Align Family Members' Policies

Foreword

Family members' human resources policies should be aligned with the company's human resources policies. Align them. Family human resources policies should be a reflection of the family's aspirations. Make them effective and let the board of directors endorse them. Entry and exit strategies should be set for all family members. In the first and second generations, it is usually advisable to compensate family members equally to ensure unity and motivate the family group to look for opportunities of growth.

The human resources (HR) department is an imperative extension of the company that determines and screens potential candidates for recruitment and integration into the company. Moreover, it handles the employees' financial and beneficial status while constantly adjusting their job descriptions. HR is, and should be, regarded as one of the most significant 'cogs' in the machine that is the company. Every firm, including family-owned businesses albeit having different methods of recruitment, that wishes to expand and grow needs to invest in the capability of the HR department. HR and the growth and development of leaders in a company are a key feature especially in a technology-dependent world whereby it is getting more and more sophisticated. In a family business, it is important to integrate the new generation within the company to familiarize themselves with the organization while bringing fresh ideas to the table.

The challenge here is to actually assign the right compatible leader to the leading task.

In every company, there exists a structural model for recruiting and keeping track of current employees. This factor, or rather group of individuals, is called human resources, abbreviated as HR. They follow procedures placed upon them by the corporate governance system in place. Such procedures include recruitment of future employees, managing the current status of active employees, and forming financial and legal reports based on contractual agreements on a monthly basis. HR spearhead the recruitment process by screening the best possible candidates for the available job. This screening process includes relevant job experience, personality and background check, and psychoanalysis of the individual in question. To proceed with this extensive process requires multiple interviews and, in some cases, an examination to test the individual, although this is not mandatory and could easily be exempted. Therefore, the HR specialist is highly recommended to be qualified to produce proper screening results. "Effective recruitment practices allow individuals to see congruence between individual preferences and organizational attributes. Dimensions such as recruiter characteristics (e.g. personality, knowledge ability, and credibility), recruitment message (e.g. realism, favorability, and content), and recruitment timing have received mixed support for influencing recruitment success." (Williamson, 2000: 27) There are some recruitment strategies which attempt to balance and change the characteristics of interested individuals in the job. This depends generally on the size of the hiring company, since it changes the method of the recruitment process.

A family business could also operate in a different manner since the hierarchy system is different than management-controlled companies, and the recruitment of family members is not as objective- and merit-oriented as corporations. Family members are imposed on the business whether competent or not. So, the family should put in place a sound system for family members' entrance to the business and the same system should apply to all the interested family members. The individual applies to the family business council who in turn sends their recommendation to the board of directors. The family council will collect the family aspirations related to the family HR policies, their entry to the business and exit of it, and these aspirations are sent to the board of directors who in tum will be in charge of aligning them to the HR policies of the business.

One of the mechanisms or recruitment strategies in a small business is to seek and recruit future employees or talented individuals through the use of social media, since the internet encompasses the majority of the human population, partly due to the increasing trend of social media models that already profile people. As the company grows, its reputation will become stronger, and this will automatically demand another breakthrough in its method of conducting recruitment. Talent is something that all businesses desire and should increase the company's efficiency. The family is the core of the business and it is also central to the identity of the company. Therefore, a family business most often has a different approach to recruitment due to inactive family members who become willing to join the forefront of the analytics of their business function and duty. This should be the reason behind their need to professionalize themselves because their actions, decisions, problems, and desires will affect the company either negatively or positively. For example, the markets in Europe that seek to professionalize the most – as reflected in scores of more than 50 percent in the PwC Next Gen. survey (PwC (a) , 2014) – were Belgium and Italy. Mature markets in Europe, such as the United Kingdom, scored 30 percent, followed by Germany with 28 percent, and ended with Spain with 27 percent. Moreover, the United States and Canada were the lowest, reporting 20 and 19 percent each respectively. In the Middle East, the result was average, scoring 48 percent.

Do not disrupt the influx of talent from outside the family as this holds back the family business

Being a business owner gives more motivation and commitment to work. Use the proper policies to hire the most competitive family members in your family business.

According to an interview in a study by a Kuwaiti second generation family business owner, "Family businesses need to recruit talent and accommodate their development, empower them and relinquish control where necessary. Also, [they must] create the right incentive structure." (PwC (a), 2014: 17) Family members can hold back the business by disrupting the influx of talent. While the inclusion of family members should be welcomed and increases the chance of business continuity, it should not deter the recruitment of talented and qualified individuals from outside. In fact, there are two policies that are related when trying to involve or bring family members into the family business, which are the selective policy and the open door policy. On one hand, the selective policy is used by the minority of firms and generally revolves around 'selecting' or choosing only the most talented and brightest individuals, who are the most capable of functioning at an effective capacity in the higher levels of management and leadership within the company. On the other hand, the open door policy is based on family firms, usually most of them, recruiting individuals from the family who show the desire to work hard and prove themselves without getting special treatment. Additionally, there are some firms that demand family members to show their worth by advancing their academic degree whilst attaining experience in another company.

The open door policy has many advantageous qualities that require a long-term investment in time, trust, commitment, and determination when hiring those eager to prove themselves. It cannot be determined quickly whether or not those individuals are rather fine gems or just average potential employees. The individuals will show their true potential after gaining experience and knowledge in the field. The open door policy practices the idea where family members who are inducted into the company start as everyone else. This policy brings in more family members to the company whilst having the best qualified propel higher up the ladder and hierarchy. Being a family business owner gives more motivation to work; however, outside individuals do not have the same motivation.

Moreover, the size of the company affects the recruitment levels and quality of the applicants. It all depends on the position and the wages to determine how quickly the business recruits employees. Nevertheless, "Each position that becomes vacant in a small business is much more important proportionately than if that vacancy occurred in a larger organization, where other employees might be able to stand in to fill the gap." (Cameron, 2008:2) Small businesses are different to large ones for the obvious reasons. Small businesses have only a few positions available, which are mainly the core positions required for the business to function. Therefore, it is important that small firms be able to attract talented and qualified employees in order to ensure that the job is effectively accomplished. This makes them an integral part of the company and its success, increasing their importance to the firm. An owner of a small business usually maintains the recruitment process in the firm due to the lack of presence of an HR department. The advantage of such a recruitment process is that owners can handpick the individual believed to be right for the job; however, due to the hectic nature of running a small business, the owner could be overwhelmed by time constraints to effectively achieve the desired results.

In the entry strategy, study the availabilities and capabilities of hiring the most suitable employees for your family business. This should apply to all family members willing to join the family business.

Family members should discuss how the younger generation enters the business or on which conditions they enter—decide on the entry strategies for family members and align them to the HR policies of the organization

The talent of the developers of the entry and exit strategies is vital to the success of the firm

Every family-owned company requires an entry and exit strategy to ensure a successful kickoff for the company. The owner, alongside the family council, must convene and create a 'code of ethics' regarding the entry and exit strategies among other guidelines for the family members that are included, if present. The talent of the developers of the entry and exit strategies is vital to the success of the firm. This directly reflects on the employees and their performance, knowing that a proper system is set in the business they are working in.

Decide on the retirement age of family members, ensuring a smooth exit, and leaving space for the younger generation where the older generation is still around to give guidance

An entry strategy revolves around issues the owner, family council, and board must consider regarding the functionality of the company, including the position and its market strategy. The entry strategy for family members to the business should be very explicit and discussed at the level of the family council. Family members should discuss how the younger generation enters the business or on which conditions they enter; e.g. some businesses require that family members have at least two years of experience outside the business, or others require that family members have a university degree and apply to positions relating to their expertise. This is despite the fact that such entry strategies have not been proven scientifically to have a relationship with better performance; however, many family businesses adopt them. The advantage of working outside the family business guides the younger generation and gives them a flavor of professionalism and responsibility and the experience to understand the difficulty of working under leadership of a non-family member. The family should decide on the entry strategies for their family members and align them to the HR policies of the organization. Family businesses should keep in mind that attracting the best talents to the business is a major objective. The family business should devise strategies that would attract the most competent

Set the compensation plans of the exit strategy clearly in order for employees not to be concerned about this phase and motivate them to join the business, instead of ending up with the less competent.

Exit strategies could involve policies or methods to guide the owner during a process of 'exit' such as retirement and transfer of assets to a successor, or a sale or takeover of the company to a foreign entity other than family, and possibly even a merger with another company. An exit strategy also covers the field of compensation and how it will be divided fairly and this not only applies to the owner but also to all employees. Exit strategies are established in order to determine when and how the firm will pull out of the market. In the exit strategy, the employees' compensation plans must be clearly set in order for employees not to be concerned about this phase. Exit strategies for family members are very important. The family should decide the retirement age of the older generation before they are forced to exit due to health problems or death. It is recommended to decide on the retirement age of family members and how they can exercise a smooth exit from the company; for example, by sitting on the board of directors, and making a smooth exit afterwards, leaving space for the younger generation where the older generation is still around to give guidance.

In a family business, especially a small one, it would be better to recruit or hire an external employee who has experience in the related field

Middle Eastern markets' entry point and exit strategies

Barriers exist to make sure every entry and exit strategy is successfully executed and avoids divergence from the initial plan. To plan entry and exit strategies in Middle Eastern markets, a study of the region's law, financial prosperity, risks, and rewards must be made. Internal and external recruitment could happen and be applied in companies with vacancies. Internal recruitment functions with the concept of rewarding those already in the company by promoting an individual into a higher position and thus keeping the position occupied by a family member. External recruitment is when the vacant position becomes occupied by an employee who is from outside the company. In a

Set family members' salaries according to market levels family business, especially a small one, it would be better to recruit or hire an external employee who has experience in the related field. However, suggesting external recruitment as a possibility for small family-owned businesses raises an issue that could be a source of troublesome complexities.

"Confusion about who can and who cannot join the company can seriously damage family relationships. As in so many aspects of the family business life, agreeing clear criteria and guidelines that specify when family or business principles are appropriate will go a long way towards reducing the potential for conflict and promoting the effective management of human resources in family firms." (Leach and Bogod, 1999: 118) In a survey conducted in the UK, some family businesses claimed higher paid positions for admitted family members in the company due to their status; "almost 20 percent of family firms were willing to admit that family members' salaries were not set at market levels." (Leach and Bogod, 1999: 120) This may be due to the cultural deterrence of monetary talk of someone's value, which might spill over to owners having a hard time showing their children their value in the form reflected by salaries. This may be also seen in the Middle East region but is partly due to the nature of pride a father has towards his children. For example, an owner of a family business in the Middle East will increase the importance of his children in the business and they will probably gain large benefits since they are the future owners. Again, since the Middle East is a patriarchal institution in cultural heritage and social conduct, the father will always prioritize the needs of his children and show his 'love' and credit their value by increasing their position and influence in the company. Many times an owner might offer his children a significant position with a high-value salary to deter any ideas of not joining the company. This tactic might be played in scenarios that include children who are looking away from the company, or who simply do not want to continue or follow the path of the owner.

Do not suggest enhanced importance to family members through giving them larger benefits than non-family employees

Case Study:

Conflict between HR of ABC Bank and HR of XYZ Bank

Josiane Fahed-Sreih, PhD, and Randa Karimé

Company background

ABC Bank was formerly known as XYZ Bank and changed its name in 1988. It is owned by Lebanese and Arab investors and has grown enormously in the last few years to become one of the Alpha group, with D operating branches in Lebanon and affiliates around the world.

XYZ was originally named Banque GHI in 1953. In 1969, LMN Bank acquired 25 percent of the equity capital, and GHI became XYZ. Today, XYZ operates with P branches.

Conflict case

ABC and XYZ each have different systems, whether in branches, information technology, HR, accounting, etc.

After the merger, the different systems must operate under a unified one.

XYZ's HR team prefers to continue implementing their own system and not to apply ABC's system, even if the latter is better because it will keep them in a stronger position. As for ABC staff, the same is true since they already feel threatened by the merger, so they have to put all their efforts into convincing XYZ's management to use ABC's HR system.

Key elements in a conflict

- Opposing interests between individuals or groups.
- Recognition of such opposition.
- The belief by each side that the other will act to interfere with its interests.
- Actions that in fact produce such interference.

Type of conflict

The type of conflict in this case is a 'process conflict'. It is a conflict over how work in the HR department will be done. This conflict will go through five stages.

Stages of Conflict

Stage 1: Potential opposition or incompatibility

At the beginning of the HR merger process, many miscommunications might occur especially since we are dealing with people we don't know anything about and who are a potential threat to us, whether from ABC's or XYZ's side.

There are two systems, each working perfectly on its own, but they need to be merged into one system within a deadline set by XYZ's management.

In the first stage, there's still ambiguity regarding how the merger will occur and how people who are concerned will handle this conflict.

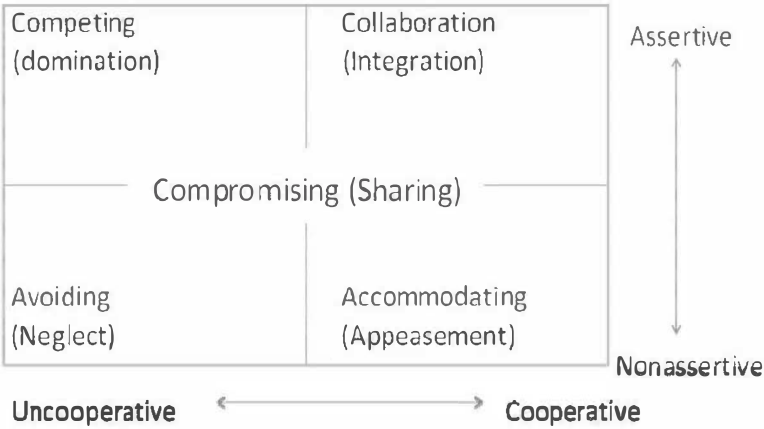
Stage 2: Cognition and personalization

In this stage, the conflict is defined. XYZ's and ABC's HR staffs are aware of the conflicting situation and are going through an emotional stage, as they perceive the potential threat of losing their 'beloved' system and consequently getting out of their comfort zone.

This insecurity might lead to an emotional breakdown and work will start to be affected by this stressful situation.

Stage 3: Intentions

At this stage, intentions are identified and actions will reflect the staff's decisions to act either in a cooperative or assertive way.



Reference: "Conflict and Conflict Management," by Kenneth Thomas, 1983.

Stage 4: Behavior

In this stage, hostility greatly intensifies and conflict escalates with attacks on identity. Some ABC and XYZ staff will lose their composure and may revert to assertive verbal attack as a way to protect and defend their positions.

Stage 5: Outcomes

This conflict might result either in a functional or dysfunctional outcome depending on how the conflict was dealt with in previous stages.

Of course, the functional outcome is the desired one, which will result in increased group performance and an improved quality of decisions.

Negotiation Process

The following negotiation process must take place:

Step 1: Define XYZ's and ABC's interests

XYZ's and ABC's interest is to adapt each of its own HR system. Each will defend its own system by focusing on its strengths and will attack the other system by highlighting its weaknesses.

- Target Point (TP) for each bank is: Implementation of its own HR system.

- Reservation Point (RP) for each bank is: Apply a new system using the best features of the two systems used or merge these two systems into one.

Step 2: Work to improve or expand XYZ's and ABC's alternatives

Collect many possible options for agreement before evaluating them. Examples are to consider the option of reverting to a third system, or improving one of the systems in a way to meet the new needs.

Step 3: Define the win-set

Identify the BATNA (best alternative to a negotiated agreement) of both XYZ and ABC. In this case, the implementation of a new system will be the BATNA of XYZ's and ABC's HR departments.

In case the implementation of a new system won't be feasible, the best alternative would be to use one of the existing systems, provided that comprehensive training will take place to introduce the other party to the system.

Step 4: Define the other party's BATNA

This step is the same as the above since both parties have the same goal and would settle for the same BATNA.

Step 5: Define your objectives

Our objective would be to reach the best solution without compromising the work of the two departments, as HR is a very delicate department especially in the merger process. In addition, another objective would be to minimize the damage that the merger might cause on the employees' morale and hence their performance level.

Conflict Resolution Techniques

In order to resolve this conflict in the most efficient and effective way, the following techniques should be used:

a) Clear communication

Both HR teams must be informed of the merger process, especially when it comes to the system which will be used. The strengths and weaknesses of each system should be tackled in order for the team to understand why one system was chosen and not the other.

b) Action plan

An action plan must be prepared in order to deal with the conflict situation where goals must be set to be achieved within a specified time frame.

c) Authorative command

Both teams must be aware of who the persons in charge are and the identity of the party who will take the decisions.

d) Bringing in outsiders

In this case, the best solution would be to revert to an external party, such as a consultant who will evaluate both systems and recommend the most convenient solution. Arbitration in this case might be the most feasible solution.

Conclusion

The conflict between the HR departments of XYZ and ABC is a natural and inevitable outcome of the merger.

By reverting to the best conflict resolution techniques, this conflict will not only be resolved but it will also lead also to better performance, increased employee morale and motivation, and to the implementation of the best system available after in-depth analysis of both systems.

We can actually benefit from this conflict as it will be a motive to evaluate both systems and choose the best features in both. In addition, this conflict has negative and positive effects on the HR teams in XYZ and ABC.

Negative effects:

- Fear of job loss
- Employee discontent
- Aggressive behavior
- Ineffective communication
- Reduced group effectiveness

Positive effects:

- Motivation to prove employees' capabilities
- Improved quality of decisions
- Stimulation of creativity and innovation
- Acceptance of change

Recommendations

- Do not disrupt the influx of talent from outside the family as this holds back the family business.
- Being a business owner gives more motivation and commitment to work. Use the proper policies to hire the most competitive family members in your family business.
- The talent of the developers of the entry and exit strategies is vital to the success of the firm.

- In the entry strategy, study the availabilities and capabilities of hiring the most suitable employees for your family business. This should apply to all family members willing to join the family business.
- Family members should discuss how the younger generation enters the business or on which conditions they enter – decide on the entry strategies for family members and align them to the HR policies of the organization.
- Decide on the retirement age of family members, ensuring a smooth exit, and leaving space for the younger generation where the older generation is still around to give guidance.
- Set the compensation plans of the exit strategy clearly in order for employees not to be concerned about this phase.
- In a family business, especially a small one, it would be better to recruit or hire an external employee who has experience in the related field.
- Set family members' salaries according to market levels.
- Do not suggest enhanced importance to family members through giving them larger benefits than non-family employees.

Imperative Four

Create a High-Performing Board of Directors

Foresight

85 percent of CEOs who put a board in place said that it was their single best management decision. Boards should have their 'nose in, hands out'. They should oversee the functioning of the business. Create a high-performing board of directors that should meet three to six times per year. Create a board that preferably includes two outsiders to each family member to ensure professionalism and improve performance. This reduces the likelihood of strategic change and decreases the risk of internal fraud. Don't forget to operate the board by creating the important committees of the board, depending on the company size.

It is imperative that every company manages its stakeholders and stockholders in order to create a sense of responsibility to keep their interests secure. In order to manage and direct their interests towards success, it requires a set of skills, leadership, and commitment. The creation of a high-preforming board of directors makes sure the business stays well managed and this creates an atmosphere of security among the stakeholders. The board of directors is a group of skilled and experienced individuals who control the company's flow and its direction. The board's sole responsibility is to make sure that the company functions correctly by incorporating, enforcing, and working within the set of rules. Every business, depending on its size and its purpose such as a public company or a family business, has a slightly different structure in its board of

Work on achieving flawless communication of the board of directors to guarantee success directors. In family businesses, the board of directors usually involves family members, but it might also include different outside members. These outside members are brought in to mediate between family members to make sure the business will not be hindered during conflict or succession. Moreover, they also bring unique knowledge and experience that can benefit, improve, and build success in the company. The board of directors may also bring in an advisor to consult and help the board to reach decisions or assess performance, or conduct an audit. The board members also have legal responsibilities that tie them to the company and in turn make them accountable. They also communicate with the management to refer their decisions and plans in order to make sure that the company executes them. This communication effort must be flawless to guarantee successful and efficient conveyance of information. In return, it creates a functioning system of hierarchy that ripples out to the stakeholders, further increasing the security over their interests. Therefore, it is absolutely vital for the board of directors to be transparent with their knowledge and plans in order to create a better foundation of trust between the internal company and the external stakeholders.

Ensure good communication between the board of directors and the management in order to guarantee successful and efficient conveyance of information

Shareholders also play a big role in the development of the company. Since they own part of the company, their interests must always be met. The board of directors has this responsibility as well as others to make sure the investors/owners remain interested in the company. The board's duty is to create value to shareholders.

Do not underestimate the importance of the backgrounds and special talents of the members of the board of directors

Recommended members of the board of directors for an average-sized family business:
- Chairman of the board
- CEO
- Shareholders
- Outside directors

A regular board of directors consists of: the chairman of the board, the CEO, a group of shareholders, and non-executive directors or outside directors. The chairman, who is usually the owner in a family business, is responsible for supervising the entire business. Meanwhile, the CEO is someone that the company integrates in order to run and manage the business. The latest research in governance stipulates that the chairman and CEO be different persons to ensure proper board functioning and avoid fraud as the chairman is the one who sets the board agenda. However, in family businesses, some studies show the over-performance of the chairman/CEO being one person, but the duality ensures better governance practices and more accountability to the CEO (Kang, 1998). The CEO is required to have experience and knowledge in order to execute the role description efficiently.

Inside directors should be ex-officio members to the board and should report to the board. Committees of the board will decide on the compensation of inside directors and hence inside directors cannot decide on their nominations to the board, nor on their compensation. In addition, the role of the CEO is also to plan the wages that are to be given. The executive directors each cover and run an area in the business, such as finance, and are responsible for adjusting salaries in their area of operation. On the other hand, non-executive directors have roles such as consultants for strategic advice regarding the position and goals of the company that are laid down by the executives. Directors must have both knowledge and experience in their field to make them candidates for a position on the board; it is also best if the director to be hired carries a new innovative method of thought that helps the company develop and grow. The right directors will establish a sense of security for stakeholders and professionalism that will open doors to enhance and stabilize the future of the company in the market. In addition, the chairman must be very experienced in leadership in order to guide and make decisions that will apply to the rest of the board and de facto the entire company as a whole. The CEO must be carefully chosen since the decisions that this person takes will change the direction the company will go in. The job requires a lot of experience in management and organization to run the business

For optimal performance, the CEO should be tenured for a maximum of 14 years, after which his performance declines effectively. The average tenure of any CEO in a family company should be up to 14 years, after which his performance is likely to decline. For optimal performance, the CEO should be tenured for a maximum of 14 years, leaving his position for another CEO, of course depending on the case. Non-executives are supposed to be hired for their knowledge and experience in other businesses that could be used to bring success to the company or help in advising solutions to problems that the company is suffering or may suffer from in the future. Moreover, the non-executive directors must be impartial in a family business, where their presence should mediate between family members who might be involved in a conflict that could potentially affect the business.

The wages that are reserved for the various directors are based on their experience and the level of change or skills they bring along with them. Their salaries must vary, especially when compared between executive and non-executive directors. Non-executive directors' remuneration method is different from that of executive directors, which allows them to receive a salary. However, non-executive directors can be paid a fee for their services over a certain time. The board together is in charge to set the direction of the business and its strategic orientation.

> The board together is in charge to set the direction of the business and its strategic orientation

Chairman

For every company that has the ambition to grow and organize, there must be a leader to speak for it and steer the directors on the right path. The chairman is an individual who is elected by the board of directors because of seniority and the vast pool of knowledge and experience that they have. The job of the chairman is to make sure everything is running smoothly and to issue board meetings to discuss

> Do not appoint a chairman with no leadership skills or who doesn't have a vast pool of knowledge and experience

> The job of the chairman is to make sure everything is running smoothly and to issue board meetings to discuss current and future plans for the company

current and future plans for the company. The chairman speaks for the board and functions by overseeing all tasks. Moreover, they are also responsible for the formation of a plan that is to be accommodated by the rest of the directors. For this reason, the chairman of the board of directors plays a vital role in the decision of the flow of work within the company. They have many key traits that are deemed important; one of these is a presence that immediately stabilizes a company and organizes the method of practice in the most efficient way to achieve vision goals. The chairman could be considered the leader of leaders who is best suited to the company's future, whether short term or long term depending on the situation and goals at hand.

Chief Executive Officer (CEO)

> The CEO must write rules and regulations that keep both the board of directors and the company, and their actions, in check

The CEO is effectively the one who is running the company. This position is heavily influenced by the individual's strength of skills in leadership, communication, and the area that defines the company's purpose of functionality. This position comes with a great deal of responsibility since the CEO is the one who issues the vision of the company and where it should go. In a small business, the CEO might also be the founder who could not delegate the work to someone else. However, the major role of the CEO, assuming the owner employed one, is to take over the owner's tasks and lead the company. The CEO, as the name suggests, is also responsible for structuring the management of the company in order to better enforce the vision set by the owners. Directors have proven to be the council that leads the company in whatever direction is needed at the time. Family businesses often employ executive and non-executive directors to be part of the effort to better manage the company.

> Do not appoint a CEO who does not have the ability to handle the responsibility that comes with the position

Executive Directors

Executive directors are those who the company will look to for the important decision-making process. They are usually appointed by the board. They initiate the will of the company in terms of its stated vision through the legal rights. They are responsible for the management of the company on a daily basis. Their expertise may be found in positions such as the director of marketing or finance of the company. On one hand, there is the executive director who is employed full-time by a company and is part of the board that is responsible for the company's direction. In family businesses, more often than not, executive directors will be members of the family. On the other hand, many family businesses employ non-executive directors, whose job is to assist the board while not being fully committed to one firm. Executives should report to the board or be ex-officio members of the board and not legal members of the board.

Executives should report to the board or be ex-officio members of the board and not legal members of the board

In a family business setting, the non-executive director would be a beneficial asset to the board since he would bring external experiences to the business

Non-Executive Directors or Outside Directors

These individuals are directors hired for the purpose of 'judging' or rather enhancing the company's performance from an external perspective. They bring outside experience from different companies that has turned them into specialists. The ideas and solutions they bring can break the stagnation of a company or just outright prevent it. However, these directors have no extreme loyalty to the company they work with and could be considered as 'freelancers'. In order to make sure that the non-executive director would perform to the level demanded, it is important that "the role of the non-executive director be clear and agreed before inviting candidates to apply." (Dunne and Morris, 2009: 3) Therefore, the board must be very careful and determined during their recruitment process to ensure that the candidate is up to the task, as well as to know how to prepare the training regimen needed to get the non-executive director up to speed. In a family-business setting, the non-executive director would be a beneficial asset to the board since he would bring external experiences to the business. One highly notable feature of a non-executive director in a board dominated by members of the same family is the ability to mediate between members of the family during internal clashes or struggles.

In a family business, there will be a phase when the owner will decide on assigning family members to be part of the board. For example, "The other common mistake founders make is to populate the board with friends and family – you need to think carefully if they can address challenges or make decisions in the interest of the startup." (Feld and Ramsinghani, 2013: 3) This is a dilemma that most owners will face since it is a given thought, especially in the Middle East, that the family should be running all the aspects by maintaining senior positions. If the family member is incapable of fulfilling the duties of the position, then the company will face hardship. Moreover, the company could benefit from an individual who has more diverse and untapped knowledge and experience that could benefit the company. Usually, to counteract this problem of including family members while getting experienced outsiders, owners tend to get external help in the form of advice, consulting, and mediation.

Do not populate the board with friends and family members if you are not sure that they can address challenges and make proper decisions on the board

Legal issues and regulations play a role during the formulation and appointment of the board and its members. Moreover, the rules spill over to the rest of the company on how it should function during the leadership and guidance of the board of directors. The regulatory issues in place also keep the board and their actions in check, especially during the auditing process in the company. This is to significantly reduce the chance of corruption found during the screening phase of financial assets and departments.

There are three models for the different composition of a board of directors. The 'Monist' model is where the board of directors includes a "separate Audit Board which comprises members who are not drawn from the Board of Directors and do not sit with the Board during board meetings, except when considering matters related to the Audit Board's functions." (OECD, 2011: 76) This divide of the boards makes each one work and do their job effectively without having to worry about the other's job. "In effect, this is a single tier structure, where the Board responsibilities for auditing are separated to a different organ of the company. The members of the Audit Board cannot be executives of the company, and the majority must be independent." (OECD, 2011: 77)

The 'Anglo-Saxon' model relies on the non-executive members to make up the audit board but they are also members of the board of directors. "A conventional single tier Board of Directors, but which also makes mandatory the existence of an Audit Committee constituted within the Board of Directors. Under this structure, the members of the Audit Committee must all be non-executive directors and a majority must be independent." (OECD, 2011: 77)

The final model is the 'Dualist' model of structure of the board of directors. This model focuses on the concept of a dual board of directors: one that is tasked with the supervision of the company and the creation of a financial committee or board, and another board that is made up of only non-executive directors. "A conventional two tier structure comprising an executive Board of Directors, and a Supervisory Board comprised solely of non-executive directors, the majority of whom must also be independent. The Supervisory Board must also appoint a Financial Matters Committee that is responsible for carrying out similar audit supervisory functions, as the Audit Board/Audit Committee under other models." (OECD, 2011: 77)

The most commonly used models are the Monist and Anglo-Saxon, which give the power to executive members on the board of directors. These models represent the most commonly used compositions of structure of the board of directors. The board of directors has a responsibility to monitor the actions of the company and take the necessary decisions. One of the major decisions is the appointment, or in unfortunate cases the dismissal, of the company's

> Create a board of directors that can appoint and have the power and knowledge to adequately follow the actions of the CEO

CEO, which needs to be aligned with the day-to-day tasks of the company in tune with its vision. The more that the board of directors monitors the actions and processes of the CEO, the more the company's integrity and reputation will be protected by the vigilance of the company's board. It is with regards to problems that the board's experience and neutrality towards the company and its employees come into play. The creation of board committees on the board of directors are very important, e.g. audit committee, risk management committee, compensation committee, nomination committee, strategic management committee, executive committee, etc.

Businesses rely heavily on the direction of the board, but the board's responsibility may change within a certain business such as a family firm. Family businesses may instate members from the family to be a part of the board, in which case the board members would be more 'over-protective' and have an authoritarian nature. There are certain aspects that differentiate a family business board from a corporate setting, as described below.

Some Imperatives: Board of Directors in a Family Business
Shareholders are allowed, during business hours, to access the information in the company's corporate documents.
The chairman and the general manager of the company could be the same person as this improves performance in family businesses. However, for accountability purposes, it is advisable for it to be different persons.
Board members should not hold management or executive positions in the company, in order to hold executives accountable.
Board members have full, unrestricted access to all information, documents, and records pertaining to the company.
Board members must always implement their duties of care, loyalty, and compliance with laws governing the company, its shareholders, and other region-specific laws.
The company must always generate an annual report.
The board of directors is tasked to ensure that all employees are treated according to the principles of fairness without any discrimination.

The board must oversee employees to be confidentially able to ensure no improper behaviors of any agent or fiduciary of the company occurs.
The company's by-laws, enforced by the board, must specify the type of information that is accessible to individual shareholders.
The board of directors has the competency and duty to call shareholders for meetings.
The company's auditors should be allowed to call for a general assembly in certain circumstances.
Any shareholder evidencing a legitimate interest can file an application requesting the call for a general assembly.
Shareholders representing 1● percent or more of the share capital of the company should be entitled to place items on the agenda of a general meeting.
Minority shareholders must be able to ensure election of an appropriate number of board members of their choice.
Board members must act at all times in good faith, with candor, avoiding all potential conflicts of interest, and in the best interest of the company, its by-laws, and all applicable laws.
The board of directors should meet at least once every three months – three to six meetings per year is optimal.
The board has the right to invite an employee's representative(s) during an issue of concern to the employee.
The board has the responsibility to oversee the implementation of management and employment systems by creating several checks and balances with applicable laws and regulations and respect of shareholders' rights.

Case Study:

Buenaventura

Taken from Roundtable, Corporate Governance (2●●5)

Growth is more than merely one part of the mission and vision of Buenaventura, the leading mining company in Peru and one of the largest gold and silver producers in the world. It is the company's daily mantra.

Today, Buenaventura operates four important mines in Peru (Orcopampa, Uchucchacua, Antapite, and Colquijirca) and has an aggressive explorations program. The company owns 43.65 percent of Minera Yanacocha S.R.L., one of the most important gold producers in the world, and an 18.5 percent ownership in Sociedad Minera Cerro Verde, an important Peruvian copper company. The company has 2,127 employees.

Operating in a capital- and labor-intensive industry, and in a geographic environment not as welcoming to investments as it should be, the company recognizes that it must be persistent to maintain the degree of success it has achieved over the years.

Joint ventures, offerings through the Lima Stock Exchange, and an American Depositary Receipts (ADR) issuance on the New York Stock Exchange (NYSE) were all means to achieve the company's goal of continued growth. But when it came to creating long-term sustainable shareholder value, there was only one way to do it: by enhancing corporate governance practices.

The Roots of the Need for Governance

Buenaventura has focused on exploration and acquisitions, both on its own and through joint ventures, since its founding in 1953. For Buenaventura, conducting business responsibly and effectively is part of its strategy to increase shareholder value.

Buenaventura suffered several years of losses that, ultimately, led to a high level of debt amid Peru's weak economic environment during the 1980s. In the early 1990s, however, Peru emerged into a period of greater stability, allowing Buenaventura to plan for a more promising future.

When the company decided to invest in Yanacocha, now a world-class gold deposit, Buenaventura faced high-cost exploration and development investments. Convinced that the market pays for good corporate governance practices, Buenaventura chose to cancel its debt with the proceeds of an initial public offering (IPO) of ADRs on the NYSE in 1996. This IPO permitted the company to raise approximately US$ 150 million. The decision reflected Buenaventura's Board of Directors'' and management's commitment to comply with United States Securities & Exchange Commission's (SEC) regulations. Prior to the IPO, the company took several critical steps toward improving its governance:

- Revamped its Board of Directors, introducing independent members and establishing Board committees;
- Implemented an Ethics Code;
- Created a Disclosure Committee; and
- Eliminated its dual class share structure and converted all its shares into a single class with equal voting rights.

Before the IPO of ADRs on the NYSE in 1996, the founders, the Benavides family, owned 42 percent of the company. Today, the family owns 27 percent. Apart from the Benavides family, there are several institutional shareholders, pension funds, industrial companies, and banks invested in Buenaventura. The current ownership structure is presented below.

Name	Interest Participation (%)	Nationality
Alberto Benavides Q.	14.022	Peruvian
Compañía Minera Condesa S.A.	7.687	Peruvian
Merrill Lynch Investment Managers Ltd (UK)	6.262	British
Fidelity Management & Research Co.	5.453	North American
Total	**33.424**	

Today, the company's free float of equity is 65 percent. Of the total outstanding shares, 55 percent are held in the ADR program. Buenaventura's shares are listed and traded on the Lima Stock Exchange, and the company's ADRs trade on the NYSE. Buenaventura's shares are not included in any stock index.

Corporate Governance Steps

Buenaventura has implemented a comprehensive set of rules to ensure good governance. The reforms were inspired by the recommendations of major international organizations, such as the OECD, the Global Corporate Governance Forum, and the World Bank/IFC.

For example, the decision to convert all shares into a single class of common shares served to keep the controlling group together, but was also considered the best way to continue to maximize the value of the company. The liquidity of shares was bolstered as a result, as evidenced by investors' positive responses to the single class of voting shares.

Similarly, although minority shareholders are not offered formal tag-along rights, there are other safeguards in place in the event of a tender offer. Specifically, the Board must review the terms of the tender offer, and communicate its recommendations to all shareholders on the specific terms of the offer. In turn, the shareholders are then asked to make their own decisions on whether or not to accept the offer. In practice, this means the Board does afford all shareholders the same opportunity to participate in the tender offer on equal terms. This is one example of how Buenaventura takes its shareholder voting rights issues seriously.

To facilitate the participation of all shareholders in its Annual General Meetings, the company announces its meeting date and provides the shareholders with the meeting agenda 25 days in advance. ADR holders also receive proxies through the depositary bank, and special procedures have been put in place to ensure that: (i) ADR holders have sufficient time to consider how to vote; and (ii) that their votes are duly represented at the company's meetings.

Buenaventura's executive officers oversee the business and are responsible for the execution of the policy decisions of the Board of Directors. The President and Chief Executive Officer are elected by the Board. The VP Chief Financial Officer, the VP Business Development, the VP Operations, and the VP Explorations are selected by the Nominations Committee. Family members in top management represent two out of five members.

Buenaventura has a 10-year long-term stock appreciation program that allows certain executives to receive cash remuneration equivalent to any excess of the market value at a fixed future date over a stated price of a stated number of ADRs. This information about management compensation is disclosed to shareholders and to the market, in the annual report and in the company's SEC 20-F filing. Board members receive a percentage of the annual net income of the company up to a maximum limit established by the Annual General Meeting. This information is also disclosed in the company's annual report and its publicly available 20-F filing.

The company considers that it is in its best interest to maintain high standards of social responsibility, in order to ensure the long-term success of its business. In particular, Buenaventura's corporate social responsibility program expenditures totaled US $2.8 million during 2005. This included support for:

- Infrastructure (roads, energy, and communications);
- Water and forestation;
- Agro-industry and tourism; and
- Health, nutrition, and education.

The Board of Directors

Buenaventura's Board of Directors has seven members, five of whom are independent. As the company is committed to the highest level of disclosure to its shareholders, a nominee of the Peruvian pension funds sits on the Board and participates in Board committee activities. The Board is seen by company management as a value-added resource, providing guidance and advice.

Four committees support the Board's work: Audit; Compensation; Nominations; and Corporate Governance. Each committee includes a majority of independent directors, with the Audit Committee composed solely of independent Board members. The Corporate Governance Committee of the Board bears responsibility for all governance-related initiatives at Buenaventura.

Buenaventura's Board Chairman and CEO are separate. This ensures the Board's impartiality in evaluating and overseeing management.

Finally, Buenaventura conducts periodic Board evaluations. There is a lead director who, jointly with independent directors, evaluates the Board.

Providing timely and accurate information to the market is very important to Buenaventura. A Disclosure Committee was created to coordinate the timely release of all relevant information to the market as soon as Board meetings conclude, thus avoiding the possibility of time gaps creating prospective opportunities for improper use of company information by insiders.

To address issues of integrity and conduct, the Board approved an Ethics Code that is available to all stakeholders and is required reading for all company employees and Board members. The Code mainly addresses conflicts of interest and related party transactions. An ethics officer reporting to the Audit Committee is appointed and charged with overseeing Code compliance by company employees, managers, and the Board of Directors. Both the ethics officer and Audit Committee Chairman can be contacted under a 'whistle-blower system' set up to enable company stakeholders to report anonymously when they suspect, or have information about, possible Ethics Code violations.

Transparency: Quality and Integrity of Financial Reporting

The Disclosure Committee and the Board are responsible for publishing financial statements and the annual report with the active participation of management. Buenaventura follows international reporting standards, and its financial statements generally adhere to US GAAP.

The financial reports are audited by an independent external auditor that is accountable to the Board. The company discloses ownership and control information every month and does not enter into any shareholder agreements that may negatively affect its corporate governance system or its equitable treatment of shareholders. In addition, the company discloses all business relationships and material provisions of contracts to shareholders. The company's chief of internal audit reports to the Board of Directors.

Results

Buenaventura recognizes that it must continue to improve its governance framework as it strives to maximize shareholder value. Its governance improvements are clearly recognized by the market, as demonstrated by its overall company performance. Most notably, the company has had a three-fold increase in market capitalization, from around US$ 400 million in 1995 to US$ 3.6 billion at the end of 2005. The company's share price increased 23.6 percent from US$ 22.9 on 31 December 2004 to US$

As of 31 December 2005.

The company also reported increased total revenues to the amount of US$ 337 million in 2005, representing a 1 percent increase from 2004 (US$ 334 million). Likewise, net income in 2005 was up 31 percent to a total of US$ 274 million, compared to US$ 209 million in 2004. Other financial figures include:

■ Net costs and expenses:

• 2004 – US$ 125 million;

• 2005 – US$ 63 million;

■ Net cash:

• 2004 – US$ 172 million;

• 2005 – US$ 97 million;

■ Projected cash for 2006 – US$ 280 million.

Today, Buenaventura is working on completing its compliance with the Sarbanes-Oxley Act. The company expects to be certified by the external auditors as Sarbanes-Oxley compliant by the end of 2005.

Recommendations

- Work on achieving flawless communication of the board of directors to guarantee success.
- Ensure good communication between the board of directors and the management in order to guarantee successful and efficient conveyance of information.
- Recommended members of the board of directors for an average-sized family business:
  - Chairman of the board
  - CEO
  - Shareholders
  - Outside directors.
- Do not underestimate the importance of the backgrounds and special talents of the members of the board of directors.
- For optimal performance, the CEO should be tenured for a maximum of 14 years, after which his performance declines.
- The board together is in charge to set the direction of the business and its strategic orientation.
- Do not appoint a chairman with no leadership skills or who doesn't have a vast pool of knowledge and experience.
- The job of the chairman is to make sure everything is running smoothly and to issue board meetings to discuss current and future plans for the company.
- Do not appoint a CEO who does not have the ability to handle the responsibility that comes with the position.
- The CEO must write rules and regulations that keep both the board of directors and the company, and their actions, in check.
- Executives should report to the board or be ex-officio members of the board and not legal members of the board.
- In a family business setting, the non-executive director would be a beneficial asset to the board since he would bring external experiences to the business.
- Do not populate the board with friends and family members if you are not sure that they can address challenges and make proper decisions on the board.

- Create a board of directors that can appoint and have the power and knowledge to adequately follow the actions of the CEO.

IMPERATIVE FIVE

CREATE SOUND CORPORATE AND FAMILY GOVERNANCE PLANS

Foresight

History and culture determine the governance plan that will work. Internal legitimacy must conform to internal expectations; it may not work if it contravenes expectations too much. Create family governance plans based on internal legitimacy, transparency, and fairness. Work on keeping them functioning and on avoiding their violations. When internal culture is violated the board will have little or no real influence or power. Also focus on creating sound corporate governance plans at the business level. These guarantee the proper functioning and efficiency of the business.

Corporate governance is "the process of supervision and control intended to ensure that the company's management acts in accordance with the interests of shareholders." (Parkinson, 1993: 159) It is the systematic structure that guides all management-related decisions towards the path that is beneficial to the company. The Cadbury Committee defined it as, "the system by which companies are directed and controlled" (Cadbury, 2000: 8). Those rules set by the corporate governance model should always be enforced by the leading hierarchy upon the employees to maintain stability and order, which in turn will greatly help secure the trust of any shareholder.

It is imperative to note that corporate governance differs between a family firm and a management-controlled company. Family governance is a set of rules designed to cater for the family's needs and their roles within their family business. With that in mind, the planning phase for corporate governance for the family firm requires the owner to think of the future in order to develop a proper strategy or set of rules that would accommodate it. However, the governance model should also be able to endure even if the owner is not present, in which case corporate governance should be planned with a long-term vision in mind. Therefore, it is also imperative that proper planning is required if a family business wants to continue and survive the generational transition. This is called a succession plan, which involves the owner creating a strategy that determines the future leader of the company in the untimely event of an owner's passing.

Family members who are deemed important for the future of the company should be present in all meetings and decision making, and taught teamwork with family members

When developing a succession plan, the issue of compensation to the family members who had a part in the success of the company arises. This process is extremely tough and could be taxing mentally since the consequences of wrong choices could easily terminate the company. Moreover, a succession plan should not only be relevant in the case or event of retirement, but also death. Succession should involve not only the transfer of leadership but also the values and culture of the owner to the next generation, which in tum will affect the company and its position to conduct effective business. The culture of the company eventually reflects its identity and traditions. This will pool over towards current or potential shareholders as their trust becomes tied to the culture and the methods that the firm uses to conduct their

Do not put a family member leader who has no leadership skills and is not concerned with the future success of the company on the board of directors

Make corporate governance a part of the entry strategy and proper planning of the family business

business. The trust between the company and the shareholders must never be broken or breached in the event that shareholders might sell their holding to an interested third-party, and therefore changing the firm's ownership. It is also equally important to include all family members who are deemed important to the company and its future to be present at the family council meetings when they are old enough to remain focused, in order to teach them respect, discipline, and teamwork in order to structure dealings with other family members. This is significant in helping to choose the right family individual to take the helm during the transitional succession process. A retirement plan should coincide with the succession plan, as the retirement process takes a different turn where the owner might still be in a lower position of power than the successor and legally still in control of a certain number of shares.

A company should have formidable and stable corporate governance, which is what makes a company function properly. Corporate governance is extremely important and generally provides the guidelines to a healthy and successful business. The history and culture of the company help shape the governance plan of the firm. The culture of the company could be different than the culture of the active community in the market. Therefore, culture within the company should be valued as an internal community and must not be breached. Moreover, the internal legitimacy of the hierarchy within the company must always be enforced to maintain stability. The family governance that is placed in the company is extremely beneficial in supporting the changes in the internal hierarchy. Corporate governance is found in all companies and it is based on the structure in which all companies must develop and maintain. According to Georg Kell, "A well-governed company takes a longer-term view that integrates environmental and social responsibilities in analyzing risks, discovering opportunities and allocating capital in the best interests of shareowners. There can be no better way to restore public confidence in both businesses and markets and build a prosperous future." (IFC, 2009))

Do not overlook the importance of corporate governance to a healthy and successful business

Family business should have stable corporate governance

Corporate governance must be specially modified or built for the company's intended purpose and must accommodate for all its issues. For example, if the company is a profit organization, whether or not it is publicly or privately owned, such as a family business, then its corporate governance model would be completely different than an NPO (non-profit organization).

Do not eliminate the factors of corporate governance (trust, transparency, corporate accountability, and efficient financial auditing); without them there is poor management and the company's performance will be affected

Corporate governance is a rule structure that regulates the legal management, financial, and internal and external communication aspects in the company. It is created to maintain order and optimum efficiency to increase shareholder value and protect their interests. "Corporate governance can be defined as a process through which shareholders induce management to act in their interests, providing a degree of investor confidence that is necessary for the capital markets to function effectively." (Rezaee, 2009: 17) To have effective corporate governance, there must be trust, transparency, corporate accountability, and efficient financial auditing. Without these factors, the corporate governance model in place is regarded as poor and will affect the company's performance and its investor relations.

In order to achieve an optimal organization, the requirements are sufficient skill, deep dedication, and keen insight on the direction of management in regards to shifting situations and issues. A hypothetical overview on how a family business hierarchy results in success would be to note how nations and independent sovereignties have a political leader followed by a set of rules or a constitution, which creates a set of checks and balances as well as overseeing the management of significant issues that occur. This is called "corporate governance" that is also present within the dealings of the lines of corporate management and hierarchy. This shows the importance of the corporate governance which functions as the corporation's constitution. At some point during the active functionality of a company's endeavor in expansion or possibly even prior, it is highly important in the case of a family business to establish a council that consists of family members to decide on family issues and aspirations, and a separate board of directors that helps direct and manage the company using the corporate governance.

The following four principles are essential for effective and successful corporate and family governance: honesty and trust, resilience and strength, communication, and transparency.

- **Honesty and Trust:** This principle is just as the name suggests, it involves the company and its board telling the truth in order to gain the trust of stakeholders, paving the way to a healthy relationship. This requires a major communication channel that spans back and forth between internal management and the outside public, which also includes financial reports that must be accurate and true. Well-made family governance can create an enormous boost to the trust it can generate towards stakeholders and shareholders by reassuring them that the owning family in the firm is well organized in accordance with the corporate governance. In today's digital world, nothing stays hidden and a corporation looking to gain a reputation based on trust must never conceal information. Therefore, it is extremely vital to manage the flow of information.

- **Resilience and Strength:** This principle is based on the fact that the structure and model of the organization/business must have a repairable structure that will allow it to bounce back from mistakes and problems. The only possible drawback to a fluid corporate governance structure is the ability, or rather vulnerability, to be exploited due to being an open structure. It is the mechanisms that exist within the corporate governance model that prevent such problems from happening, while fixing those that have already taken place.

- **Communication:** Communication to corporate governance is what blood is to a human being. It is the ability to create and transmit a stable flow of information from upper management to the rest of the corporation, also channeling information to the outside, and ideally in an uninterrupted way. This creates a link between stakeholders, whose concerns can be voiced and feedback can be valued, and the company. Moreover, effective communication leads to rapid response rates to factors involving political, social, environmental, or legal issues. On the family level, communication is vital to maintain or create family unity, and the aspirations of the family will be transmitted to the board for decisions if it concerns the business.

- **Transparency:** This principle shares a common ground with the first principle. The difference between honesty and transparency is the function involved. Transparency is regarding disclosures of the company that are done in open and revealing methods of business to shareholders. The purpose of being transparent is to create trust with stakeholders and to be understandable and open in regard to company goals, principles, and direction. Being transparent is one of the major reasons corporate governance will succeed by disclosing truthful financial and future plans.

These principles are essential for sound corporate and family governance. They exist to maintain the relationship with stakeholders and increase their trust. Essentially, corporate governance should be built on ethics and ethical conduct, accountability, transparency, accurate internal financial audits, and open-ended questions between the corporation and stakeholders. Corporate governance mechanisms function in correlation with one another, all in order to keep the checks and balances in the company and its corporate governance structure. If the company does not develop or create a decent corporate governance model, then certain mechanisms that maintain the markets' balance where the company operates will put the company in check by correcting their methods.

Corporate governance is an extremely important aspect when developing the company's structure and should be found in all corporations across the world; even more so due to the increase in globalization and the inclusion of competitors from foreign origins. Not only management-controlled firms institute corporate governance, but also family-controlled firms.

While it is advisable to have both a board of directors and a family council, a family business must always have a family council that is reinforced by the rules set by the instated family governance program

However, ideally corporate governance works and gives the same results; although it is different in the structure model than in management-controlled firms. The family business must create a family council, a group of family members including the owner that meets and communicates issues regarding the business. In some cases, the family in power could bring in an external advisor to be part of the council and convene with them when necessary. The inclusion of non-family advisor has many beneficial qualities for the family, since the advisor brings a vast amount of untapped experience to utilize in the company, as well as the advisor's pivotal function in mediating between family members when issues of personal conflict arise. A family business, depending on its stature, could live without a board of directors if a family council with an external advisor exists. While it is advisable to have both, a family business must always have a family council that is reinforced by the rules set by the instated family governance. Corporate governance that is instated in corporations usually runs with a functioning board of directors, and shares information with given transparency to shareholders who in tum reflect their feedback to the current or future plans. Besides, the information that is sent and received by the board, along with the feedback taken, is delivered by the network managerial system that connects the management and board together. The root communication between stakeholders and management is valuable information, such as financial reports, that is filtered and screened for inaccuracies. The management is responsible for any disruption of accurate and transparent intake of information by managing the employee function effectively. The management's job requires them to make the directors' decision on the future of the company a reality. In order to do so, the management tasks employees to gather the information and to compile it to be ready and then sent to the board via the management. This is the chain of command or hierarchy in a corporation.

The board size should be proportional to the company size (as measured by total assets)

Corporate governance functions include overseeing results, managing the coordination of processes in the company, deciding on issues regarding the company, performing and overseeing internal and external audits, and providing a foundation for legal and financial advice. To be organized, however, requires skills, dedication, and constant management of shifting situations and issues, along with the consistency of following up with the day-to-day schedule.. This corporate governance is within the dealings of corporate management and hierarchy, where the owner is the leader and the corporate governance is the constitution. Every family business, at some point during its expansion or even prior, always establishes a council or a board of directors to help direct and manage the company using the corporate governance as a guide.

The board of directors is a circle of skilled individuals who enhance the company's capability with their overwhelming experience and various innovative ideas. The norm within the board of directors is to elect only one among them, preferably the most experienced or notably the most influential and in some cases the senior member, to become the chairman of the board. It is that individual whose responsibility it is to address the board and hold meetings regarding decisions and arising issues. The corporate governance could be affected by the number of directors available on the board of directors. It is believed that small boards could achieve better results than large boards due to the less disruptive counter-effect that the presence of more members causes on the flow of communication. A smaller board also means a faster response rate; however, more members have more experience to use. The board size should be proportional to the company size (as measured by total assets). Yermack (1996) found that contrary to popular belief, effective governance and good financial performance are not necessarily linked to the number of external directors. Moreover, succession planning involves the board by determining who will fill the vacant positions left by members who moved on. There are events when the chairman of the board could also be the acting CEO of the company, but it is not preferable.

Do not over-expand the board of directors as it hinders the fast response rate

In the case of family businesses, the existence of a board of directors is extremely advantageous since it allows every different and diverse aspect to be managed and sustained in the company. In addition, its presence stabilizes the firm and functions as a check and balance mechanism. Therefore, the board of directors has the freedom and duty to issue strategies and oversee management progress within the company. Furthermore, external directors, who are not part of the family, expand the usually small circle of innovation ushering in a wealth of experience and knowledge of new paths in leadership, whereby directing a family firm is much tougher and requires more hands-on functionality when compared to firms without a family presence in the leadership. The family members and their relationships with each other also have to be managed and always satisfied to reduce the risk of an internal struggle or conflict.

Recommendations

- Make corporate governance a part of the entry strategy and proper planning of the family business.
- Do not put a family member leader who has no leadership skills and is not concerned with the future success of the company on the board of directors.
- Family members who are deemed important for the future of the company should be present in all meetings and decision making, and taught teamwork with family members.
- Do not overlook the importance of corporate governance to a healthy and successful business.
- Family business should have stable corporate governance.
- Do not eliminate the factors of corporate governance (trust, transparency, corporate accountability, and efficient financial auditing); without them there is poor management and the company's performance will be affected.
- While it is advisable to have both a board of directors and a family council, a family business must always have a family council that is reinforced by the rules set by the instated family governance program.
- The board size should be proportional to the company size (as measured by total assets).
- Do not over-expand the board of directors as it hinders the fast response rate.

IMPERATIVE SIX

PLAN FOR SUCCESSION

Foresight

Planning for succession is more important than succession itself. Do not underestimate this phase because lack of succession planning is costly and frustrates next generation members. Unambiguous goals are important to set. Be prepared to make a successful succession. Specify future positions and the personnel who will hold them. Clarify the measures of success. Plan for a stewardship-oriented organizational culture. Succession will help the business pursue new opportunities and respond to threats, so fight potential threats before they happen.

Succession by definition is the action or process of inheriting a title, office, or property. Succession is a term used in everything that continues or that requires continuation. According to the (Family Business Institute, 2017), 12 percent of family businesses actually succeed to live to the third generation, while 3 percent manage to reach the fourth generation. Although not all family businesses survive as long as they should in the long term, perhaps due to a change of vision or fluctuations in the market, the more pressing concern would be that only 30 percent of family businesses actually make it to the second generation, which indicates the importance of creating a succession plan in the company (FBI, 2017).

Plan for succession to improve the security and trust in the company, and to keep the central flow of communication in times of crisis

It is a term that should frequently worry the minds of business owners. However, it is a difficult process that boggles the minds of owners and creates a situation where some may not even tackle it due to being afraid of the future. Planning for succession may sound morbid at first to an owner who has just begun his ascent towards success. As time goes on, the owner will find the process of succession even more difficult to plan and this will affect the company's way of securing its future. However, there is a necessity to create a succession plan that decides what would happen to the company and who shall inherit it. This plan must also be stated in the family governance plan to ensure its enforcement by the company, further developing the trust between shareholders and employees. Therefore, succession should be considered as the relief point to all stakeholders, current or future, which improves their security and trust.

> Choose successors with the ability to unite the business

Family firms are the type of businesses that require a next in line successor who is ready to take over and place the company in the next generation. Unlike non-family businesses where they hire a qualified person to lead the company, family businesses have to tap into the family pool of talent and dedication to continue, just like a monarchy. Even though family succession keeps the central flow of communication fluid in times of crises, it has risks that could even destroy the company. The issue of succession in family businesses usually carries a flavor of negative thinking and suspense. It usually comes from the problems or risks that it causes, or its very concept is disturbing to most. Just like there are rewards to creating a succession plan, there are also downsides to it. Succession is a topic that is mostly avoided since "most family business owners find it easier to live with ambiguity." (Aronoff and Baskin, 2005: 6) Thinking of death and succession while they are creating a legacy most probably scares them. Family businesses that are heading or are expecting to head into the next generation must pick a successor; however, the issue of finding the

> Thinking of death and succession scares family business owners; do not let fear destroy the future of the business

> Leaders must screen the candidates for the right characteristics to choose the right successors

right qualities without choosing one family member over the other may seem like favoritism and is the major challenge. The successor must have the qualities of leadership, but it is not just the ability to lay down plans for the future but to bring the whole company together as a union. The successor will always find it harder to express leadership in comparison with the founder or predecessors due to the fact that a new face of an untested child will not yield the respect needed for quality leadership to function.

There might be a clash of interests by the siblings of the incumbent (who might have also inherited a share in the company) and cause the family firm to divide and collapse. To achieve optimum smoothness of a succession plan, a few grounds must be addressed. Succession depends on the company's direction in taking these steps.

1- **Founding-Generation Leadership** is given to the owner of the business or the person who took the initiative to transform his idea into a business (the first stage of family business). The owner has to have legitimate power, strong will, and a tough mind and personality in order to push the business forward. The founder should take on a directing leadership style at first so that he communicates the goals he has in mind and the values that need to be planted in the business. However, he should recognize that his leadership style should change from directing to counseling once his children join the business, in order to avoid family problems that might drive the children away from the business.

2- **Sibling-Generation Leadership** happens in the second stage of a family business. When siblings are involved, it is not possible for only one person to lead and take all the decisions, and therefore leadership needs to be team oriented. During a succession transfer when the owner will offer his child the reins of the company, an option arises whether to include the child's sibling as a leader as well, who would be considered as a co-leader and function as a vice president. Co-leadership opens up new possibilities in the way the company could be led. Therefore, it helps share the responsibilities of the current owner and can

Adjust corporate governance to succession, as it establishes an effective rotation of great successors increase the rate at which decisions are taken considerably. However, co-leadership, depending on the relationship between the siblings and their personal habits, can be a hazardous concept to implement properly in the family company. The siblings could have a competitive relationship, which would cause a divide between their decision making and inevitably place the company at a disadvantage. Therefore, when the succession plan is being formed, it must consider this nature. In this stage, coaching and counseling leadership needs to take place. There is a great challenge in preparing the business for the 'sibling generation' and a challenge in keeping the legacy of the 'founding generation' by handing it down to successors.

3- **Cousin-Generation Leadership** is the third stage of the family business, where leadership requires emphasis on communication in order to keep family members attached and cohesive. Visionary leaders can work effectively at this stage to stress the meaning of the business and its heritage, and to clearly express the values and mission of the business. The challenge here lies in trying to create a commitment to the business, since the cousin generation is most likely to be less attached to the legacy as much as the second or first generation. Therefore, the leader should be prepared to utilize the three styles of leadership as required, in order to "create an over-arching process for developing among present and future family shareholders and understanding of the realities of ownership and its rights and responsibilities." (Aronoff and Baskin, 2005:6)

To establish an effective rotation of great successors, it is significant to adjust the contents of the corporate governance regarding succession. This makes succession planning the most important role of the internal politics of a company's life. Without proper planning in regard to who will continue or take over in the family, the business is inevitably going to fail.

Succession Planning Risks

There are three risks or problems that might occur during succession planning, which are conservative, rebellious, and wavering effects. In the conservative

Do not waver when dealing with succession planning pattern, the company still uses the old-guard strategies during a changing era that will leave it behind. This is mostly true for older generation owners who dedicate their success to outdated tactics and are unwilling to change; this in turn would teach the successor, usually the child, to not take risks.

During the rebellious form of succession, the company begins to implement innovative approaches to how a business should be managed, disrupting the way the company functioned as well as, in the case of a family business, removing the concept of a legacy. This is a 'shock and awe' kind of strategy where, if the company functioned in a certain manner, then the next 'innovative' step would be to go completely against that in the other direction. If the successor makes rash decisions or rapidly changes the way the firm functions, it can hurt the company and its position in the market, as well as the trust in the successor.

Do not avoid or underestimate the topic of succession

The successor must build upon the old model and update it to function in the current timeline

The last form of ineffective succession is wavering, which is the lack of achieving a powering decision that would exploit an opportunity that would elevate the company to success (Poza, 2010). To waver is not a trait or mentality that the successor should ever pick up or else the company will never be able to respond to major issues, nor implement solutions needed to further its interests. Moreover, it is the worst of the three risks as it does not represent a leader's prowess. Moreover, it is the worst of the three risks as it does not stop the company from achieving a competitive advantage in the market.

In a family business, some of the resources may overlap; for example, corresponding owner and manager responsibilities, giving the business an 'overlapping advantage' due to reduced administrative costs, and reduced speed of decision making. It is important to mention that

The successor should not stay in a defensive and conservative shell, especially in terms of the business's technology and mentality some other unique resources associated with family businesses are the customer-intense relationship and the transfer of knowledge from one generation to the other (Poza, 2010).

The 'stewardship perspective' covers a certain view on succession and how it is seen. This perspective claims that founding family members view the firm as their extension and therefore view the continuing health of the enterprise as connected with their own personal well-being. As stewards of the firm, family owners often place individuals on the board who have industry knowledge and who can provide objective advice, as well as advocate for an ongoing concern to avail the firm of complementary skills that the family lacks, such as legal, financial accounting, and international marketing skills. The performance advantage demonstrated by family firms, relative to management-controlled firms, vanishes in the absence of an independent board providing company oversight. In family businesses, whether from an agency or a stewardship perspective, independent and advisory directors remain the primary line of defense against the managerial opportunism, expropriation, and entrenchment that large controlling shareholders can exercise in relation to minority shareholders and employees. From the agency perspective, they do so through their monitoring and supervisory role; from the stewardship perspective, they advance by the usage of an advisory, objective, and committed stance to the ongoing concern. This can prevent excessive CEO compensation and flawed decision-making processes, while limiting the family's undue influence through enhanced board dynamics and subcommittees of the board. These boards can prevent an unqualified or incompetent family member from becoming the next CEO.

A successor should not necessarily take the same approaches as the old owner; they should not change everything but rather update the approaches

The family business must combine all three of these 'planning risks' and use them in moderation in order to achieve success after a succession. The new owner must not take the

Leadership is a main factor in determining who becomes the next successor in the family business

Successors must understand the responsibilities required of the position

same approach to things that the predecessor derived as successful. As the methods used during the tenure of the previous owner were most probably extremely viable and a correct decision to pursue, the successor's generation and the rate of how technology and globalization has rapidly increased will demand a different approach befitting the time. It is important that the company does not stay in a defensive and conservative shell, especially in terms of its technology and mentality. If the successor decides to follow in the predecessor's footsteps, change is required and, more often than not, a disruption in the sphere of trust will have to take place due to the uncertainty of the change. However, even though change is required after a succession, the new owner should not change everything the predecessor created but rather build upon the old model and update it to function in the current timeline. Being a rebel and trying to seek the glory of re-inventing an already stable foundation brings more bad than good and can eventually lead the company to its downfall. What is truly expected from the successor is an understanding of the responsibilities required or demanded of the position and by becoming a leader who takes decisive decisions that could propel the company forward.

Leadership is defined as the act of inspiring others to move in a certain direction. The act of leadership in a family business differs more greatly than in any other business. Family businesses are originally entrepreneurial businesses and a transition from entrepreneurial to family happens when the second generation decides to join the business. Leadership is a main factor in determining who becomes the next successor in the family business. The heir of the family has to have a good and clear position that holds responsibility, which will provide the successor with experience in leadership.

Successors must be leaders who pull the company in the right and forward direction

Since succession determines the continuity of a family business, there is a certain method to screen successors for their strengths and weaknesses. In the case of Middle Eastern traditions and lifestyles, succession might take a different approach that would not necessarily be found elsewhere; one such example would be traditions and culture. For example, in Islam, the male is allowed polygamy (up to four wives), which could yield him multiple legitimate heirs. This case usually goes with the first born being the one who will inherit power in the company (and notably the first male born, as females are not usually given power). This will cause domestic friction between the wives, the owner, and the siblings due to rivalry. One way of solving this situation is to breed the feeling of teamwork in the children of multiple wives in order to ensure that when they grow up, they will resume friendly and constructive communications during the succession transition.

An example case study that shows how important a succession plan is for a family business is given below.

Case Study:

A father who changed his mind

Family Business, Ireland, 2017

This case study is the story of a father, the majority shareholder and CEO of a relatively large manufacturing and service company.

When he first engaged with family business in Ireland he was in his early 60s. He had recently separated from his wife. There were a number of adult children, two of which worked in the business. He had no succession plan in place and wanted to commence a process whereby he could ‘step out’ of the business after what had been a stressful few years. The company did not have a functional board and the father dictated the strategy and pace of all key decisions. His perception was that his sons were not yet capable nor experienced enough to manage the business. The father’s personality could be described as fair minded, strong, and forceful when required. The leadership role sat easily with him and everyone would have seen him as the legitimate authority of the business.

The process of engagement had four phases:

Phase 1: external/internal assessment

Phase 2: analysis/diagnosis

Phase 3: agreed plan of action

Phase 4: implementation

The initial phase involved peer discussion with other family business owners. The external engagement really did impact the father's thinking. It somewhat deconstructed his closely held perception of his sons' abilities. He also recognized the need to professionalize the board and to create a fully functional board that could manage without the continuous need of his operational oversight.

Once the process commenced with facilitated internal conversations in the business, the family quickly brought about a change of thinking and this imbued the whole company with energy and confidence. Once the father began to think and act differently he could see how quickly others, and particularly his sons, rose to the challenge. This 'new' environment led to many changes and ultimately to a fully functional board. It is now some five years on and the father sits as the chair of a holding company of four family owned businesses. Both sons are MDs in their own right and two non-family members are MDs of the other two businesses.

This case is about a founder, principal, and father who recognized the need to manage the future. In doing so, he created the space and time that enabled the future to be 'created' by consensus and dialogue. He admits his perception of both of his sons' capabilities was simply wrong. He underestimated their skills and drive. He also states that it was the peer support and independent facilitation that enabled a proper and fit-for-purpose solution to emerge. He was well supported by his long-standing and trusted advisers and whilst they were somewhat circumspect of the process at the start, they very quickly got on side and saw the process for what it was.

Succession must not divide the family, as this hinders the company's performance

To effectively plan for succession, the role of the founder or leader must be studied to screen for the right attributes in order to increase the chance of finding the correct successor. However, if the owner has only one child, then he will become the next face of the company. To ensure the successor has the ability to fully lead, a certain system applied by management needs to be put in place.

The management must not leave everything to the successor but instead create a system for the successor to ensure the ability to lead

The succession plan must also accommodate the culture and religion of the owner and his family, while also taking into consideration the rules set by the system of the country that the company operates in. For example, in Islam, polygamy is permitted and thus creates the issue of inheritance that must be addressed by the owner to avoid the company being divided. Moreover, depending on the culture, women might need special permission, such as having formally-stated permission from the owner, to fully inherit when suitable males are present.

Take, for example, the following hypothetical scenario: a family business owner decides to postpone the succession plan until later. The owner becomes a father with three children; two sons and one daughter. The company then begins drafting a succession plan to make sure the future of the company is secure. Due to legal issues and the rules bound by the succession plan of the company, the successor could be one of many choices in an untimely event. Excluding the various traditions and rules followed by religions, all three siblings will have a stake in the company, whether they each sell or decide to keep their shares. But in theory and in the tradition of family businesses, there can only be one active owner at any one time.

This hypothetical example could be a common occurrence among family business owners who want to further their legacy. However, there has been a shift in the way businesses are being run by changing from the orthodox 'one ruler or owner' to the unorthodox system where siblings all run the family firm together. As Aronoff and Baskin (2005) state, "About 25 years ago, only 5 to 10 percent of all US family businesses were run and owned by teams of siblings. The rest were led, as tradition dictated, by single leaders, usually male, who had succeeded single leaders." This tradition rapidly changed to favor the more 'council-like' approach to succession in family businesses. According to Ward, (2016), "Surveys show that 40 to 50 percent of the family firms in the US will be owned and led by groups of brothers and sisters in the future". There are many concerns over this massive change due to the fact that there is no information yet on how things will develop. This creates a concern over the future of the family business, since this form of leadership is uncharted territory. It will be extremely difficult to make it succeed while preserving the integrity of the company. Moreover, the company will struggle to continue in this line of succession, causing a problem in the long run.

However, there is a necessity to create a plan that decides what will happen to the company and who will inherit the firm. This plan must be stated in the family governance to make sure that stability continues to prosper during the transference of ownership.

Recommendations

- Plan for succession to improve the security and trust in the company, and to keep the central flow of communication in times of crisis.
- Thinking of death and succession scares family business owners; do not let fear destroy the future of the business.
- Choose successors with the ability to unite the business.
- Leaders must screen the candidates for the right characteristics to choose the right successors.
- Adjust corporate governance to succession, as it establishes an effective rotation of great successors.
- Do not waver when dealing with succession planning.
- Do not avoid or underestimate the topic of succession.
- The successor should not stay in a defensive and conservative shell, especially in terms of the business's technology and mentality.

- A successor must not necessarily take the same approaches as the old owner; they should not change everything but rather update the approaches.
- The successor must build upon the old model and update it to function in the current timeline.
- Successors must understand the responsibilities required of the position.
- Leadership is a main factor in determining who becomes the next successor in the family business.
- Successors must be leaders who pull the company in the right and forward direction.
- Succession must not divide the family, as this hinders the company's performance.
- The management must not leave everything to the successor but instead create a system for the successor to ensure the ability to lead.

Imperative Seven

Educate the Next Generation

Foresight

Educating the next generation starts by developing responsible owners at a young age. Teach them how to link action to consequence, how to understand the link between work and money, the importance of money, and how to trade. Teach them the importance of future gratification (no instant gratification), the importance of investing, the separation of ownership and business, emotional differentiation, reading and writing balance sheets, cash flow analysis, and financial analysis.

For every company, especially family-owned businesses, the concept of continuation will plague the minds of owners. In the case of family firms, the term 'legacy' comes to mind where the children of the owner will eventually take over after his retirement. This is the natural way of continuation and is expected and necessary in order for the company to endure and grow. However, the younger generation that are about to take over do not have the qualifications nor the determination to be part of the company, let alone to run it. Unless the family member is groomed to be regarded as an effective successor, the next owner will have a tough time managing the company and its interests. Successful family business owners who have established a name for their firm have a tougher job to educate their children to adapt to the higher standards than those others normally deal with, and this in tum affects how they will later run the company and their lives. As owners of a successful

As owners of a successful family business, educate your children to adapt to the higher than normal standards

family business, educate your children to adapt to the higher than normal standards.

Affluence, based on a study published by Cambridge University Press in 2011, is "the state of having a lot of money and possessions". The increase of affluence in the family makes it harder to properly develop the child's personality to be a responsible one. However, affluence brings a positive impact as well as features that might harm the child negatively. For example, a child born into affluence can feel financial security, and can partake in select activities, higher and prestigious education, and special opportunities. Meanwhile, the child can also experience laziness and a lack of ambition to work, might become materialistic, and feel elitist (Gallo and Gallo, 2002). This is one of the results of being born into extreme wealth, which negates the feeling of achievement since the child would be used to being offered anything. The child, if allowed to follow down that path, would be a terrible successor for the family business, which in turn will affect his accumulation of wealth. It comes down to the parents to discipline their children and make them feel that they are not entitled to everything and help them see that hard work and dedication is important. Discipline the children and teach them about money – when and where to spend it – to make them see that they cannot get everything and that hard work, dedication, and motivation are important in life. This particular dedication from the parents, which also must be held in moderation, will help turn the next generation into leaders and responsible adults.

Discipline the children, teach them about money; when and where to spend it

Make children see that they cannot get everything and that hard work, dedication, and motivation are important in life

In the Middle East, the relationship between children and their parents varies from the standard Western thinking that affects the way children are raised and the type of mentality they would carry on to the next generation. This

With the advancement of technology, don't let children get everything they want, as in the future it develops into a greedy nature, but instead educate them traditional Middle Eastern thinking changes the method of how parents teach their children money values and how allowances have been adjusted to accommodate the regional mentality. For example, in almost all the cultures of the Middle East, the parents feel obligated to take care of the child, financially and beyond, regardless of whether the child is over 19 or not. Parents believe that their job is to always oversee their children's future and well-being and that is specifically true for women in the family. They are cared for and are usually treated differently than men due to their future being different in the way of marriage to another family. This aspect changes how they are brought up and causes the parents, those which have both sons and daughters, to alter the parenting methods between the two.

In Middle Eastern families that are affluent and own a family business, there exists different ways that parents would allocate allowances and divulge in personal autonomy to the child. Considering that both children are the same age and are in their teens making them eligible to some form of freedom and pocket money, the parents would favor more freedom and pocket money for the son rather than the daughter who is overprotected more than the son. Moreover, the son would be groomed as the heir of the family business and would hold more responsibilities for the continuation of the family's legacy and image, while the daughter would be expected to take someone who is respectable as a husband to take the place of the parents in supporting her. This mentality is derived from the old, traditional conservative Arab thinking, found in the Islamic culture. This patriarchal society places a sort of norm or trend on how parents should raise their children and what their future should be from the parents' perspective.

Society and its Effect

Society has a huge effect on children and their adaptive behavior while growing up. Most notable are the media and advertising that give children the impression that they deserve and need to have whatever is being advertised. This makes children believe that their wants overweigh their needs and that they are entitled to get what they want, which eventually becomes something that they need. This builds a highly materialistic characteristic that absorbs the child into the love or absolute desire for objects. Another factor of modern society is the lack of stability during a short passage of time. This can be seen when technology advances quickly and the market fluctuates and changes rapidly to accommodate this modification. Due to the constant change that is happening, the child would develop a greedy nature in order to survive in society as it has developed today. With the advancement of technology, don't let the children get everything they want, as in the future it develops into a greedy nature, but instead educate them.

When children are very young, they begin the exploration phase to see their surroundings. The parents play a vital role here because children should be encouraged to explore and determine what is right or wrong on their own; however, parents must obviously remove the child from harm's way without impeding the autonomy of the child. The purpose of giving children autonomy is to develop their personality to one that is unafraid to tackle foreign surroundings. This is a trait that every aspiring leader should have in order to be a good business owner. Autonomy should not be given freely since too much freedom too quickly could place the child in harm's way. Instead, it would be wise to slowly reward freedom as a result of various preliminary tests. This would give the child a sense of achievement and will also show them the value of freedom as well as its consequences.

Don't hinder the child from exposure to the outside world, as it teaches the child to know how to deal with his own problems

Depending on the age of the child, the interactions and mediatory status he is placed in everyday during school and beyond creates a huge learning opportunity to how the world around them, namely reality, functions. Furthermore, the child would be acting in an autonomous state for the first time, which will hone his skills where he can decide for himself and explore his limits. This could be extremely educational but should not mean the influence is always positive. After all, in order to learn, mistakes have to be made and the consequences that follow should be made use of. However, the child's interaction with other people at a young age – for example, at school or in play dates set up by parents – is significant. This exposure to outside communities helps the child to overcome problems in the future and gain valuable experience. Don't hinder the child from exposure to the outside world, as it teaches the child to know how to deal with his own problems.

This, of course, is perceived differently depending on the society in question, whether it is comprised of the rich, poor, or just the well-off citizens, and the cultural traditions it abides by, such as the differences found in the United States or most European countries and the Middle Eastern states. While the West believes in the open-minded mentality of parenting and education, most of the Middle Eastern states function in a much more conservative manner and many follow the ideologies of the dominant religion, Islam, and culturally endorses them. Such functions can change how a child interacts and develops, and with the increase in globalization it can clash with other styles causing the 'foreign' style to be seen as different and unfit.

Countries nowadays host a huge number of people with different cultures that, regardless of the law, still retain the traditional idiosyncrasies and rituals. These may seem strange to the child at first but depending on the majority and popularity of the 'foreign' culture, the child may adopt some habits or may be pressured by his peers. Although this may seem to be a negative situation, these aspects create a sense of adaptability and an experience that could be very useful in the future, especially if the child takes over the family firm.

Family and Money Bonds

Due to how the world functions today, there is very little time for a family to meet and pursue family activities. This is even more evident with affluent families where the father, who is most probably the owner of the family business, is always at work. This tends to break the trust between the child and the father, which might become a problem in the future due to the possible unconscious hatred the child would develop towards the company, as he considers it is taking

Don't under-educate the children about money management and budgeting, because in the future they will develop a lack of sense towards it, making it difficult for them to work in a business with such a mentality his father away from them. Furthermore, the owner of a family business might recognize the child to be a successor to the family legacy and would indulge by including the child in matters that require an adult. Therefore, without the proper guidance or attention, children may substitute any parental attention towards their friends that could change their behavior to the worse.. The parents may not be able to spend time with the child due to work or other reasons; however, the child must be with someone capable of creating a safe and open atmosphere. This is important for the development of the child due to the attachment they make to the adults who are assigned to oversee them. When the child does not receive the love or attention that is expected, he might not develop an attachment to his parents and even worse, he could build an attachment with the wrong people. In return, this affects how much the child could open up emotionally as well because it also affects the role-model factor that could have been developed. For example, if the owner's son does not have an attachment to his father and does not have anything in common with him, then the likelihood that he would be a good successor to the company or even an interested prospect would be very low.

"The quality of our attachment as young children universally affects the way we relate to the world as adults. If a young child forms a secure attachment, she learns to view her environment as safe." (Gallo and Gallo, 2002: 18) This safety creates more than an emotional bond; it builds a foundation where the child's personality develops in a healthy way especially in social situations, which makes charisma stronger and the base of a good leader. "Psychologists refer to this type of appropriate emotional behavior as self-regulation. Children who have developed the capacity for self-regulation tend to exhibit increased emotional resilience when dealing with adversity and tend to do well in social relationships as they grow older." (Gallo and Gallo, 2002: 19)

As a family, educate the children and motivate them to adapt and get to know their own leadership skills

It can be said that there are five stages to developing a child's personality towards money and their adaptability to affluence. These stages manage the areas of trust, autonomy, creativity, industry, and identity. They cover the topics that are essential to the child's development as they grow into an adult, shaping their personalities. Although these stages are useful and viable in non-affluent families, these steps are extremely significant to the families that, let's say, own a business and require the heir to take over. It is through the education received from the family that the child may adapt to, or unleash the latent talents of, leadership. As a family, educate the children and motivate them to adapt and get to know their own leadership skills. The educating process starts from the age zero; it is mostly dependent on whoever is raising the child and whether the parents were present during his growth, by which time the child will have to begin interacting with his peers.

Spend money in a way to give it value in the eyes of your children

People generally spend money differently, and in some cases do not spend money at all, which affects their reputation. A child, if born into an affluent family, will look at his parents with the hope of imitating or being like them when growing up. Any habits picked up by the parents could be transferred to the child, especially the way they view or spend money. For example, there are wealthy parents who do not spend money on a whim but appreciate its value. While others may outright spend money without thought or care and even worse, may withhold the expenditure of any form of currency and take pleasure from the accumulation of wealth. These aspects could affect the child in how he views money and its purpose. While young children do not know where the money is coming from, they can see firsthand how it is being managed and what it is being spent on and how frequently in the personal use of the parents. For example, the parents may be leisure-oriented consumers who must buy luxury goods for themselves or for their family whenever they can. This creates ideas in the children that make them think that this

Values will define and guide the child's moral compass in regards to what is right and what is wrong when having to take decisions

In an affluent family, the best values that can be taught to children are the value of money, its worth, and the appreciation of being affluent is the right way to spend the money. Children might also develop, in this case, a lack of sense towards money management and budgeting due to their familiarization with this certain lifestyle and that kind of mentality cannot work in a business setting. Don't under-educate the children about money management and budgeting, because in the future they will develop a lack of sense towards it, making it difficult for them to work in a business with such a mentality. In this scenario, imagine the child grew up and became the owner of the family business, without the aspects of control over money expenditure; the new owner will eventually ruin their legacy.

Sociologist Milton Rokeach suggests that a value represents a result you believe is important, not just now but in the long run (Gallo and Gallo, 2002). Teaching values from a young age will influence a child's whole life and how they deal and view others outside the house. Values will define and guide the child's moral compass in regards to what is right and what is wrong when having to take decisions. In an affluent family, the best values that can be taught to children are the value of money, its worth, and the appreciation of being affluent. Depending on the accumulated wealth of the family, there are topics and excuses that should not be spoken to children, especially during their developing ages. For example, when confronted by the child about a product that they want, the parents should avoid informing the child about the lack of money to spend; instead, they should use it as an educational or disciplinary tool to teach the child about the value of money, otherwise it will make the child worry and cause future problems when it comes to money. Moreover, the parents must refrain from making the children feel that any loss of money and a change in their lifestyle is their fault as that will also cause a tendency to make them feel like burdens and become introverts within this topic. Teach the children values at such a young age in order to instill in them and influence them through life as they get older.

Establishing Trust and Money Value

The right way of establishing trust is to follow up your method of excuse with the child by making them feel they are being treated fairly. Treat children fairly, within the fine limits of parenthood, to establish trust. As

Don't disregard the issue of allowances; it inevitably teaches the children not to spend money left and right and to know the true value of money and saving

the child grows and reaches an age where some autonomy rights should be granted, such as the teenage years between 13 and 18, the parents should allow a fiscal allowance that is moderate and limited by nature to create and nurture a sense of financial self-responsibility. The introduction of an allowance opens windows of opportunity to give the child a sense of financial independence that is not tied to the family but provided by them and from other self-inducted services such as jobs. This process is another form of freedom that will make the child capable of determining the value of work for reward.

Every child should receive an allowance, especially those who are part of affluent families, and that in tum profits the parents by teaching their child how to manage money, be slightly more independent, and know the value of money better

Every child should receive an allowance, especially those who are part of affluent families, and that in turn profits the parents by teaching their child how to manage money, be slightly more independent, know the value of money better, and in tum not overspend on items that are not necessarily important. This should be regarded as the first rule of two on allowances that parents must abide by to avoid communication problems later on with their children. Moreover, the presence of an allowance deters issues like parents spending more on themselves than on their children, or the common practice of rejecting a child's 'want' due to the lack of value in perspective. This is a great advantage to the family that is aiming to induct the child into the family business, as the child's sense of responsibility would be honed and would settle for more than standard value. Don't disregard the issue of allowances; it inevitably teaches the children not to spend money left and right and to know the true value of money and saving.

The second rule on allowances should be that the amount of money allocated per month to the child is relative to his age. This is to be determined by the parents and their financial power and stability. However, it should be a reasonable amount; otherwise, the allowance could end up as too much or too little to give the desired effect that the parents, especially family business owners, would have in mind. The allowance should increase as the child grows up to accommodate his increasing responsibilities as well as to further allow freedom in his life. Furthermore, the introduction of an allowance helps the child, who might be the heir to the family business, get used to this aspect of work life by having the reward at the end of the month, as well as helps build their ambition towards money goals.

Allowances can be given to the child at the end of each month for no work in comparison with parents who give an allowance for doing chores around the house. Children who are eligible for an allowance might be spending too much and eventually run out of money; in which case, they may approach the parents to plead a raise in the allowance to make up for the increased expenditure, whether it is well placed or not. Their argument usually follows a system of low allowance but high expenditure in comparisons with their age group and peers causing them to run out of money to spend. In this scenario, the parents would have to determine whether to increase the allowance or to deny it; however, it must be done in a subtle way without letting the child know of the situation if the family is not financially stable. Parents in this case can analyze the child's increased expenditure and try to understand why he might need extra money to continue spending every month. This does not give the parents the right to deny the child from spending his allowance on whatever he wants, since that would be impeding on his freedom and would cause a rift or might project that his monthly allowance, his own money, cannot be used on what he wants. The very fact that parents would forbid their child from spending his allowance on things that have a high value for him in their perspective leads to a decrease in trust between the parents and the

> Let children make mistakes in the way they purchase with their money as it will teach them the value of money for an object that they probably desired then, but is not worth it now and turned out to be a waste of money

> A lack of communication between the parents and the child will develop into a lack of determination that is destined to evolve into a lack of ambition

child. In addition, children should be able to make mistakes in the way they purchase with their money as it will teach them the value of money for an object that they probably desired then, but is not worth it now and turned out to be a waste of money. This is an important lesson that can be carried over to the family business and would be an essential value to uphold, one that can actually make or break the business.

Most wealthy parents tend to cause the term 'money' to be a taboo word, one that must not be spoken about or generalized in public, sometimes due to the large amount of money the child might have when compared to others which can create tension and rudeness towards the child. The 'educating' process must begin when the child is at a very young age. Each age group has a psychological advantage and disadvantage that can be exploited to raise the child's characteristic to be one that is responsible and determined as well as trusting.

> The 'educating' process must begin when the child is at a very young age

Whether or not the parents have a highly stressful job that takes most of their time and energy affects how that trust could be built, as well as the methods that the parents can use to show the child the attention that is needed. This is through time management and although the child would not notice, the sacrifice or rather the effort it takes to complete such a momentous task is irrelevant. The child would get used to the parents' faces and their love at a young age, which subconsciously builds a bond of trust between the child and parents that would carry on to their becoming an adult. However, if the parents fail to do so, the child who is being taken care of by someone other than the parents would be less trusting towards the parents, especially if they had scheduled time to spend with the child. This lack of commitment would make the child lose belief in his parents and he would no longer view them as role models for the future. A lack of communication between the parents and the child will develop into a lack of

> Don't skip or leave out the topic of hard work and the value of money when educating and disciplining the child, as this will effectively terminate any ambition he might want to pursue in life

determination that is destined to evolve into a lack of ambition. Moreover, the topic of communication between the parents and the child should involve a discussion about the ownership of the family business.

Failures and setbacks will give the child an introduction to the rejections of life and also remind the child that he cannot always get what he wants. This is an important aspect to be introduced to the child at a young age, especially in an affluent family. Parents should also mention the value of money and hard work, as this is what creates an ambition for the child to pursue opportunities later in life. Don't skip or leave out the topic of hard work and the value of money when educating and disciplining the child, as this will effectively terminate any ambition he might want to pursue in life. The child must accrue a good amount of desire towards a certain goal in life that would make him work even harder to achieve it. As parents who have more experience in life and who are also business owners, they could lead the child down the right path, making him capable of leading and continuing the legacy. Furthermore, a better understanding and knowledge of the importance of money and how to use it efficiently and effectively creates a higher probability that the child will continue down the path of the family legacy.

Religion and its Effect

Religion plays a role in how the upbringing of a child takes place. It usually comes with certain norms or beliefs that need to be enforced by families or parents who are believers of that faith. This gets taught to children at a young age and is shown to be a value that is expected to be followed. Middle Eastern families tend to have a very religious background regardless of faith, even though the dominant religion is Sunni Islam in the region. This great attachment to religions and their teachings on how families and individuals should help others, especially financially, creates a sense of duty in the name of religion. For affluent families, the money given to charity, whether through non-governmental organizations (NGOs) or religious communities like the church, becomes a tool to help others.

The value of money that should be taught to children in affluent families is that it is a tool to help others and it is the responsibility of the wealthy to help the less fortunate. This can be further enforced through religion that preaches the concept of 'giving' in forms of monetary payment regardless of amount. Christianity uses 'tithing' payments to the church which is spent to help its community, while Islam uses the 'zakat' which is also a form of help and although it is always asked to be done, it is mandatory during the holy month of Ramadan.

Therefore, religion creates rules and values that essentially teaches and guides the children and on which they will base their decisions about what is morally right or wrong. There are certain morals or rather personality barriers that must be overcome before a donation can be made, and it is important to teach these methods to the child, as they can adopt the ways which will change their perspective on how to act. The real power of donation is from the sympathy or emotion towards the less fortunate, rather than the amount of money given. Children must be taught that benevolence does not have to come just from money but rather from any and every form of charity, especially those on the path of volunteering, as it can humble the individual creating a satisfying result.

The real power of donation is from the sympathy or emotion towards the less fortunate, rather than the amount of money given

Teach children that benevolence does not have to come just from money but rather from any and every form of charity, especially those on the path of volunteering

Inheritance and Motivation

For use in the event of anything ever happening to them, parents should consider creating an 'estate plan' for their children. An estate plan is the process of determining what the child will inherit and how all the inherited assets are given, whether they are given outright lawfully in a will or through the value stored in trusts for the child to use. This is an important step for every affluent parent that requires patience, knowledge, and guidance on how to proceed with a momentous task, and poses questions regarding how the inheritance will affect the child's sense of responsibility and how to safeguard the wealth to not be misused, or in usual cases taken away due to poor money management skills.

The process of creating an estate plan needs a study of the family's net worth. However, the parents will have to make a choice whether or not to tell the child about the plan or to keep it a secret until eligibility claims are cited. Moreover, the parents must consult a lawyer to devise the best outcome possible during the inheritance cycle. The child's tendency to be negatively responsive to news of the future inheritance is slim, only depending on the characteristics developed and the type of upbringing the child has had.

Recommendations

- As owners of a successful family business, educate your children to adapt to the higher than normal standards.
- Discipline the children, teach them about money; when and where to spend it.
- Make children see that they cannot get everything and that hard work, dedication, and motivation are important in life.
- With the advancement of technology, don't leave the children get everything they want, as in the future it develops into a greedy nature, but instead educate them.
- Don't hinder the child from exposure to the outside world, as it teaches the child to know how to deal with his own problems.
- As a family, educate the children and motivate them to adapt and get to know their own leadership skills.
- Spend money in a way to give it value in the eyes of your children.
- Don't under-educate the children about money management and budgeting, because in the future they will develop a lack of sense towards it, making it difficult for them to work in a business with such a mentality.
- Spend money in a way to give it value in the eyes of your children.
- Values will define and guide the child's moral compass in regards to what is right and what is wrong when having to take decisions.

- In an affluent family, the best values that can be taught to children are the value of money, its worth, and the appreciation of being affluent.
- Every child should receive an allowance, especially those who are part of affluent families, and that in turn profits the parents by teaching their child how to manage money, be slightly more independent, and know the value of money better.
- Don't disregard the issue of allowances; it inevitably teaches the children not to spend money left and right and to know the true value of money and saving.
- Let children make mistakes in the way they purchase with their money as it will teach them the value of money for an object that they probably desired then, but is not worth it now and turned out to be a waste of money.
- The 'educating' process must begin when the child is at a very young age.
- A lack of communication between the parents and the child will develop into a lack of determination that is destined to evolve into a lack of ambition.
- Failures and setbacks will give the child an introduction to the rejections of life and also remind the child that he cannot always get what he wants.
- Don't skip or leave out the topic of hard work and the value of money when educating and disciplining the child, as this will effectively terminate any ambition he might want to pursue in life.
- Teach children that benevolence does not have to come just from money but rather from any and every form of charity, especially those on the path of volunteering.
- The real power of donation is from the sympathy or emotion towards the less fortunate, rather than the amount of money given.

IMPERATIVE EIGHT

CREATE AN ENTREPRENEURIAL MINDSET

Foresight

An entrepreneurial mindset is nurtured through learning and experience. The next generation has to understand the importance of being an entrepreneur for the proper innovation of the business. Support the younger generation to come up with new ideas and implement them. Create a system whereby new ideas can be pursued. Set up a process of innovation in your family company. Establish an environment of trust and communication, while setting the boundaries.

It is natural that every individual with a dream of creating a family business desires a successful start that will shape the future of the firm. This dream starts down the line of entrepreneurship where the individual mind establishes a concrete idea that can expand to form a company. However, the path of an entrepreneur is a perilous one that demands high-risk decisions that lay adjacent to a thin line bordering chance and opportunity that may yield a successful return. Encourage calculated risk-taking in the line of entrepreneurship. However, entrepreneurs do not base their decisions on luck or its counterparts, such as superstitions, but rather on dedicated ambition, high motivation, and overbearing research into the market and its wavering details. Do not base decisions on luck, but rather on ambition and attention to details. This is the first step towards establishing the very foundations of a proclaimed 'empire' of

Encourage calculated risk-taking in the line of entrepreneurship

Do not base decisions on luck, but rather on ambition and attention to details

trade, where the creative innovation and shrewd exploitation of the market opportunities become the chains.

It could be said that the spirit of entrepreneurship is the heart and origin of any family business. It is conjoined with ambition to rise to the top in a certain field within a market. Therefore, as defined by the Cambridge University Press, 2011, the entrepreneur is "Someone who makes money by starting their own business, especially when this involves seeing a new opportunity and taking risks." However, the role of an entrepreneur involves the innovative nature of the individual combined with the dream to succeed, in order to exploit a possible trend or demand to create an opportunity accompanied with the risk. Do not follow trends already in the market; this in tum limits innovation and risk-taking in the company. Be innovative as an entrepreneur to exploit a possible trend or create an opportunity with risk. As for the economic role of the entrepreneur, "Cantillon defined the economic role of the entrepreneur as one bearing the risk of buying at certain prices and selling at uncertain prices." (Carsrud and Brännback, 2007: 7) This occurs due to the fluctuation that disturbs the equilibrium of the market where entrepreneurs could find opportunities for success. This is commonly seen as technological demands increase from newfound discoveries or from random occurrences in the geo-economic market. This is the epitome of a success story, one that begins by individuals who dream and carry an innovative mind alongside ambition to build a company from the ground up with the hope to take it to great heights and eventually become a business. Although that may seem intimidating or rather rare, the probability of success is determined by many factors, namely: the innovative strategy implemented by the owner, the financial power of the individual or the level of investment available, and the target audience within the market in function. These are the common values that are analyzed to determine a risk strategy of whether the new entrepreneur could achieve success.

Do not follow trends already in the market; this in tum limits innovation and risk-taking in the company

Be innovative as an entrepreneur to exploit a possible trend or create an opportunity with risk

Due to the levels of innovation, determination, and hard work that they bring, entrepreneurs are the backbone of the economy in every country. Entrepreneurship is a significant part of the economic cogwheel of a market and it is especially needed to sustain and stabilize firms, countries, and regions. In fact, "according to the United States Small Business Administration in 2002, there were 22.9 million businesses in the United States and 99.7 percent were classified as small firms. For comparison, by the end of 2004 there were 232,305 companies in Finland (a country with 5.1 million people), with 99.8 percent small firms." (Carsrud and Brännback, 2007: 5) Entrepreneurs are responsible for most of the jobs in most of the countries in the world, which makes them invaluable for any economy to remain healthy, and that is astonishing when compared to what the large powerhouse firms bring to the economy of a country. The importance of small firms is to lessen the unemployment rate in the country where they draw most of their manpower from. As a result, small firms tend to hire more people, unlike the extensive screening process of the larger companies, making small businesses the backbone of the economy.

Execute the idea that is feasibly the best and the most innovative

Forget about entrepreneurship if you can't handle taking risks and working in an unstable economy

How to Create an Entrepreneurial Mindset

To become an entrepreneur, the individual needs to have a dream or at least an idea. To execute that idea, it requires them to take innovative risk if it is feasible. In order for an individual to shift to the lifestyle of an entrepreneur, an extensive study of the dream job is analyzed, activating a desire and a degree of ambition to construct a successful business. Although becoming an entrepreneur may look very secure on paper or in theory, it is in fact difficult to enter as the high-risk and high-reward nature and the lack of economic stability may

Do not start an idea without considering the financial aspect of investing into the project in order to launch it intimidate certain individuals. Don't be an entrepreneur if you can't handle taking risks or working in an unstable economy.

When large firms cannot or will not seize a certain opportunity due to a different annual plan, the entrepreneur could exploit the window opened in the market and create a healthy turbulence that would help the economy. Nonetheless, while taking into consideration the world economy today which has shifted to result in high unemployment rates and low annual income per employee, becoming an entrepreneur may seem a much more interesting matter in comparison.

Upon confirming the desire to take the path of an entrepreneur, there must be a strategic plan on how to exploit the very oscillation of the market. The research process should bear in mind the new trends and advancements that have been or will be implemented around the world, in addition to the competition that is going to contend in the same sphere of influence, in order to anticipate the radical change and react accordingly. For example, during the 1980s, one of the major technological advancements of the time, namely the personal computer, became an object that began to be seen in people's homes. Michael Dell, the founder of Dell Computers, began to enter the field upon seeing the future importance of the personal computer as the first step into the digital age.

Be dedicated to achieve a certain level of innovation that can meet or surpass the expectations of the market

A major step to becoming an entrepreneur revolves around the financial aspect of investing into the project that would launch the individual start-up. Don't start an idea without considering the financial aspect of investing into the project in order to launch it. A large advantage for entrepreneurs lies in the willingness and determination to take risks that will probably yield high rewards although it also comes with a consequence.. Be willing and determined, as an entrepreneur, to take risks that will eventually produce great rewards. Through decisive decision making and innovative thinking, the entrepreneur can create a

Be willing and determined, as an entrepreneur, to take risks that will eventually produce great rewards solid foundation, which through enough investments can become a family company leaving legacies.

How Do Entrepreneurs Find Success?

In order to succeed as an entrepreneur, it is important to be dedicated to achieve a certain level of innovation that can meet or surpass the expectations of the market. This is truly important to create a competitive advantage for those who are already established in the market or those looking to expand in it. As such, in order to be a successful entrepreneur, a certain level of organization is required to ensure the direction of the business is secured. This organizational effort revolves around the limited time we have per day and the effort to put things in an orderly scheme. Time does not show any mercy, and as such comes the problem of time management in correlation with daily life schedules conflicting with business opportunities and work ethics towards the goal placed for the business. The responsibility and determination required is essential for any positive development towards success.

> Assure a certain level of organization to ensure the direction of the business is secured

> Every start-up entrepreneur must have an extensive and updated knowledge of the market that is desired in order to find the levels of success that will elevate them economically

Every start-up entrepreneur must have an extensive and updated knowledge of the market that is desired in order to find the levels of success that will elevate them economically. This also depends on the freedom given in the region where the market exists, which will often hinder the number of choices to develop. The lack of freedom can again be seen due to governmental or theocratic decisions that might be an obstacle to the entrepreneurs who do not know how to get around it. For example, the traditions in the Middle East do not allow certain aspects of Western ideas to leak into the market if they conflict

> Failure is a risk that comes with every venture and is part of the results of the trade; learn how to accept and make use of failure, especially when uncontrolled events are the cause

with the nature of the region. This could be due to tradition, cultures, politics, economic situation, and religious ideas that might be considered as slander or a combination of some or all of these causes.

To achieve success as an entrepreneur in a Middle Eastern market, for example, the individual must properly study his market, the audience, or consumer of the service or product that is being exposed to the public. This study will create a guideline or roadmap on how to proceed and whether or not it is a profitable choice to make. The steps that must be taken are extremely delicate and mistakes or undermined planning could remove the foothold the entrepreneur might have in the market. This is also affected by whether or not the entrepreneur is male or female which, in most Middle Eastern markets, changes the way they boost their startup. It is wise to know that with higher risks comes higher reward, meaning an entrepreneur could invest in their creation and make it big or could be brushed away. "Entrepreneurs can be vital agents of innovative change whose actions lead to the creation of new firms. They can also transform existing firms to exploit economic and socially beneficial opportunities." (Westhead and Wright, 2●13: 1)

In order to achieve success as an entrepreneur, the individual must properly study his market

Entrepreneurs may also fail in their attempt to pursue their dream and become successful. Failure is a risk that comes with every venture and is part of the results of the trade. It could be coincidental bad luck that may cause an entrepreneur to fail or it could be through the very own hand of the entrepreneur. According to Drucker (2●14), "Failures, unlike successes, cannot be rejected and rarely go unnoticed. But they are seldom seen as symptoms of opportunity. Many failures are, of course, nothing but mistakes, the results of greed, stupidity, thoughtless bandwagon-climbing, or incompetence

Take the political playground of the region and religious affiliations that may help or hinder fluid transit into a domestic or regional market into consideration when planning for your new business

Do not let gender diversification deter or dishearten you from creating a startup whether in design or execution. Yet if something fails despite being carefully planned, carefully designed, and conscientiously executed, that failure often bespeaks underlying change and, with it, opportunity." Although failures are common with the entrepreneur committing business-related mistakes, there are times when failure and success will ultimately be determined by outside forces other than the individual's research, design, or development. One factor which is common to the Middle East is the political playground of the region and religious affiliations that may help or hinder fluid transit into a domestic or regional market.

Gender Diversity in Entrepreneurial Success

When introducing entrepreneurship in the Middle East region, it is a significant point to state that women and men do not share the same opportunities or rather are not viewed in the same way. This is true for most of the Middle Eastern countries where women and men are each expected to stick to their roles that are identified in their cultural tradition. This can be found in the Gulf countries, as well as in most Levant countries, but it is not always enforced and as such one could expect to see female entrepreneurs in the region. In the Middle East, gender plays a big role in how individuals are viewed and the role they are expected to perform; as such, entrepreneurs must not only research the market and the capability of innovations to be viable, but also must get around gender diversification. Although, in the Middle East, women do not get the 'equal footing' that men have in the business world, female entrepreneurs are found to be more tolerable to deal with than their male counterparts. For example, "in some countries (Egypt and Saudi Arabia, for example) female-owned firms deal better than male-owned firms with the tight labor regulations, seeing them as less of a constraint than do male-owned firms. This perception may partly explain why female-owned firms hire more women, who are normally perceived as constraining employers because of a host of gender-specific protective benefits and restrictions." (Chamlou, 2008; 31)

The lack of information on how entrepreneurial success rates vary based on gender diversification within the market may cause a certain obstacle that may deter or dishearten entrepreneurs, especially women, from creating a startup. Although women can receive a hefty monetary inheritance that is injected into the company as risk capital, there is no accurate data to support how many businesses have been opened by men and women, let alone succeed. Moreover, data related to the obstacles faced or certain decision making within the field is scarce. Since the investment climate in certain countries, including some of the Middle Eastern regions, is not a problem and does not discriminate based on gender specifics, there arises a query about the lack of available numbers on women entrepreneurs, especially since their performance is successful. This also includes the number of women who are being hired even though most women in the Middle East are educated and are now branching out for personal achievements. This might be explained through the cultural tradition that exists in the Middle East and that has persisted throughout history. Patriarchy is probably the major cause, since the idea that men support the family will mean even the educated woman forsakes personal achievement to be a full-time parent.

A factor that left women discouraged and less motivated to work was the mentality carried across generations where men had the right to jobs. This applies as well to family businesses where men are offered jobs in the business but women are denied. This has diminished in the Middle East during recent times, causing women to reconsider their position on the matter. In fact, "as breadwinners, men were also long considered more deserving of scarce jobs, discouraging women from seeking employment." (Chamlou, 2008: 41) This means that work in the Middle East has become scarce and since it follows a patriarchal tradition where the men are the head of the household and providers for the family, it is automatically suggested that they are generally preferred over women due to that fact.

Be aware that in some regions, considering women as entrepreneurs who attempt to open a firm and establish themselves in the market creates a plethora of problems, even though gender discrimination is dying out in general

When considering women as entrepreneurs who attempt to open a firm and establish themselves in the market, this creates a plethora of problems even though gender discrimination is slowly dying out in the

Middle East region. Interactions with other culture groups, who might have a conservative mentality found in their traditional perspective, may dishearten and may even prevent women from advancing down that path.

There are three defining characteristics that may drive a woman into a gender-specific comer. The first is the view towards women and the workplace in the region, which makes individuals second-guess the appointment of women. The second is the type of laws instituted in the country that refer to women and limit their opportunities. Such a thing is found in most countries of the Middle East due to traditional views and legislation that is implemented. The third involves the possibility of accidental gender discrimination during the establishment of the company and onwards.

The first characteristic is important to note since women are generally discriminated against in some places more than others, especially in the Middle Eastern region where the tradition of patriarchy is still implemented. This can stop or slow women from establishing themselves in the market due to this perspective towards gender equality and women in the workplace, with the inclusion of laws based on that cultural tradition and the dominant religion in the region that may restrict women from working or being fairly treated or included in the work environment. However, these laws do not stop women from attaining certain positions or jobs, but it does place a hindrance to any plan of entrepreneurship for women in the Middle East.

Middle Eastern politics and religious constraints not only affect women in general but also men who are not from the country or region where such rules exist. The policy where the government places certain procedures that hold up certain transactions or interactions from taking place, such as in the countries of the Gulf of the Middle East, must be included as a risk factor when establishing entrepreneurial roots. In the Gulf countries, such as the UAE for example, there are rules that involve the presence of a local mediatory to be present as a partner when taking the next step in founding a business. Such practices are mandatory and are commonly known to be a factor which determines whether the individual can advance and institute a firm or not.

Private Equity Investments and Entrepreneurship

Entrepreneurship requires resources in order to achieve any success. To get these resources, the business will need to secure an investment ensuring it has what it needs to reach its goal. Investments can come in many forms; however, in a family business; it is called private equity capital. Private equity is direct investments or buyouts in private firms, such as a family business, conducted by investors. Private investors have an affinity towards family businesses since they naturally have a secure hierarchy with financial stability and customer trust that should make the investor feel safe and anticipate a healthy return. A business usually looks towards private equity if it plans on expansion or perhaps if it is looking to sell the company outright.

Plan to have your resources ready and make a proper feasibility study before you proceed in the implementation of your business idea

To attract a private investor, the company must have achieved some growth or at the very least must have a solid growth plan that would make the investor more likely to invest. The money must be calculated to accommodate both the liquidity of the shareholders and the family, as well as make sure there is enough money to move ahead with the initial plan. Moreover, the company also has to know what kind of investor to look for and must plan both an entry and an exit strategy for that investor's duration. There must be a common vision as well as trust between the company and the investor to ensure no fallbacks or problems arise after the deal is done. This comes naturally if the investor is savvy with the nature of the industry of the firm's work. The investor could have exceptional contacts that might help the business increase its growth. It is very important for the private equity investor to have an extensive knowledge of how family businesses work. This can be achieved with a background check to determine how this investor's past 'relationships' have been concluded. However, the most important aspect of the investor might be how others perceive him. Their reputation is as important as their money, since that directly affects the company with its

Choose investors with good reputations as this directly affects the company with its customers and employees customers and employees.

After the right investor has been found, the amount of money that is offered must become the subject of the negotiation. An owner cannot ask for more money than is needed or receive too little only to ask for more at a later time. It is important that the funding is the right amount needed to efficiently execute the plan. The investor(s) who can be managed by a general partner is more efficient if they abide by or respect the governance structure of the family business. The governance structure must be solid and functioning as intended to achieve a better synchronized relationship between the owner and the potential investor. This will yield better results for the family as well as the investor, since the investor can oversee the transactions and offer feedback to the owner more fluidly.

The governance structure must be solid and functioning in order to achieve a better synchronized relationship between the owner and the potential investor

Entrepreneurship is not an easy task, as when the process goes wrong, it may bring more trouble than good. It is important that upon deciding to advance forward within the field of entrepreneurship, the path must be trodden and not associated with greed for it is not a gambling game of luck, but rather a science where hesitation can be the downfall of any dream.

Encourage qualified family members to start new ventures while giving them the support of the parent in the family business

Create an entrepreneurial family business. As family businesses grow and invite family members to be active in management, they should mind about fairness and equal treatment of individuals in order to maintain family unity. The drawbacks of this practice might transform the family in business to a communist system whereby members of the family fill in positions and are treated equally, which takes out their drive to innovate and come up with new initiatives.

Create a process of innovation in the company and link it to incentives to motivate family members and employees to come up with new ideas

Family businesses need to grow and embark on strategies that create a competitive advantage and sustain it over the long term. One of these strategies is vertical integration and family businesses are encouraged in this direction. In order to achieve it, a family business should create a process of innovation in their own company, and motivate family members or any employee to come up with innovative ideas to stay in tune with their environments. Moreover, younger family members should be encouraged to come up with new ideas and ventures to grow the business. They should prepare a business plan that can be accepted and revised by the company's board of directors, and the family business should encourage them in their execution. This is a way to grow a family business and to encourage entrepreneurial behavior within it.

Encourage vertical integration as it is a long-term strategy to sustain competitive advantages

Recommendations

- Encourage calculated risk-taking in the line of entrepreneurship.
- Do not base decisions on luck, but rather on ambition and attention to details.
- Do not follow trends already in the market; this in turn limits innovation and risk-taking in the company.
- Be innovative as an entrepreneur to exploit a possible trend or create an opportunity with risk.
- Execute the idea that is feasibly the best and the most innovative.
- Forget about entrepreneurship if you can't handle taking risks and working in an unstable economy.
- Do not start an idea without considering the financial aspect of investing into the project in order to launch it.
- Be willing and determined, as an entrepreneur, to take risks that will eventually produce great rewards.
- Be dedicated to achieve a certain level of innovation that can meet or surpass the expectations of the market.
- Assure a certain level of organization to ensure the direction of the business is secured.

- Every start-up entrepreneur must have an extensive and updated knowledge of the market that is desired in order to find the levels of success that will elevate them economically.
- In order to achieve success as an entrepreneur, the individual must properly study his market.
- Failure is a risk that comes with every venture and is part of the results of the trade; learn how to accept and make use of failure, especially when uncontrolled events are the cause.
- Take the political playground of the region and religious affiliations that may help or hinder fluid transit into a domestic or regional market into consideration when planning for your new business.
- Do not let gender diversification deter or dishearten you from creating a startup.
- Be aware that in some regions, considering women as entrepreneurs who attempt to open a firm and establish themselves in the market creates a plethora of problems, even though gender discrimination is dying out in general.
- Plan to have your resources ready and make a proper feasibility study before you proceed in the implementation of your business idea.
- Choose investors with good reputations as this directly affects the company with its customers and employees.
- The governance structure must be solid and functioning in order to achieve a better synchronized relationship between the owner and the potential investor.
- Encourage qualified family members to start new ventures while giving them the support of the parent in the family business.
- Encourage vertical integration as it is a long-term strategy to sustain competitive advantages.
- Create a process of innovation in the company and link it to incentives to motivate family members and employees to come up with new ideas.

Imperative Nine

Maintain Fairness in the Process and Address the Conflict of Interest Issue

Foresight

Fairness should be addressed in all family dealings. The process put in place and the governance practices should be fair for the family members to respect them. What applies to one member of the family should also apply to the others. Make sure to retain fairness in all processes of the family business. To avoid conflict of interest, the interests of the family business should supersede personal interests. Whenever fairness is applied and all members get a fair return, the potential for a conflict of interest will be minimized.

Equality is a state of being that can be established through respect and fairness. Sometimes, treating your children equally might not be fair if the input of one party is different than the other. Fairness is also a value that everyone has to achieve; but due to the way humans function, it is very uncommon for all personnel to expect to be treated equally, especially in the business world. Although the term 'fairness' is seen differently based on perception, it can be achieved if a policy is instated to enforce such a strategy. In modern corporations, fairness and respect are achieved through the safety or protection of laws. Family businesses should be fair to their family members as much as to their employees, and this

The concept of fairness should be implemented and enforced by creating policies

The board of directors is supposed to lead by example to the rest of the company where the policy of fairness is enforced is difficult to achieve as nepotism and entitlement to family members alienates qualified employees from the business. If the owner's decisions are misplaced, it may create an avalanche of problems that can quickly expand to eventually place the company in a disadvantageous position. Therefore, the concept of fairness should also be implemented and enforced by creating policies that, depending on the region and its laws, reinforce equality.

Fairness must also be distributed across the many factions of the business. For example, the board of directors is supposed to lead by example to the rest of the company where the policy of fairness is enforced. Although it is a policy that all companies should implement, fairness is represented differently for every individual and as such may cause a conflict of interest. Lack of fairness in a family business setting can be seen in two aspects: incentives and compensation. In fact, incentives and compensation are almost identical except for the minor differences in how they are used.

An incentive is the ultimate method any owner uses to give purpose for the employee to work for the company. It is what drives them to continue to work hard and remain dedicated and loyal. Incentives are usually effective ways to increase an employee's productivity and keep them from diverting their attention away to other companies. Although what truly keeps them attached can be different based on their needs and personalities, there are different methods of incentives that can be used. A family business usually places a short-term incentive plan to keep employees satisfied by providing them with salary improvements or promotions, for example. A long-term incentive plan includes, but is not limited to, an increase in stakeholder value to keep them motivated enough (Aronoff et al., 2016).

Fairness in a Family Business

Fairness has different faces and meanings to every single person and its value is cross-referenced with the situation it is found in. For example, if an employee works hard for a year and meets all the demands and requirements expected of him, and when expecting to be rewarded for the hard work, he sees another less productive person take a promotion instead, this creates a build-up of stress and anger towards the company for not recognizing his work and will be called unjust. In this example, the employee felt the product of unfairness but did not see it from the owner's perspective. Business ethics hold the fairness policy as paramount due to the fact that, as a business owner, by being fair with employees and yourself, you can avoid conflicts of interest. However, fairness as a term cannot be fully implemented due to the different conceptions of the term between different people, who interpret the action of fairness based on the values they were raised with.

For example, "in arguing for a higher grade on an exam, many students appeal to the fact that they put in long hours or that they need the grade to keep their scholarships as arguments for a higher grade. Their concept of fairness was driven by how much time they put into studying or how badly they needed a higher grade." (Carroll, 2013: 140) In this example, the students expected to get a higher grade based on the fact that they studied and they believed they deserved a level of compensation for their time and effort placed. This is a flawed perspective of fairness because it is based on effort and not on efficiency and performance. It is because of cases like this that people generally claim such actions as unjust due to the lack of expected compensation, thus creating unnecessary problems. This works the same in any business or world setting due to being part of human behavior.

Fairness should be based on efficiency and performance rather than on the effort done

Corporations and other businesses use legal methods and instate policies to control employees and make sure everyone receives fair treatment, whether via compensation or otherwise. A family business is no different in the sense that it should function the same way;

To maintain trust, it is imperative to be honest and to treat all your employees fairly; otherwise a conflict of interest would occur

In a family business, the seed of fairness must start within the family, which will then be implemented in the firm however, due to the nature of a family business, the owner could create problems with employees based on how the company functions. "The fairness dilemmas that many families have are a residual effect of the parent-child relationship." (Carlock and Ward, 2001: 77) Therefore, in a family business, the seed of fairness must start within the family, which will then be implemented in the firm. Businesses are also organized in a hierarchy based on roles and authority. The hierarchy remains strong and intact by keeping trust. This trust can be the 'glue' that makes sure the decisions made by the management stick and are respected and enforced. However, to maintain trust, it is imperative to treat all your employees fairly; otherwise a conflict of interest would occur.

A study in *Family Business Succession: The Final Test of Greatness* (Aronoff et al., 2003) claims that family businesses that employ more than one family member in the business became more relevant around a decade ago. To resolve the question of how much to pay for the employed family members would be tough for any owner since the amount of compensation should be considered enough and fair. For example, "in one case a younger brother in a middle management job in the family business was offended by the higher salaries of an older sister and brother-in-law who had executive jobs." (Aronoff et al., 2016: 4) This is the reason why the owner must put in place a policy that addresses this issue.

Not only is it a problem for the family members requiring more or equal pay, but it will inevitably also involve non-family employees who feel they are treated unfairly. "Almost 20 percent of family firms were willing to admit that family members' salaries were not set at market level." (Leach and Bogod, 1999: 120) There are many problems that come with compensation differences. The most common one is the higher amount paid to family members or friends that does not reflect their position. Some owners use a method of

> It is imperative to keep family members' pay at the level of their position; follow the culture of the family but do not alienate competent non-family executives

payment to attract their children to work in the business, or if they are already in the business, to restrain from paying them too much in order to teach them the value of money.

To further the extent of control over those members without great cost, there are times when an owner will substitute the proposal of higher compensation for a prestigious title to family members that may cause unhappiness. The concurring dissent could begin to spread across to other employees who are not part of the family and who could turn the hostility into an unfavorable environment. "Whether frustration or proactive management produces systematic compensation policies, the result encourages professional growth among family members and other employees, as well as strategic business goal accomplishment." (Aronoff et al., 2011: 6) Therefore, it is not uncommon for an owner to also change salaries based on the situation the business is in to show to the employees a good side of the hierarchy and an increasing reputation and morale during a tough time.

It is imperative not to lose the trust of employees based on unfair compensation

Conflict of Interest

Inside the realm of human cognitive instinctual behavior lies the forbearing aspect of greed and deceit. Although this personality trait is more apparent in or diligently used by certain individuals, it is still man's primal instinct to serve one's self before others, which results into a conflict of interest. Isaac Newton stated that to every action there is a reaction and that is true in all things. In life, there is action and consequence which affects everything in creation. This rule also shows itself with humans' interactions that, depending on the purpose and choice, might have consequences that turn into conflict. The desire of 'wanting' is a human condition that is akin to greed and creates the feeling of achieving or receiving a commodity that the person finds interesting. Examples of this are money, jobs, or anything that can be given away physically. On the other hand, the emotion formed from necessity is driven by the lack of a certain essential state or purpose.

Do not abuse your authority and power for it can have direct consequences in the long-run

Therefore, conflict of this nature can be categorized as a force that is associated with personal interests clashing with the outside environment. "Since needs are more intangible, they are often hidden beneath more visible conflicts of interests." (Ward, 2006: 122)

A conflict of interest can be defined as "a situation in which a person is in a position to derive personal benefit from actions or decisions made in their official capacity." (Fountain, 2016: 197) Depending on the method of solving a conflict of interest, it can create more problems with the person based on where the initial problem lies. The agency theory is a supposition that explains the relationship between principals and agents in business. It clarifies the role of the agent, who in this case is the decision maker that thinks of their own prosperity, and the effect they have on the principal, who is the individual that is directly affected by those decisions. Agency theory is concerned with explaining and resolving the problems that can exist in the agency relationships due to unaligned goals or different aversion levels to risk. Ballwieser et al.(2012: 2) explain, "The Agency Theory, in most general terms, can be viewed as the economic analysis of cooperation in situations where externalities, uncertainty, limited observability, or symmetric information exclude the pure market organization."

Family members should be chosen and compensated for their merits and their potential

The workplace can bring about many situations or even opportunities to exploit, depending on the temperament and position of the individual. Due to a human nature's weakness towards greed and personal gain, the 'agency problem' is an issue that can be found among people in very high positions. The agency problem can be defined as "The agency problem arises when one person (principal) hires and authorizes another person (agent) to act on his/her behalf." (Boshkoska, (2014). It can also be explained as self-interest overtaking the duty towards the interests of others within the workplace's upper echelons of hierarchy.

Even in a family business, the agent should limit their actions and not allow themselves to be tempted with their self-interest at the business's expense

The agency problem is one case of conflict of interest that may differ between corporations and family businesses in which the owner, or a high-ranking family member in the business, can use their affiliation to bypass many rules and regulations in order to 'bend' the laws in their favor causing a problem for the firm. However, an agency problem occurs when an individual in a high position breaches policy rules for a specific personal benefit. For example, as stated in Sorenson et al. (2013: 72) in *The Landscape of Family Business*, "if the family has a non-economic goal of hiring all family members, keeping the incompetent family member on the payroll is not an agency problem. It becomes an agency problem if the family has a meritocracy family employment policy, but the CEO decides to keep his child on the payroll in direct defiance of the company policy." This idea is reinforced by MacMinn (2005: 53), where he calls it "the risk-shifting or equivalently the asset substitution problem… the simplest type of asymmetric information problem in the form of a hidden action taken by corporate management."

Another kind of agency problem is the under-investment problem. This can be best described as an agency problem involving a firm that declines investing within low-risk assets with the purpose of maximizing the company's value to the cost of the debt holders. The result would be the project being rejected while still increasing the overall value of the company. Therefore, an agency problem may happen between two parties, one who acts in their self-interest at the expense of the other. The two parties may only be obligated to each other via a contract which binds the two in a mutual agreement. However, if the contract does not offer enough or seems lacking, it could become the main cause for one of the parties, namely the agent in the agency relationship, to act in their self-interest. To deter such actions, in cases such as these the principal must see to it that the agent has enough incentives otherwise there will be effects to deal with in the surrounding environment of the company if any of these actions occur. It is attributable to the way the owner took their decisions which eventually leads to a conflict of interest.

Recommendations

- The concept of fairness should be implemented and enforced by creating policies.
- The board of directors is supposed to lead by example to the rest of the company where the policy of fairness is enforced.
- Fairness should be based on efficiency and performance rather than on the effort done.
- In a family business, the seed of fairness must start within the family, which will then be implemented in the firm.
- To maintain trust, it is imperative to be honest and to treat all your employees fairly; otherwise a conflict of interest would occur.
- It is imperative to keep family members' pay at the level of their position; follow the culture of the family but do not alienate competent non-family executives.
- It is imperative not to lose the trust of employees based on unfair compensation.
- Do not abuse your authority and power for it can have direct consequences in the long run.
- Family members should be chosen and compensated for their merits and their potential.
- Even in a family business, the agent should limit their actions and not allow themselves to be tempted with their self-interest at the business's expense.

IMPERATIVE TEN

COMMUNICATE TO ENHANCE UNITY AND ADAPT TO YOUR ENVIRONMENT

Foresight

Self-esteem, good skills, clear boundaries, transparent goals and agendas, explicit rules of communication, honest dealing, and trust are the necessary conditions to communicate. Work on having these skills. Focus on creating a culture based on trust, honest dealing, and communication. Focus on making use of good communication within the firm. Enhance good communication in your family business to be able to maintain healthy relationships among family members.

To address family business issues, one should understand the legal environment of the organization, the culture of the family, and the culture country. Put efforts into understanding them. For all the problems (internal and external) faced by the business, solutions are usually acceptable whenever they stem from the culture of the family and are legally sound.

What is the Importance of Communication?

The ability to communicate is something that has existed since the dawn of time. It happens with every action and is responded to by every reaction. Communication can be defined as the ability to transmit one's thoughts or ideas to another using one or more of the five senses. Communication naturally comes in many forms and all organisms communicate in different ways and to varying degrees. For example, bees communicate using signal frequencies that convey orders in a monarchial hierarchy format similar to how radio works. However, in the case of humans, we have taken communication to a whole new level by constantly evolving and developing complex interactions using speech and visual signals tied to emotional or rational thinking. It has always been one of the major pillars that holds human civilization together. It could arguably be man's greatest achievement to be able to communicate thoughts and ideas to another person; however, communication cannot be perfected due to the huge differences in personalities and the clash of ideas that come along with it.

The purpose of communication is to understand one another in order to be a constructive tool to join people together to increase survivability and life. As time progressed, man created language to verbally subject others to their thoughts. The most basic form of communication is the primitive vocal element of noise regulation which evolved into speech coupled with physical gestures to convey a message. The result of communication is to adapt, evolve, and refine the values and methods of interactions to unify communities and better reach an understanding. It is imperative to always evolve the methods of communication to increase effectiveness. The ability to effectively communicate has brought forth many concepts, ideas, beliefs, and the most effective method of transferring knowledge to the next generation.

It is imperative to always evolve the methods of communication to increase effectiveness

Through the use of communication, one of the gaps between individuals was bridged: a common need for wares. This established a process of trade, a bartering system built upon shrewd communication skills that were used to receive something in value. Businesses today still function in the same way but at a larger and more condensed form, where communication is the tool of the trade to decide, announce, manage, and market the skills of a company. Therefore, it is imperative to use effective communication as a conduit to create bonds and relationships to remain connected and competitive. The ability to maintain those bonds is determined by the level and methods of interaction, which includes the ethical transmission of information, to establish trust. Bonds can be broken or in certain cases can be shifted into a negative form of connection, such as rivalries.

Use effective communication as a conduit to create bonds and relationships to remain connected and competitive

Bonds and their Consequences

Bonds are powerful results of human micro-interaction, being the bridge between behavior and purpose. They can be explained as the strings connecting all the points forming a web of relationships. Each string can be found and categorized in multiple fields such as love and friendship, but also in negative aspects such as hate and rivalry. This could be shared with a stranger or a sibling and the more that humanity interacts, the more the bonds are made and those bonds are handled differently based on personality, which sometimes creates conflict. People squabble for many reasons; however, it can boil down to two things: needs and wants.

Ever since the Stone Age and up until now, humanity has kept on advancing the art of communication by attempting to breach the gap between each other. Although the intent is still there, people attempting to establish an audience with one another may result in a discrepancy: conflict. "Conflict is a difference between two or more people characterized by tension, emotion, disagreement, and polarization and where bonding is either broken or lacking." (Kohlrieser, 2007) It is imperative not to engage in conflict to avoid unnecessary problems that can break bonds. It is the ability to make complex bonds coupled with desire or purpose that makes humans exceptionally difficult to deal with, as different personalities and desires often clash together.

Do not engage in conflict, in order to avoid unnecessary problems that could break bonds in a family business

Conflict is also a collective result of many simultaneous aspects, with communication and competitiveness being two of them. With there being a drive for constant enhancement during the modern era, competitiveness is highly featured in businesses, and while the means of communication have evolved, nothing has truly changed except the methods. Therefore, in the business world, communication has taken different routes, each with its own consequences and

The poor use or complete neglect of proper business communication can breed dissent among members of the family business results. Family business communication, in particular, differs from other businesses due to the family involvement that creates a new sphere of influence and ways of interacting within it. Henceforth, the approach towards communication functions became the focal point between the flow of information throughout the established hierarchy in a successful business. Moreover, the poor use or complete neglect of proper business communication can breed dissent among members of the family business.

There is an obvious difference between good and bad communication, especially within a family business. It can happen from any point, such as from upper management towards employees or between the management itself. Good communication relies on the organization and methods of implementation of the interaction. There are many ways to orchestrate an effective communication protocol. One of the notable methods used within a business is the standard form of speech. It is utilized as a verbal understanding that must be used for short-term goals. It is imperative to use one common language to ensure all employees receive the right message. However, since speech is not a foundation that everyone can understand or remember, many methods use written ideas and visual communication to establish a system of circulated information. Some of these written methods include, but are not limited to, emails, posters, letters, notices, signs, and files. Indirect communication can be a method seen in environmental change or new policy decisions. It will affect how things are run and how information is being funneled to and from the hierarchy.

> Use one common language to ensure all employees receive the right message

Bad communication is present when the elements of organization are missing or dysfunctional. Moreover, communication that does not work within the realm of rules and regulations will eventually be misread and cause chaos throughout the hierarchy. Bad communication is an issue that can lead to a family business being ruined if family members have a clash or misunderstanding due to personal relations. It is

> Do not to involve personal or relationship problems in business deals and the decision making process

imperative not to involve personal or relationship problems in business deals and the decision-making process.

Communication within a Family Business

In a family firm, "family members assume they know what other family members feel or want, personal ties inhibit expressing opinions, personal problems become business problems, non-family members feel excluded, and insufficient arrangements between managers and employees result in disadvantages for customers." (Olbrich, 2010: 4) Established family businesses must have an organized form of communication and information relay embedded in the structure to dissuade any potential dissent, while also increasing the efficiency and trust between hierarchy, employee, and customer relations.

Established family businesses must have an organized form of communication and information relay, even among family members

One form of family conflict involves family members who do not communicate with each other due to their thinking that each member already knows what to do. "The chief executive officer (CEO) criticizes the manager's (his daughter's) behavior constructively, in passing, without thinking, assuming that she understands his advice as she would at home." (Olbrich, 2010: 5) Since the CEO's daughter is in a business environment and not her home, she receives the criticism as a form of punishment. It is imperative to never mix personal bonds with business ones, especially regarding family members. Communication should be perfected or at least planned and integrated to be a thread connecting the company together and to the outside world. Many problems may arise that are akin to this situation involving the rest of the firm.

Never mix personal bonds with business ones, especially regarding family members

Plan communication to be a thread connecting the company together and to the outside world

The most common issue found in a family business is miscommunication between family members that turns personal problems into business conflicts. Just like the above example, this could create a massive rift within the company and potentially damage the image of the firm that will ruin the trust it has already obtained from shareholders. Such a conflict must be quickly resolved; otherwise the company could be facing a potential divide, mentally and physically. "This inconspicuous battle could become a significant problem for the entire company if the siblings try to polarize other employees. Disagreements between employees embarrass the general decision-making process and can affect several audiences, the family itself and the entire company, its employees and customers." (Olbrich, 2010: 6)

In a family business, communication takes many forms to justify its importance within the machine that is the company. Communication takes shape in many forms and each can magnify or minimize the nature of the message that is being circulated between the upper echelons of the company and the bottom of the hierarchy. The biggest difference between a non-family business and a family one is the family itself, who must also be able to effectively converse if there is to be unity within the chain of command. To support and manage this potential problem, a family council with representatives from outside of the family oversees and even solves rising problems within the family. "An active family council can also help delineate decision-making responsibilities and a clear sense of what issues belong to whom… the council can help educate the family that certain decisions specific to the operation of the business rest with the board of directors." (LeCouvie and Pendergast, 2014: 141)

Each form of communication can be expressed or seen in a different method of information distribution; some may be more effective than others during certain situations, which convey instructions and feedback. It is imperative to keep the methods of information control and transmission as clear and understanding as possible. Instructions can be given out not only through speech but also by the now popular use of email and the spam of visual aids such as posters and memos. However, in specific decision-making situations, behavioral instructions can be forced upon employees by rearranging the environment in a way

Keep the methods of information control and transmission as clear and understanding as possible that either expresses freedom or restrictions. For example, an employee who works in an office that does not have any barriers between desks may encourage an increase in social interaction outside of breaks. A change in the environment – in this example, such as the addition of barriers – would forcibly suppress the urge for employees to gossip or interact with another. This can also cause problems and tension as, depending on the audience and methods used, the transmission of information between management and employees must be planned around the expected consequences. The purpose is to reduce the risk of information fallout and disorganized behavior within the workplace environment.

Communication and Unity

Effective communication, especially when found in a business setting, yields strengthened bonds between two or more individuals that results in unity. Unity in a family business is a strength factor that determines how efficient and resolved the employees are when focused on a task. It is what holds the company together and increases the production rate. Employees are well aware of the collective good of the company and of themselves, as their tasks and actions reflect the company itself. Therefore, it is imperative that the owner of a family business promotes unity by making sure that the flow of communication is fluid and effective. The environment plays the biggest role in creating a space where communication is transmitted in a positive manner, making sure that there is no loss of information. Therefore, to establish a unified force, there should be effective communication and a positive rhythm within the work environment. This will also increase team cohesiveness and reveal an increase in trust and loyalty towards the company. However, there are three states of unity that can be found in a family business. Each state is involved with the other, and in some cases, it can affect the process of unity.

As the owner of a family business, promote unity by making sure that the flow of communication is fluid and effective

Owner and Family Unity

The first state is familial unity where the owner and other family members in the company are established towards a common front. This means that the family in charge is well connected and is projecting an image of trust within the framework of effective communication that will allow them to replicate such methods within the company. It can be beneficial for the firm by showing fairness, for example, through the inclusion of meritocratic policies.

Management–Employee Unity

The second state is the unity reached through the combined efforts of both the management and employee. This collaboration is the most fragile state as any wrong decision or misunderstanding could break down the trust between the two entities. This state much relies on the methods and tools for communication that are used and is dependent on the changes implemented by the owners.

Employee-Based Unity

The third state is the unity between employees who are exposed to their environment in the workplace. This state is directly affected by the management and owners and, depending on the environment and company, can change the way employees interact with each other and the constraints placed on them. A change in environment can also create clashes between employees, rather than unite them.

The Environment of a Family Business

The Oxford Online Dictionary defines an environment as "the surroundings or conditions in which a person, animal, or plant lives or operates." This is evident by our actions and decisions formed in our daily lives. There are positive and negative environments that exist around us that are most probably not created or influenced by our will. This is also reflected in the environment of the company.

A successful business environment is an atmosphere found within the company that promotes unity and team cohesiveness to increase production efficiency. "A strong business culture reinforces our family's values. Personnel decisions based on merit provide family members with an honest mirror and create an environment for personal growth and development. Such an environment also attracts the most talented non-family executives." (Carlock and Ward, 2001: 67) Family businesses, especially small- to medium-sized ones, have special environments that usually encourage a family setting; this could also improve unity among the members.

Every environment is subject to internal and external factors. One such factor is the culture group of the company. It is imperative to establish a functioning work environment that also allows a certain level of autonomy to keep it fresh. Culture plays a large role in how the company functions and how its environment is shaped. This is more evident in a family business where the owner shapes the work environment based on his beliefs and traditions. A business environment is always dynamic, which means that at some point there will be fluctuations, highs and lows, and different ways that employees might be able to adapt to these anomalies, in turn creating a higher risk of conflict. For example, imagine the settlers of old who travelled the world thousands of years ago; they would not have settled in a region where habitability was low but rather in an environment that was lush and rich with resources. However, sometimes entropy takes the upper hand and a drought may emerge, creating an unfavorable environment for a while which is often accompanied with conflict. The settlers will have to adapt to continue in that region. This applies to every employee in a family business where the ability to adapt is required.

Establish a functioning work environment that also allows a certain level of autonomy to keep it fresh

Learn to forecast the way the environment changes, in order to be able to adapt and be in the most efficient and effective mindset

Moreover, employees are not the only ones who are confined by the rules of the environment, as these also apply to the family members of the company. "The natural competition and stresses of business life can create a background where family conflicts and rivalries are fought. A divided, unhappy family will not only destroy our dream for long-term family unity, but will also destroy the business and harm the lives of many who are dependent on the business." (Carlock and Ward, 2001) These fluctuations are the result of cultural and managerial decisions that may affect the environment around them. It is imperative to always adapt to the internal and external fluctuations of the environment. A positive and reinforced setting encourages communication and team effort in turn, resulting in cohesiveness and unity. Therefore, it is imperative to learn to forecast the way the environment changes, in order to be able to adapt and be in the most efficient and effective mindset.

It is imperative to always adapt to the internal and external fluctuations of the environment

It is also the type of communication which differs between people and the responsibilities they carry that helps create a status of relationship between the individuals that can be labelled as either friendly or hostile. It is those very bonds that transfer themselves unto the work environment affecting daily life and the work process. In a family business, the bonds between family members, or even between non-family employees, can break and create a conflict of interest.

There is a popular saying that warns not to mix private life and business together as it will lead to moral dilemmas. Since a family is imbued with the values of unity and love, it is expected that the strong familial bond will overtake all situations and be expressed within the business. This defies the values that should be implemented within the company, values that enforce merit and respect towards all employees. When the two worlds clash, a conflict of interest between the family members who own the business is created. Therefore, it is imperative that a set of rules is created to define how to act within the scope of contractual behavior.

Create a set of rules to define how to act within the scope of contractual behavior

As stated by Ward (2006: 119), "In a family business, contracts between individuals are often unwritten and involve emotional ties, rather than legal ties." In this case, there are often two ways to resolve conflicts of interest in a family business: informal and formal methods. The formal method takes place when legal rights are used to resolve the conflict of interest, while the informal method circumvents the legal procedure and tries to manage the problem and keep it under control. It may not be advantageous to the business by going directly to the source of the problem as it may widen the scope of the conflict if things do not go the way they were planned.

The day the family starts worrying about the legal framework as a way to protect family relationships, the family will have conflicts to resolve, for sure. This is not to say that decisions should not be checked for their legality. On the contrary, this should be the way for every single decision. But when the intent is to protect family members from one another, it means the conflict has already taken hold.

Recommendations

- It is imperative to always evolve the methods of communication to increase effectiveness.
- Use effective communication as a conduit to create bonds and relationships to remain connected and competitive.
- Do not engage in conflict, in order to avoid unnecessary problems that could break bonds in a family business.
- The poor use or complete neglect of proper business communication can breed dissent among members of the family business.
- Use one common language to ensure all employees receive the right message.
- Do not involve personal or relationship problems in business deals and the decision-making process.
- Established family businesses must have an organized form of communication and information relay, even among family members.
- Never mix personal bonds with business ones, especially regarding family members.

- Plan communication to be a thread connecting the company together and to the outside world.
- Keep the methods of information control and transmission as clear and understanding as possible.
- As the owner of a family business, promote unity by making sure that the flow of communication is fluid and effective.
- Establish a functioning work environment that also allows a certain level of autonomy to keep it fresh.
- It is imperative to always adapt to the internal and external fluctuations of the environment.
- Learn to forecast the way the environment changes, in order to be able to adapt and be in the most efficient and effective mindset.
- Create a set of rules to define how to act within the scope of contractual behavior.

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GLOSSARY

Advertising: the activity of making products or services known about and persuading people to buy them (Cambridge University Press, 2011).

Affluence: the state of having a lot of money and possessions

Agency Relationship: a business relationship where a principal gives legal authority to an agent to act on the principal's behalf when dealing with a third party.

Agency Theory: a supposition that explains the relationship between principals and agents in business (Shapiro, 2005).

Agents: a person who acts for or represents another (Cambridge University Press, 2011).

Asset: something that is owned by a person, company, or organization, such as money, property, or land (Cambridge University Press, 2011).

Audit: an examination of the accounts of a business, usually by experts from outside the business (Cambridge University Press, 2011).

Authoritarian: demanding that people obey completely and refusing to allow them freedom to act as they wish (Cambridge University Press, 2011).

Autonomy: the right of an organization, country, or region to be independent and govern itself.

Balance Sheet: a financial statement that shows a company's assets and debts at a particular time

Board Meeting: a meeting held at intervals to discuss problems and policy. A chairperson is the leader of the meeting and is appointed. Minutes must be taken at each meeting. All members of the board are to follow what is decided.

Board of Directors: The group of people who shareholders choose to manage a company or organization.

Budgeting: the process of calculating how much money you must earn or save during a particular period of time, and of planning how you will spend it.

Business Ethics: Rules, principles, and standards for deciding what is morally right or wrong when doing business.

Cash Flow Analysis: an examination of a company's cash inflows and outflows during a specific period.

Cash Flow: The movement of money into and out of a company's accounts, used as a measure of how much money the company spends and receives and how much profit it makes over a particular period of time

Chain of Command: the way that people with authority in an organization, especially in the military, are ranked, from the person with the most authority to the next one below, and so on.

Chairman: A person, especially a man, who is in charge of a meeting.

Chief Executive Officer (CEO): The main person responsible for managing a company or organization, who is sometimes also the company's president or chairman of the board.

Code of Ethics: may outline the mission and values of the business or organization, how professionals are supposed to approach problems, the ethical principles based on the organization's core values, and the standards to which the professional is held.

Cohesion: The situation when the members of a group or society are united.

Communication: The process of sharing information, especially when this increases understanding between people or groups.

Communist: A person who believes in or belongs to a party that supports communism.

Compensation: The combination of payment and other benefits that an employee receives for doing their job.

Competitive Advantage: The conditions that make a business more successful than the businesses it is competing with, or a particular thing that makes it more successful.

Conflict of Interest: A situation in which someone's private interests are opposed to that person's responsibilities to other people.

Conflict: A serious disagreement between people, organizations, or countries with opposing opinions.

Conglomerate: A very large business organization consisting of several companies that often sell different types of product or service.

Consortium: A group of companies, organizations, etc. that have joined together to work on a particular project.

Constitution: A written set of rules by which a country, state, or organization is governed.

Consultant: Someone who is paid to give expert advice or training on a particular subject.

Consumer: A person who buys goods or services for their own use.

Corporate Governance: The way in which a company is managed by the people who are working at the highest level in it.

Corporate Social Responsibility (CSR): The idea that a company should be interested in and willing to help society and the environment as well as be concerned about the products and profits it makes.

Culture: The way of life, especially the general customs and beliefs, of a particular group of people at a particular time.

Directional Plan: a reference point for proper navigation along the lines of the vision and future changes.

Dividends: Part of the profit of a company that is paid to shareholders.

Domestic Market: the number of customers who buy or may buy products and services offered by companies within their own country.

Dysfunctional: Not behaving or working normally.

Entrenchment: The process by which ideas become fixed and cannot be changed

Entrepreneur: Someone who makes money by starting their own business, especially when this involves seeing a new opportunity and taking risks.

Entry Strategy: the planned method of delivering goods or services to a new target market and distributing them there.

Estate Planning: The process of deciding what should happen to your money and other assets when you die.

Ethical Conduct: pertaining to or dealing with morals or the principles of morality; pertaining to right and wrong in conduct.

Executive: Someone who has an important position in business, making decisions and putting them into action.

Exit Strategy: A plan of how someone will end something such as a business deal or a military operation.

Expropriation: If a government expropriates property, it takes it for public use, sometimes without payment to the owner.

Fairness: The quality of treating people equally or in a way that is right or reasonable.

Family Assembly:

Family Business: a business that is owned or run by members of a single family.

Family Council: a working governing body that is elected by the Family Assembly among its members to deliberate on family business issues.

Family Governance: as families grow, the development of a family governance system becomes a critical component of the family's plan for managing its wealth for the succeeding generations.

Finance: The activity or business of managing money, especially for a company or government.

Financial Analysis: The study of financial information about companies, projects, etc. in order to understand their costs, profits, cashflow, etc.

Financial Audit: The task of checking a company or organization's financial statements (= records and accounts) to make certain they are correct and complete, or a report that shows the results of this check.

Financial Investment: the act of providing money for a business rather than other forms of investment such as effort or time, or the money provided.

Fiscal: Relating to government finance and taxes.

Fortune 500: A list of the 500 biggest companies in the US, published each year in Fortune Magazine.

Founder: Someone who starts a new business, organization, etc..

Freelance: If you work freelance, you work for yourself and do projects with different companies rather than being a company employee.

GCC (Gulf Cooperation Council): the political and economic alliance of six Middle Eastern countries—Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain, and Oman.

Gender Discrimination: The act of treating a person, usually a woman, unfairly because of their sex.

Gender Diversity: equitable or fair representation between genders.

Generation: A group of people who are about the same age within a society or within a particular family.

Geo-Economic: the study of the relationship between politics and economics, especially on an international scale.

Global Economy: The system of industry and trade around the world that has developed as the result of globalization (= the way in which economies have been developing to operate together as one system).

Globalization: The process by which particular goods and services, or social and cultural influences, gradually become similar in all parts of the world.

Graphic Characteristic: the visual representation of the result of upper management visions and decisions for the company and its future.

Heritage: The history, traditions, practices, etc. of a particular country, society, or company that exist from the past and continue to be important.

Hierarchy: A system in which the people within a company or organization are organized into levels according to the authority they have.

Idiosyncrasy: A strange or unusual habit, way of behaving, or feature.

Incentive: Something, especially money, that encourages a person or organization to do something.

Inheritance: The money, property, or assets that someone receives from a person who has died.

Innovation: A new idea, design, product, etc.

Internal Politics: the use of power and social networking within an organization to achieve changes that benefit the organization or individuals within it.

Invested capital: The amount of money invested in a company, including debts that are not due to be paid back within a year and shares owned by shareholders.

Investor: A person, organization, or country that puts money into something in order to make a profit or receive interest.

Isaac Newton: an English mathematician and physicist, remembered for developing calculus, and for his law of gravitation and his three laws of motion.

Leadership: The position or fact of being the leader.

Legacy: Money or property left to a person by someone who has died.

Legal Management: an academic and professional discipline that is a hybrid between the study of law and management.

Lifestyle: Someone's way of living; the things that a person or particular group of people usually do.

Limited Liability Company (LLC): a form of company in the US whose owners are not legally responsible for the company's debts if those debts are above a particular amount.

Liquidity: The state of having enough money or assets to pay any money that is owed.

Luxury Goods: expensive things, such as jewellery and make-up, that are pleasant to have but are not necessary.

Macro-Economics: The study of the financial and economic systems of a country or an industry.

Market Strategy: an organization's strategy that combines all of its marketing goals into one comprehensive plan.

Marketing: The business activity that involves finding out what customers want, using that information to design products and services, and selling them effectively.

MENA Region: an English-language acronym referring to the Middle East and North Africa region.

Meritocracy: A social system or organization in which people reach positions of power based on their abilities rather than their money, family connections, etc.

Micro-Economics: The part of economics that studies individual markets and businesses, or how individual people spend or earn money.

Net worth: The value of the assets and money that a person or business has, after their debts are taken away.

Non-Executive Director: One of a company's board of directors who is not one of the company's managers.

Non-Governmental Organization (NGO): An organization that tries to achieve social or political aims but is not controlled by a government.

Open Door Policy: If a company has an open-door policy, managers are happy to listen to anything that employees want to discuss or to any problems they might have.

Opportunism: Behaviour in which someone uses every situation to try to get power or an advantage.

Outside Director: Non-executive director.

Patriarchy: A society in which the oldest male is the leader of the family, or a society controlled by men in which they use their power to their own advantage.

Performance: How successful an investment, company, etc. is and how much profit it makes.

Policy: A set of ideas, or a plan of what to do in particular situations, that has been agreed officially by a group of people, a business organization, a government, or a political party.

Polygamy: The fact or custom of being married to more than one person at the same time.

PricewaterhouseCoopers: a multinational professional services network headquartered in London, United Kingdom; the second largest professional services firm in the world.

Principal: First in order of importance.

Private Equity Capital: capital that is not noted on a public exchange. Private equity is composed of funds and investors that directly invest in private companies, or that engage in buyouts of public companies.

Private Investor: A person who invests money, rather than a company or financial organization that does this.

Proactive: Taking action by causing change and not only reacting to change when it happens.

Professionalism: The combination of all the qualities that are connected with trained and skilled people.

Profit Organization: an organization with the sole purpose of making a profit.

Sole Proprietorship: A business that is owned and operated by only one person.

Public Company: A company whose shares are traded on a stock exchange.

Publicly Listed Company: A company whose shares are traded on the stock market.

Regional Market: designed to target customers or prospects in a defined region, such as several counties or neighboring states in a section of the country.

Religious Denomination: a subgroup within a religion that operates under a common name, tradition, and identity.

Risk Capital: Money that is invested or is available for investment in a new company, especially one that involves risk.

Risk Strategy: provides a structured and coherent approach to identifying, assessing, and managing risk.

Shareholder: A person or organization that owns shares in a company.

Shares: One of the units that the ownership of a company, fund, etc. is divided into and which can be bought by members of the public.

Society: The people who live in a particular country or area and their way of life and customs.

Stakeholder: An employee, investor, customer, etc. who is involved in or buys from a business and has an interest in its success.

Stewardship: Someone's stewardship of something is the way in which they control or take care of it.

Stockholder: A person who owns shares in a company and therefore gets part of the company's profits and the right to vote on how the company is controlled (usually shareholder).

Strategic Planning: A process in which a company's executives decide what they want to achieve and the best actions and use of resources for doing this.

Succession Planning: The process of finding suitable people and preparing them to replace important executives in an organization when these executives leave or retire.

Succession: The process by which someone takes an official position or job after someone else has been doing it.

System Theory: one of the dominant organizational theories in management today. It treats an organization as either an open or closed system. A system is a set of distinct parts that form a complex whole.

Tax liability: An amount of tax that a person or business must pay.

Tradition: A way of behaving or a belief that has been established for a long time, or the practice of following behavior and beliefs that have been so established.

Transaction: An occasion when someone buys or sells something.

Transparency: a situation in which business and financial activities are done in an open way without secrets, so that people can trust that they are fair and honest.

Tribal Societies: societies organized largely on the basis of social, especially familial, descent groups.

Trust: Belief that you can depend on someone or something.

Under-investment Problem: an agency problem where a company refuses to invest in low-risk assets, in order to maximize its wealth at the cost of the debt holders.

Unity: The state of being joined together or in agreement.

Value: The amount of money that something is worth.

Values: The principles that help you to decide what is right and wrong, and how to act in various situations.

Vision: The ability to imagine how something could develop in the future, or the ideas that come from imagining in this way.

Wage: An amount of money that is paid, usually every week, to an employee for their work.

Zauma Clientelism: a political factor instated within the government of Lebanon who are leaders that represent each major religion in Lebanon.

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