



Midocean University

College of Leadership and Innovation

Master of Entrepreneurship

The Sustainability of The Small to Medium Family Firms In Saudi Arabia

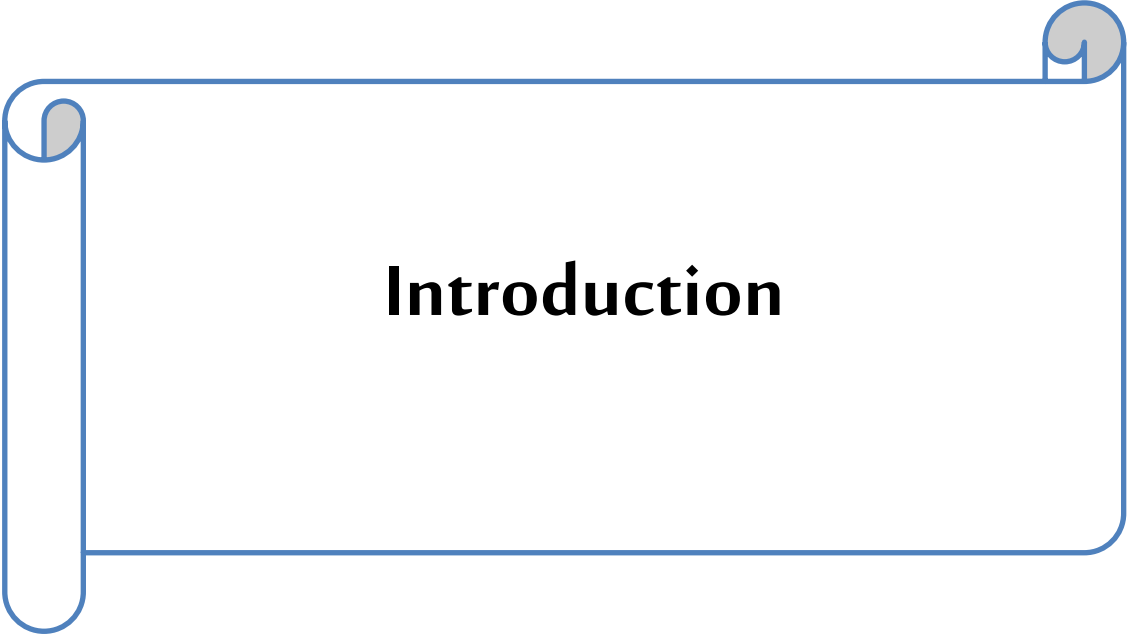
الاستدامة في الشركات العائلية الصغيرة الى المتوسطة في المملكة العربية السعودية

Research Project ENT636 T3 ME First Trimester 2024

Prepared by:

Maram Khalaf Aljuaid

232002322



Introduction

- **Introduction**

Family companies are playing an essential role in the local economy of any country. A study by the Riyadh Chamber indicated that family companies have an international standing, and they represent between 70-90% of the total number of companies around the world, and the number of family companies in the Kingdom is about 538 thousand establishments. It represents 63% of the total operating establishments, and constitutes between 60-70% of the private sector, and contributes more than 810 billion riyals to the gross domestic product annually, and its status is evident through its high percentage. In European Union countries, its percentage ranges between 70-95% of the total operating companies contribute 70% of the national product.

- **Research Problem**

Family firms indeed play a significant role in the global economy and possess distinct characteristics that set them apart from other types of businesses. The intertwining of family relationships and business endeavors creates a unique organizational culture and decision-making processes within these enterprises.

One key aspect of family firms is the transmission of values, traditions, and legacies across generations. The family's heritage often shapes the identity and long-term objectives of the business.

This legacy can provide a strong sense of continuity and commitment to sustainable growth, which can be advantageous for family firms.

However, alongside these strengths, family firms face a set of challenges that are specific to their structure. One such challenge is succession planning. Ensuring a smooth transition of leadership from one generation to the next is crucial for the long-term success of the business. Family dynamics, such as sibling rivalries or conflicts, can further complicate the succession process.

Another challenge is balancing family and business interests. Family firms often need to make decisions that consider both the welfare of the family members and the best interests of the business. This can involve delicate trade-offs and decision-making processes that take into account both financial and emotional considerations.

Resolving conflicts that arise within family firms is also crucial. Disagreements over business strategies, management roles, or the distribution of profits can strain both family relationships and the overall performance of the business. Finding effective ways to address and resolve conflicts is essential for maintaining harmony and achieving long-term success.

Additionally, navigating transitions between generations can be a significant challenge. Each generation may bring different perspectives, approaches, and goals to the business. Managing these transitions requires open communication, flexibility, and a willingness to adapt to changing market conditions and business environments.

Despite these challenges, family firms also offer unique opportunities. The deep sense of commitment and long-term orientation often found in family businesses can contribute to their resilience and ability to weather economic downturns. The close-knit nature of family relationships can foster trust, loyalty, and a shared vision among family members, which can be valuable assets for the business.

Furthermore, family firms have the potential to leverage their reputation and heritage to build strong relationships with customers, suppliers, and other stakeholders. The family's name and history can create a sense of trust and authenticity that differentiates the business in the marketplace.

In conclusion, family firms form a significant portion of the global economy and possess distinct characteristics that stem from the intertwining of family dynamics and business operations. While they face unique challenges, such as succession planning, balancing family and business interests,

resolving conflicts, and navigating generational transitions, family firms also have opportunities for long-term success and resilience. Understanding the complexities and nuances of family firms can provide valuable insights for fostering their prosperity and continuity.

Lack of sustainability

Indeed, family firms in Saudi Arabia, particularly small to medium-sized enterprises, face a unique set of challenges specific to their operating environment. These challenges can impact their sustainability and long-term success, despite their significant contribution to the Saudi economy.

One of the prominent challenges is the influence of older generations in decision-making processes. Traditional hierarchies and conservative approaches to business management may hinder innovation and agility. Embracing new technologies, adapting to changing market dynamics, and exploring innovative business models can be challenging when decision-making is dominated by older generations who may be more resistant to change.

Moreover, the dominance of longstanding employees, who may have strong ties to the family, can limit the infusion of fresh perspectives and modern practices. This can impede the ability of family firms to adopt new strategies, attract younger talent, and effectively address emerging market trends.

Attracting and retaining talent is another significant challenge for family firms in Saudi Arabia. Skilled professionals may have higher salary expectations and demand benefits beyond what family firms are accustomed to providing. This competitive landscape for talent, combined with concerns around job security, can make it difficult for family firms to attract and retain the skilled workforce necessary for sustainable growth.

Additionally, the lack of clear management policies and strategic focus can hinder the long-term success of family firms. Without well-defined policies and a strategic vision, decision-making

processes may become ad hoc and reactive, rather than proactive and forward-looking. This can lead to inefficiencies, missed opportunities, and difficulties in charting a clear path for the future.

Partnership problems can also pose challenges for family firms. Disagreements among family members regarding business strategies, management roles, or profit distribution can create conflicts that are not easily resolved. These conflicts can strain family relationships and hinder the overall performance and sustainability of the business.

To address these challenges, family firms in Saudi Arabia can benefit from adopting a more inclusive and progressive approach to decision-making. Encouraging the participation of younger generations and embracing new ideas and technologies can enhance the firm's ability to adapt to changing market conditions. Creating attractive work environments, offering competitive compensation packages, and providing clear career development paths can help in attracting and retaining skilled professionals.

Establishing robust management policies, strategic planning processes, and governance structures can provide clarity and direction for the business. This can help ensure that decisions are made in a consistent and forward-thinking manner, promoting long-term sustainability.

Furthermore, addressing partnership problems requires open communication, mediation, and a willingness to find mutually beneficial solutions. Implementing mechanisms for conflict resolution and establishing clear guidelines for decision-making and profit distribution can help alleviate tensions within the family firm.

By actively addressing these challenges and embracing progressive practices, family firms in Saudi Arabia can enhance their resilience, competitiveness, and long-term success in the dynamic Saudi business landscape.

The identification of reasons contributing to the lack of sustainability in small to medium family companies in Saudi Arabia serves several key objectives aimed at understanding, addressing, and mitigating the challenges faced by these enterprises. Some of the primary objectives include:

Insight and Awareness: By pinpointing the specific factors that hinder sustainability in family businesses, stakeholders can gain valuable insights into the root causes of problems and challenges unique to these organizations. This awareness allows for a deeper understanding of the issues at hand and informs decision-making moving forward.

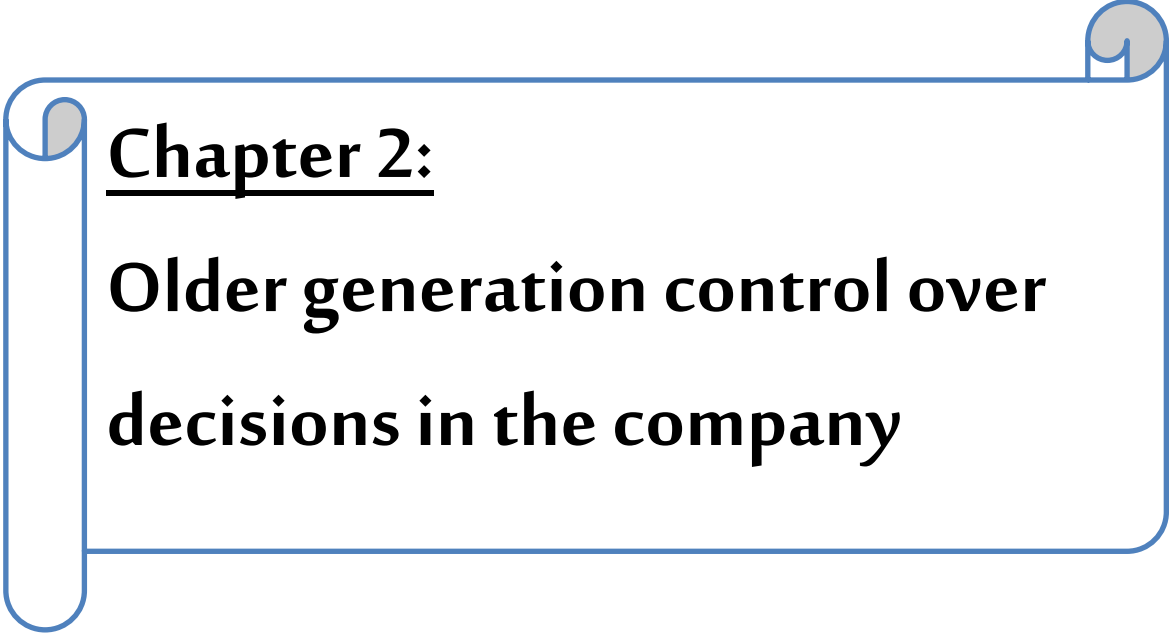
Problem Solving and Strategic Planning: Understanding the reasons behind sustainability challenges enables family firms to devise targeted solutions and strategies to overcome these obstacles. By identifying areas such as older generation control, lack of strategic focus, or partnership issues, companies can develop tailored action plans to address these specific concerns.

Risk Mitigation: Recognizing the vulnerabilities and risks associated with the lack of sustainability in family businesses allows for proactive risk management. By addressing these issues early on, companies can minimize the potential negative impacts on operations, finances, and overall business continuity.

Organizational Development: The identification of sustainability factors can also contribute to the long-term development and growth of family firms. By pinpointing areas for improvement, organizations can implement changes that promote innovation, adaptability, and resilience, fostering long-term success and sustainability.

Succession Planning: Understanding sustainability challenges helps family businesses prepare for leadership transitions, especially in cases where the younger generations are not participating in the business. By identifying and addressing obstacles to continuity, companies can better plan for future successions and ensure the longevity of the business.

In essence, identifying the reasons for the lack of sustainability in small to medium family companies in Saudi Arabia facilitates informed decision-making, targeted problem-solving, risk mitigation, organizational development, and effective succession planning. By addressing these factors, family businesses can enhance their resilience, competitiveness, and long-term viability in a dynamic and evolving business environment.



Chapter 2:

**Older generation control over
decisions in the company**

Older generation control over decisions in the company

The prevalent issue of older generation control over decisions within small to medium family firms in Saudi Arabia can indeed have a significant impact on their sustainability and long-term success. While the experience and insights of senior family members are valuable, it is crucial to strike a balance and embrace innovation and adaptability for continued growth.

Reluctance to delegate decision-making authority to younger family members or external professionals can hinder the implementation of new strategies, technologies, and business practices. Embracing fresh perspectives and modern approaches to business can help family firms in Saudi Arabia remain competitive in a rapidly evolving market.

Furthermore, the dominance of older generations in decision-making roles can pose challenges for succession planning and leadership development. Without a clear pathway for the younger generation or non-family executives to assume leadership positions, the continuity of the business beyond the current generation may be at risk. It is essential to identify and nurture future leaders within the organization, ensuring a smooth transition of leadership and the long-term viability of the business.

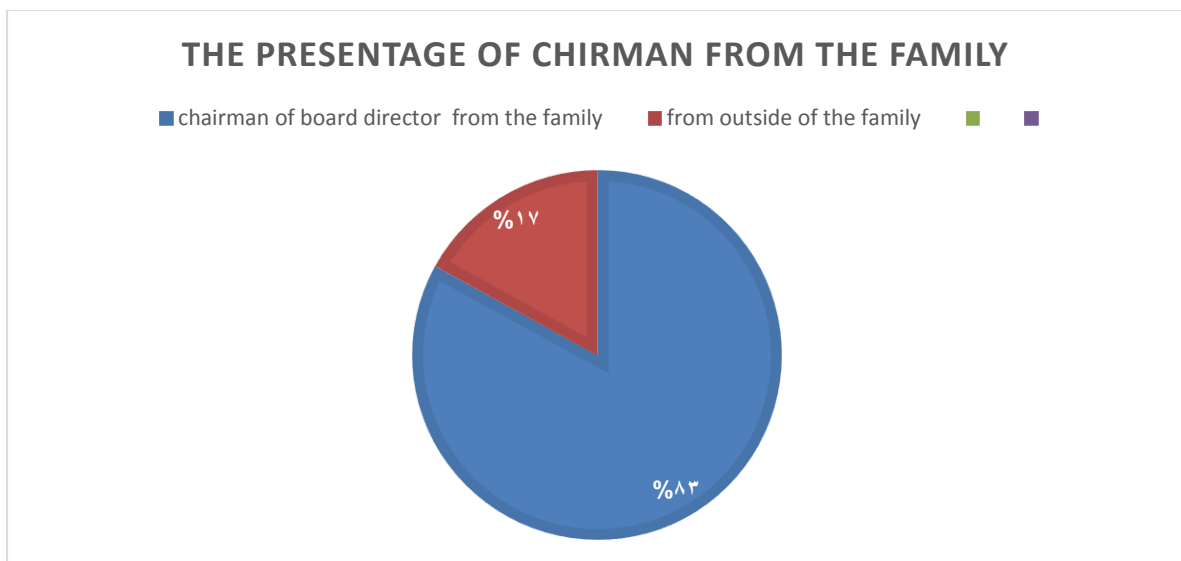
To address these challenges, family firms in Saudi Arabia can foster a culture of collaboration and openness to new ideas. Encouraging dialogue and knowledge sharing across generations can help leverage the experience of older family members while embracing the innovative thinking of younger family members or non-family professionals. Establishing mentoring programs and providing opportunities for skill development and leadership training can also facilitate the growth and development of future leaders within the organization.

Strategic planning that incorporates diverse perspectives is crucial for family firms to adapt to changing market dynamics. This can involve seeking external expertise, engaging in industry

collaborations, and continuously monitoring trends and emerging technologies. By embracing innovation and a forward-thinking mindset, family firms can position themselves for sustained success in the evolving business landscape of Saudi Arabia.

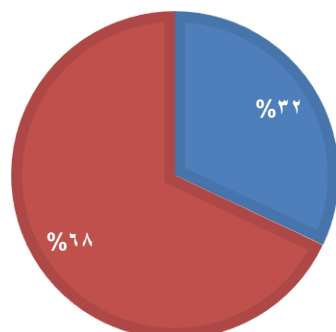
In summary, addressing the challenges associated with older generation control over decisions requires finding a balance between honoring tradition and embracing innovation. By fostering collaboration, nurturing future leaders, and adopting a forward-thinking approach to decision-making, family firms in Saudi Arabia can enhance their sustainability and thrive in the face of evolving market conditions.

Statistics from the Captial Market Authority implays that 83 percent of family firms have a family member as a CEO and 17 percent from outside of the family.



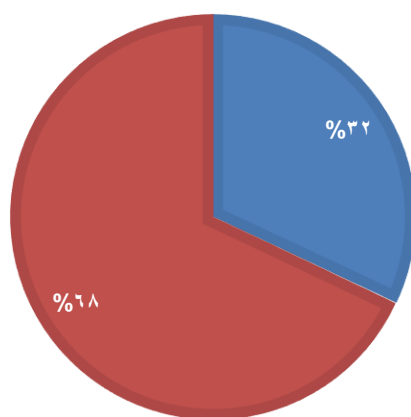
THE PRESENTAGE OF EXECUTIVE DIRECTORS FROM THE SAME FAMILY

■ executive director from the family ■ executive director not from the family ■ ■



BOARD MEMBERS FROM THE FAMILY

■ board member from the family ■ board member not from the family ■ ■



Chapter 3:

**The domination of old
employees**

The domination of old employees

The dominance of longstanding employees in small to medium-sized family firms in Saudi Arabia can indeed pose challenges to sustainability and hinder long-term success. While loyalty and experience are valuable, an overreliance on old employees can impede innovation, limit diversity of thought, and hinder adaptability.

Resistance to change and reluctance to embrace new technologies, market trends, and business strategies are common challenges associated with the dominance of old employees. In a rapidly evolving business environment, companies that fail to adapt risk falling behind their competitors and missing out on growth opportunities. It is crucial for family firms to foster a culture that encourages openness to new ideas, continuous learning, and a willingness to embrace change.

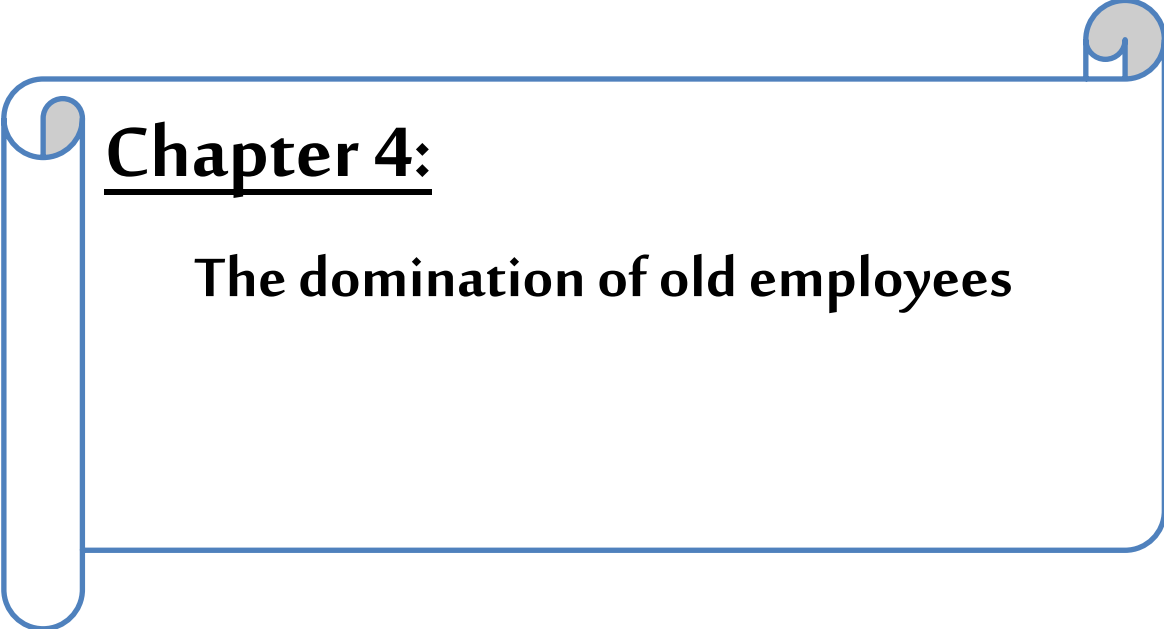
The dominance of old employees can also create challenges in talent management and succession planning. Younger generations or external hires may feel marginalized or overlooked, leading to disengagement and high turnover rates. This can make it difficult for family firms to attract and retain top talent, which is essential for driving innovation and staying competitive. By actively promoting intergenerational collaboration, family firms can create an inclusive environment where employees of all ages feel valued and can contribute their unique perspectives and skills.

Professional development opportunities are vital in addressing these challenges. Providing training programs, mentorship initiatives, and career advancement pathways can help empower employees of all ages and ensure a continuous flow of talent within the organization. By investing in the development of younger generations and creating opportunities for them to take on leadership roles, family firms can enhance their ability to adapt, innovate, and secure their long-term success.

Moreover, family firms can benefit from fostering a culture that values diversity and inclusion.

Encouraging the exchange of ideas and perspectives from employees of different backgrounds and age groups can lead to more creative problem-solving and better decision-making.

In summary, addressing the challenges associated with the dominance of old employees requires creating a culture that embraces change, fosters intergenerational collaboration, and values diversity and inclusion. By providing professional development opportunities and empowering employees of all ages, small to medium-sized family firms in Saudi Arabia can leverage the strengths of both seasoned employees and younger talent to drive innovation, adaptability, and long-term success.



Chapter 4:

The domination of old employees

The choice of the second and third generations of not participating in the family business

The decision of the second and third generations not to participate in the family business can indeed have significant implications for the sustainability and longevity of small to medium family firms in Saudi Arabia. Continuity and succession planning are critical for ensuring a smooth transition of leadership and the preservation of the business across generations.

The absence of a clear succession plan is one of the primary consequences when younger family members opt out of joining the family business. Without a designated successor or a pool of potential leaders from within the family, family firms may struggle to groom future leaders, transfer knowledge and expertise, and maintain continuity in operations. This can lead to leadership vacuums, internal conflicts over decision-making authority, and uncertainty about the long-term direction of the business.

Furthermore, the choice of the younger generations to pursue alternative career paths or interests outside the family business can result in a talent drain and a lack of fresh perspectives within the organization. Embracing diversity of thought, innovation, and new approaches is essential for staying competitive in a rapidly changing business environment. When younger family members opt out of participating, family firms may miss out on valuable insights, skills, and contributions that could drive growth and adaptation.

To address these sustainability challenges, family firms in Saudi Arabia can explore strategies to engage and attract younger family members, nurture their interest in the business, and create opportunities for professional development and leadership training. Building a culture that values and supports the aspirations of the younger generation can foster a sense of ownership and commitment. Providing exposure to different aspects of the business, mentorship programs, and

clear pathways for advancement can help cultivate their interest and prepare them for future leadership roles.

Additionally, family firms can consider diversifying their leadership team by bringing in non-family professionals who can contribute fresh perspectives and expertise. This can help fill the talent gap and bring in new ideas that align with the changing business landscape.

In summary, addressing the challenges associated with the decision of the second and third generations not to participate in the family business requires proactive measures to engage and attract younger family members. By fostering a culture of inclusivity, mentorship, and intergenerational collaboration, family firms in Saudi Arabia can enhance their sustainability, promote innovation, and secure a prosperous future for the business.

Here are some additional points to consider regarding the decision of the second and third generations not to participate in the family business:

Changing aspirations and interests: The younger generations may have different career aspirations, interests, or passions that lead them to pursue alternative paths outside the family business. It is important to understand and respect their individual choices and aspirations, as forcing them into the family business against their will may lead to discontent and suboptimal performance.

External influences: The decision of younger family members not to join the family business can be influenced by external factors such as globalization, increased educational opportunities, and exposure to different industries and career options. These external influences may shape their perspectives and lead them to seek different experiences and challenges outside the family business.

Communication and understanding: Open and transparent communication is crucial in addressing the reasons behind the decision of the younger generations not to participate in the family business. Engaging in honest conversations and actively listening to their aspirations, concerns, and

ideas can help bridge the generation gap and foster understanding between older and younger family members.

Entrepreneurial opportunities: Some younger family members may choose to explore their entrepreneurial aspirations by starting their own ventures rather than joining the existing family business. Recognizing and supporting their entrepreneurial endeavors can be a way to maintain family ties while allowing them to pursue their own path.

External talent and partnerships: Family firms can consider attracting and collaborating with external talent, such as non-family professionals, to bring in new skills, perspectives, and experiences. This can complement the existing strengths of the family business and promote innovation and growth.

Professional development and training: Providing professional development opportunities, mentorship programs, and leadership training for younger family members who do express an interest in joining the family business can help prepare them for future roles. It is important to invest in their growth and provide them with the necessary skills and experiences to contribute effectively to the business.

Embracing change and innovation: Family firms need to be open to change and innovation, regardless of whether younger family members participate in the business. Actively seeking new ideas, embracing technology, and adapting to evolving market trends can help family firms remain competitive and relevant, even without direct involvement from the younger generations.

Overall, addressing the decision of the second and third generations not to participate in the family business requires a combination of understanding, communication, flexibility, and a willingness to adapt. By supporting the individual choices and aspirations of younger family members, fostering an inclusive and innovative culture, and exploring partnerships and external talent, family firms can navigate these challenges and continue to thrive in the long term.

Certainly! Here are some additional points to consider:

Knowledge transfer and preservation: When younger family members choose not to participate in the family business, there is a risk of losing valuable knowledge and expertise accumulated by older generations. It is important for family firms to establish mechanisms for knowledge transfer, such as mentorship programs, documentation of best practices, and structured training initiatives. This ensures that critical knowledge is preserved and can be leveraged by the business even in the absence of direct family involvement.

External perspectives and innovation: The decision of younger family members to pursue alternative career paths can bring fresh perspectives and innovative ideas into the family business. They may have experiences and knowledge from different industries or educational backgrounds that can contribute to the evolution and growth of the business. Family firms should be open to embracing these external perspectives and leveraging them to drive innovation and adaptability.

Family governance: Implementing effective family governance structures can help address the challenges associated with the decision of younger generations not to participate. Family constitutions, family councils, and clear guidelines for ownership, decision-making, and succession planning can provide a framework for managing family dynamics and ensuring the long-term sustainability of the business. These governance structures can facilitate open communication, conflict resolution, and the establishment of fair processes for leadership succession.

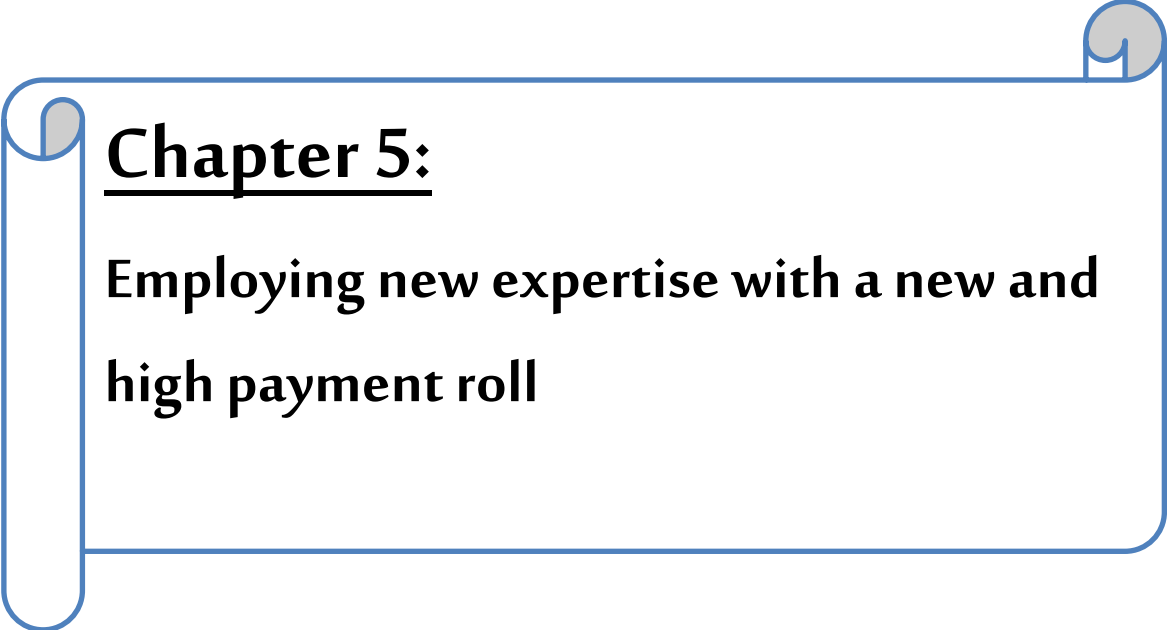
Strategic partnerships and alliances: Family firms can explore strategic partnerships and alliances with other businesses or industry players to expand their capabilities and access new markets. Collaborating with external entities can bring in expertise, resources, and opportunities for growth that may not be readily available within the family. It allows the business to remain competitive and adaptable, even without direct involvement from the younger generations.

Continuous learning and development: Encouraging a culture of continuous learning and development is crucial for family firms. This includes providing opportunities for both older and younger family members to enhance their skills, stay updated with industry trends, and engage in professional networking. By investing in the development of all family members, regardless of their direct involvement in the business, family firms can build a strong foundation for sustainable growth and success.

Succession planning alternatives: In cases where younger family members are not interested in joining the family business, alternative succession planning strategies can be explored. This may involve identifying and grooming non-family executives or considering external leadership hires. The focus should be on selecting individuals who possess the necessary skills, values, and vision to lead the business forward and maintain its core values.

Flexibility and adaptability: Family firms need to be adaptable and willing to evolve as circumstances change. Being open to new opportunities, business models, and market dynamics can help family firms navigate the challenges posed by the decision of younger family members not to participate. It may involve diversifying the business, exploring new ventures, or expanding into different markets to ensure the long-term sustainability of the enterprise.

In summary, addressing the decision of younger generations not to participate in the family business requires a combination of knowledge transfer, openness to external perspectives, effective family governance, strategic partnerships, continuous learning, and adaptability. By embracing these strategies, family firms can overcome challenges and position themselves for sustainable success in the ever-changing business landscape.



Chapter 5:

Employing new expertise with a new and high payment roll

Employing new expertise with a new and high payment roll

Employing new expertise with a high payroll in small to medium family firms in Saudi Arabia can indeed present challenges to sustainability and long-term success. While bringing in external talent can offer benefits, it is essential to carefully consider the financial implications and potential internal dynamics of such a strategy.

Financial considerations: Small to medium family firms often operate with limited financial resources and tighter profit margins compared to larger corporations. Hiring individuals with higher salary expectations can strain the company's financial stability, especially if the return on investment is not immediately realized. It is crucial to conduct a thorough cost-benefit analysis and ensure that the financial resources dedicated to new expertise align with the business's growth potential and overall financial health.

Compensation structure and internal dynamics: Introducing new talent with higher salary demands can disrupt the existing compensation structure and create internal tensions. Family members and long-serving employees may perceive inequities in pay scales, leading to demotivation, resentment, and conflicts within the organization. It is important to address these concerns proactively by communicating transparently, setting clear expectations, and ensuring that compensation decisions are fair and aligned with performance and market benchmarks.

Strategic alignment: When considering hiring new expertise, family firms should carefully evaluate the strategic fit of the role and the potential impact on the business's long-term objectives. It is essential to assess whether the skills and expertise being sought align with the company's growth plans, market positioning, and overall strategic direction. This ensures that the investment in new talent contributes to the sustainability and success of the business.

Optimize recruitment processes: To mitigate the risks associated with high payroll expenses, family firms can optimize their recruitment processes to attract top talent while maintaining financial prudence. This can involve leveraging professional networks, utilizing targeted recruitment strategies, and emphasizing the unique value proposition of working in a family-owned business. Efficient recruitment practices help identify candidates who align with the business's needs and can provide a strong return on investment.

Balance external expertise with internal development: While external talent can bring valuable skills and perspectives, it is important to balance the hiring of new expertise with the development and growth of internal talent. Family firms can invest in training, mentorship programs, and career development initiatives to cultivate the capabilities of existing employees. This approach not only maximizes the potential of the current workforce but also minimizes the financial strain of relying solely on external hires.

Negotiate competitive yet sustainable compensation packages: When hiring new expertise with a high payroll, it is crucial to engage in negotiations that strike a balance between attracting top talent and maintaining financial sustainability. This may involve considering non-monetary incentives, such as flexible work arrangements, opportunities for growth, and a supportive work environment, in addition to competitive salaries. By offering a comprehensive compensation package, family firms can attract and retain talent without compromising their long-term financial viability.

In summary, while employing new expertise with a high payroll can bring benefits to small to medium family firms in Saudi Arabia, it is essential to carefully evaluate the financial implications and internal dynamics. By optimizing recruitment processes, aligning hiring decisions with strategic objectives, balancing external expertise with internal development, and negotiating sustainable compensation packages, family firms can effectively leverage new talent while ensuring the long-term sustainability and success of the business.

Certainly! Here are some additional points to consider regarding the challenges and strategies associated with employing new expertise with a high payroll in small to medium family firms in Saudi Arabia:

Scalability and growth potential: Family firms need to assess the scalability and growth potential of their business before committing to hiring new expertise with higher salary expectations. It is important to evaluate whether the anticipated benefits and contributions of the new hires align with the company's growth plans and long-term vision. This assessment helps ensure that the financial investment in new talent is justified and sustainable.

Performance-based compensation: Implementing performance-based compensation structures can mitigate the risks associated with a high payroll. By linking compensation to measurable performance metrics and outcomes, family firms can align incentives with desired results. This approach encourages employees to strive for excellence and provides a clear rationale for rewarding higher salaries based on individual and team contributions.

Cost-efficiency and resource optimization: Family firms can explore ways to optimize their resources and enhance cost-efficiency without compromising on talent acquisition. This can include leveraging technology, outsourcing non-core functions, implementing lean processes, and identifying areas where automation or streamlining can reduce expenses. By maximizing operational efficiency, family firms can create financial room to accommodate higher payroll expenses.

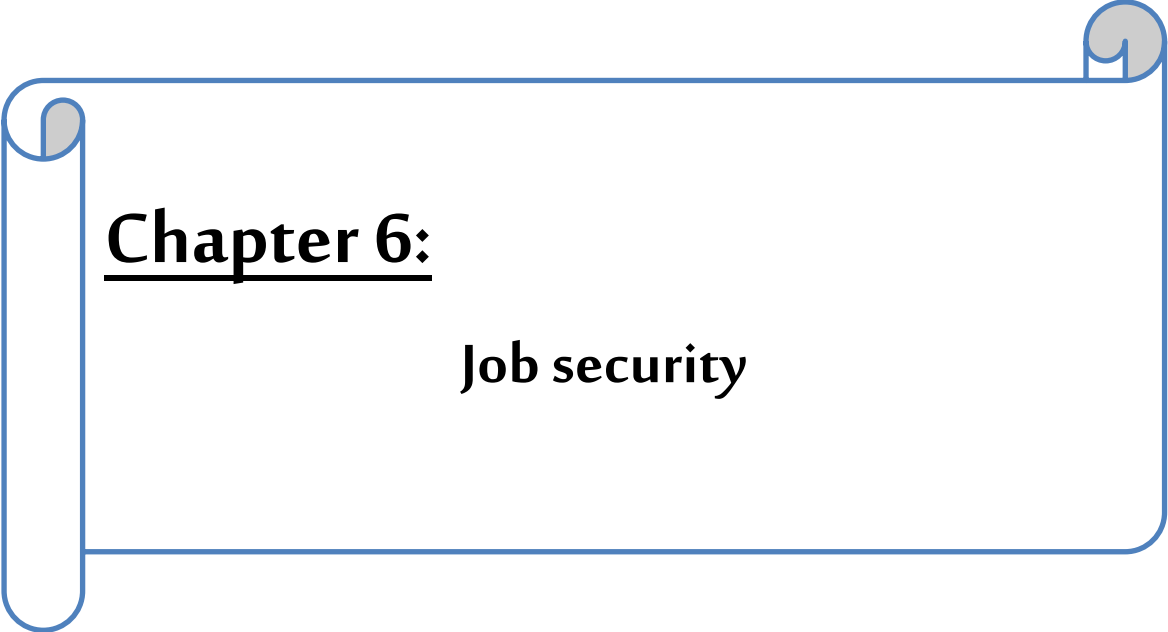
Strategic workforce planning: Family firms should engage in strategic workforce planning to identify critical positions that require new expertise and determine the associated costs. By conducting a thorough analysis of the skills and competencies needed for future growth, family firms can prioritize their hiring efforts and allocate resources effectively. This approach ensures that the new hires with higher salaries are strategically aligned with the business's needs.

Retention and talent development: Once new expertise is brought into the family firm, it is crucial to focus on retention and talent development. High-performing employees should be provided with opportunities for growth, advancement, and continuous learning. By investing in their professional development, family firms can maximize the return on investment in high-paying positions and increase employee loyalty and engagement.

Collaboration and knowledge sharing: Family firms can encourage collaboration and knowledge sharing between new external hires and existing employees. This allows for the transfer of expertise and skills, fostering a culture of continuous learning and innovation within the organization. By leveraging the strengths of both external talent and internal resources, family firms can optimize the value derived from high-paying positions.

Succession planning and leadership development: Family firms should consider long-term succession planning and leadership development in tandem with hiring new expertise. This ensures that there is a clear path for internal employees to progress within the organization, mitigating potential conflicts and facilitating a smooth transition in key positions. By nurturing and developing internal talent, family firms can balance the need for external expertise with the continuity of family involvement in leadership roles.

In summary, employing new expertise with a high payroll in small to medium family firms in Saudi Arabia requires careful evaluation, strategic planning, and a focus on financial sustainability. By implementing performance-based compensation structures, optimizing resources, engaging in strategic workforce planning, and emphasizing talent development and succession planning, family firms can effectively manage the challenges and maximize the benefits of hiring new talent with higher salary expectations.



Chapter 6:

Job security

Job security

You've highlighted an important aspect of job security concerns within small to medium family firms in Saudi Arabia. Job security is indeed a significant factor that can impact the sustainability and stability of such businesses. Here are some additional points to consider:

Transparent communication: Family firms should prioritize transparent communication with their employees regarding the company's vision, goals, and long-term plans. Clear and open communication helps build trust and provides employees with a sense of security and understanding about the organization's direction. Regularly sharing information about the company's financial performance, market conditions, and future initiatives can help alleviate uncertainties and address job security concerns.

Fair and inclusive talent management: Family firms should establish fair talent management practices that are based on meritocracy and performance rather than favoritism. Implementing transparent performance evaluation systems, setting clear expectations, and providing opportunities for advancement based on skills and qualifications can demonstrate a commitment to fairness and equal opportunities. This approach helps address job security concerns by assuring employees that their career progression is based on their abilities and contributions.

Succession planning and career development: Developing a robust succession planning process is crucial for family firms to address job security concerns. By establishing a clear framework for leadership transitions and career development, businesses can provide employees with a sense of stability and long-term opportunities. Identifying and nurturing internal talent, implementing mentoring programs, and offering training and development initiatives can demonstrate the organization's commitment to employee growth and job security.

Diversification of the workforce: Family firms should consider diversifying their workforce by hiring talent from outside the family circle. This approach can help address perceptions of favoritism and limited advancement opportunities for non-family members. By incorporating external talent, family firms can bring in fresh perspectives, specialized skills, and new ideas, fostering a more inclusive and dynamic work environment.

Employee engagement and recognition: Maintaining high levels of employee engagement and recognizing employees' contributions is essential for addressing job security concerns. Family firms can implement employee engagement initiatives, such as regular feedback sessions, recognition programs, and opportunities for employee involvement in decision-making processes. Engaged employees who feel valued and recognized are more likely to have a sense of job security and loyalty towards the organization.

Continuous learning and upskilling: Family firms should invest in employee learning and development programs to enhance job security. Providing opportunities for employees to acquire new skills, attend training sessions, and participate in professional development activities not only enhances their job security but also equips them with the tools needed to adapt to changing business environments. This investment in employee growth demonstrates a commitment to their long-term employability and can increase retention rates.

By focusing on transparent communication, fair talent management practices, succession planning, workforce diversification, employee engagement, and continuous learning, small to medium family firms in Saudi Arabia can address job security concerns and foster a stable and sustainable work environment. These efforts will contribute to increased employee satisfaction, improved retention rates, and a positive organizational culture conducive to long-term success.

Certainly! Here are some additional points to consider regarding job security concerns within small to medium family firms in Saudi Arabia:

Empowerment and autonomy: Providing employees with a sense of empowerment and autonomy can contribute to job security. By delegating responsibilities and involving employees in decision-making processes, family firms can demonstrate trust in their capabilities and commitment to their professional growth. This approach fosters a sense of ownership and job security as employees feel valued and integral to the organization's success.

Employee well-being and work-life balance: Family firms should prioritize employee well-being and work-life balance to address job security concerns. Implementing policies and practices that support work-life balance, such as flexible work arrangements, wellness programs, and employee assistance programs, can contribute to a positive work environment. When employees feel supported and their well-being is prioritized, they are more likely to have a sense of job security and loyalty to the organization.

Continuous feedback and performance management: Regular feedback and performance management systems are crucial for addressing job security concerns. Family firms should establish a feedback culture that includes ongoing performance discussions, goal setting, and progress evaluations. This approach provides employees with clarity about their performance, areas for improvement, and growth opportunities, reducing uncertainties and enhancing job security.

Adaptability and innovation: Family firms should foster a culture of adaptability and innovation to address job security concerns in a rapidly changing business landscape. Encouraging employees to embrace change, explore new ideas, and contribute to innovation initiatives helps create an environment where job security is linked to the ability to adapt and contribute to the organization's growth. By promoting a learning mindset and embracing new technologies and market trends, family firms can enhance their resilience and long-term viability.

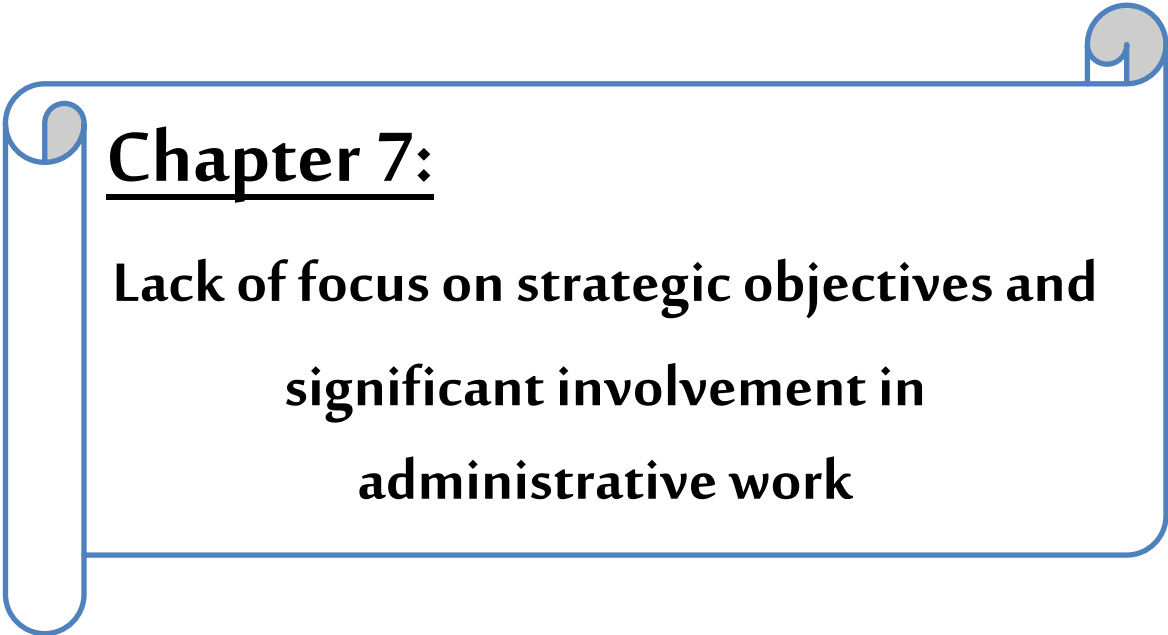
External partnerships and collaborations: Family firms can address job security concerns by leveraging external partnerships and collaborations. Engaging in strategic alliances, joint ventures,

or industry networks can provide access to new markets, expertise, and resources. Such collaborations can contribute to the firm's growth and sustainability, resulting in increased job security for employees as the company expands its reach and diversifies its business activities.

Social responsibility and community engagement: Demonstrating social responsibility and community engagement can enhance job security within family firms. Engaging in socially responsible practices, such as environmental sustainability initiatives, philanthropy, or community development projects, can create a positive reputation for the company. This positive perception can contribute to customer loyalty, business growth, and job security for employees who are part of a socially responsible organization.

Crisis management and contingency planning: Family firms should develop robust crisis management and contingency plans to address job security concerns during challenging times. Having a well-defined plan in place ensures that the organization can navigate uncertainties, economic downturns, or unexpected events without compromising job security. By demonstrating preparedness and a commitment to employee well-being during difficult periods, family firms can instill confidence and reduce job security concerns.

In summary, addressing job security concerns within small to medium family firms in Saudi Arabia requires a multi-faceted approach that encompasses empowerment, employee well-being, continuous feedback, adaptability, external collaborations, social responsibility, and crisis management. By implementing these strategies, family firms can create a stable and secure work environment that attracts and retains top talent, fosters employee loyalty, and contributes to long-term sustainability and success.



Chapter 7:

**Lack of focus on strategic objectives and
significant involvement in
administrative work**

Balancing administrative tasks and strategic objectives is crucial for the sustainability and long-term success of small to medium family firms in Saudi Arabia. Here are some additional points to consider:

Clear vision and strategic planning: Family firms should develop a clear vision for the organization and align it with long-term strategic objectives. This involves defining goals, conducting market analysis, and identifying growth opportunities. By prioritizing strategic planning, family firms can ensure that their day-to-day operations are aligned with broader objectives, enabling them to make informed decisions and allocate resources effectively.

Delegation and empowerment: Family firms should delegate responsibilities and empower employees at all levels to contribute to decision-making processes. By entrusting capable individuals with administrative tasks, family members and senior employees can focus on strategic matters. Delegation fosters employee development, encourages innovation, and enhances job satisfaction. It also allows the organization to tap into the diverse skills and perspectives of its workforce.

Establishing performance metrics: Family firms should establish performance metrics that align with strategic objectives. By measuring and monitoring key performance indicators (KPIs), businesses can track progress, identify areas for improvement, and make data-driven decisions. This approach helps shift the focus from day-to-day operations to the achievement of strategic goals, ensuring that the organization remains on track for long-term success.

Continuous learning and development: Family firms should invest in the learning and development of their employees to enhance their capabilities and adaptability. Providing training programs, workshops, and mentorship opportunities can build a skilled and knowledgeable workforce capable of contributing to strategic initiatives. Continuous learning also enables employees to stay

updated on industry trends, technological advancements, and best practices, fostering innovation and sustainability.

Embracing technology and digital transformation: Family firms should embrace technology and leverage digital tools to streamline administrative tasks and enhance operational efficiency. Implementing enterprise resource planning (ERP) systems, customer relationship management (CRM) software, and other digital solutions can automate routine processes, improve data management, and free up time for strategic activities. Embracing digital transformation enables family firms to stay competitive, respond to market changes swiftly, and focus on long-term objectives.

Seeking external expertise: Family firms can benefit from seeking external expertise and advice to complement their internal capabilities. Engaging consultants, industry experts, or advisory boards can provide valuable insights, fresh perspectives, and specialized knowledge. External input can help family firms identify blind spots, challenge conventional thinking, and develop innovative strategies that drive sustainability and long-term growth.

Regular strategic reviews: Family firms should conduct regular strategic reviews to assess progress, evaluate the effectiveness of strategies, and make necessary adjustments. This involves periodic evaluations of the business environment, competitive landscape, and customer preferences. By regularly reviewing and adapting strategic plans, family firms can proactively respond to market dynamics, seize emerging opportunities, and mitigate potential risks.

In summary, small to medium family firms in Saudi Arabia should strike a balance between administrative tasks and strategic objectives to ensure sustainability and long-term success. By focusing on clear vision, delegation, performance metrics, learning and development, technology adoption, external expertise, and regular strategic reviews, family firms can overcome challenges

associated with excessive administrative work and position themselves for growth in a dynamic business landscape.

Certainly! Here are some additional points to consider regarding the balance between administrative tasks and strategic objectives in small to medium family firms in Saudi Arabia:

Effective communication and coordination: Family firms need to establish effective communication channels and coordination mechanisms between different departments and individuals involved in administrative tasks and strategic planning. Clear lines of communication ensure that information flows smoothly, allowing for collaboration and alignment between operational and strategic activities. Regular meetings, reports, and updates can help keep everyone informed and ensure that administrative tasks support strategic goals.

Resource allocation and prioritization: It's essential for family firms to allocate resources effectively, considering both administrative needs and strategic priorities. This involves assessing the allocation of financial resources, human capital, and technology infrastructure. By aligning resource allocation with strategic objectives, family firms can ensure that they have the necessary support to carry out administrative tasks efficiently while also investing in activities that drive long-term growth.

Building a capable and adaptable workforce: Family firms should focus on building a skilled and adaptable workforce that can handle both administrative tasks and strategic initiatives. This includes hiring individuals with diverse skills, providing training and development opportunities, and fostering a learning culture within the organization. A capable and adaptable workforce allows family firms to tackle administrative responsibilities effectively while being agile enough to respond to changing market conditions and pursue strategic objectives.

Outsourcing non-core administrative functions: Family firms can consider outsourcing non-core administrative functions to external service providers. This allows the organization to focus on its core competencies and strategic activities while leveraging specialized expertise for administrative

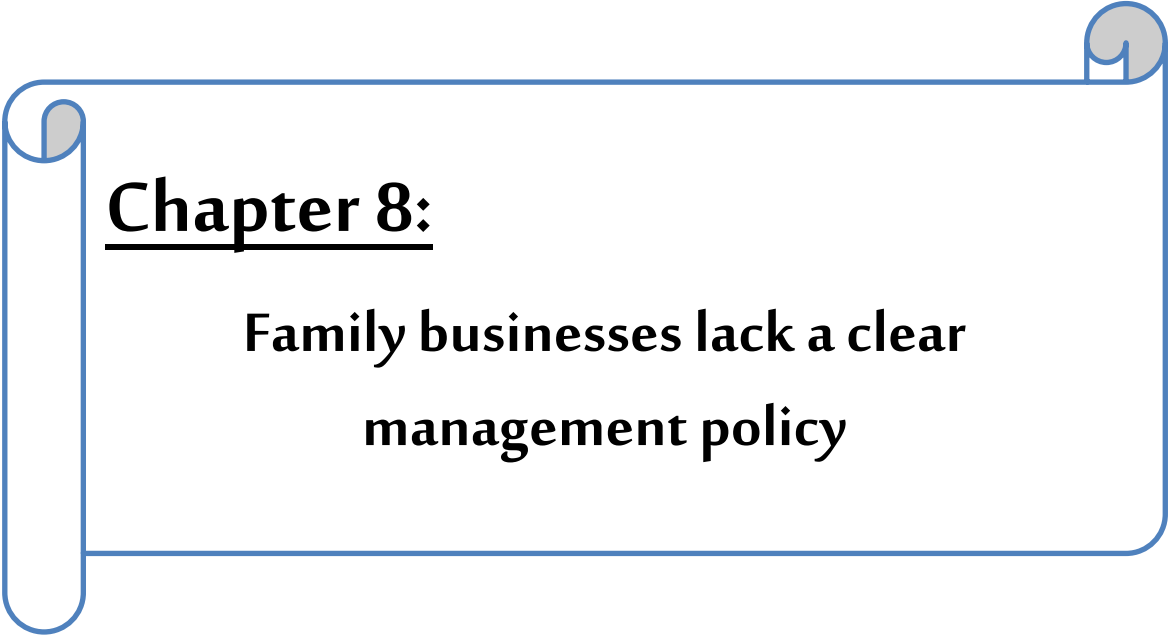
tasks such as payroll, accounting, or IT support. Outsourcing can improve efficiency, reduce costs, and free up internal resources to concentrate on strategic planning and execution.

Regular performance evaluation: Family firms should establish a system for regular performance evaluation that assesses both administrative and strategic aspects of the business. This evaluation can include metrics related to operational efficiency, customer satisfaction, financial performance, and progress towards strategic goals. By regularly reviewing performance, family firms can identify areas for improvement, adjust strategies as needed, and ensure that administrative tasks are in line with overall objectives.

Embracing innovation and continuous improvement: Family firms should foster a culture of innovation and continuous improvement across all areas of the business, including administrative tasks. Encouraging employees to identify and implement process improvements, leverage technology solutions, and explore new ways of working can enhance operational efficiency and create more time and resources for strategic endeavors. This mindset allows family firms to adapt to changing market dynamics, stay ahead of the competition, and achieve long-term success.

Seeking external advice and benchmarking: Family firms can benefit from seeking external advice and benchmarking their performance against industry standards and best practices. Engaging with industry associations, attending conferences, or participating in networking events can provide valuable insights and guidance. Benchmarking against other successful family firms or industry leaders can help identify opportunities for improvement and provide inspiration for balancing administrative tasks with strategic objectives.

By implementing these strategies, small to medium family firms in Saudi Arabia can achieve a better balance between administrative tasks and strategic objectives. This balance promotes efficiency, innovation, and long-term success, ensuring that the organization remains competitive and sustainable in a dynamic business environment.



Chapter 8:

**Family businesses lack a clear
management policy**

Family businesses lack a clear management policy

Implementing a clear policy regarding holidays and vacations is indeed crucial for maintaining employee attendance, productivity, and overall organizational effectiveness in small to medium family firms in Saudi Arabia. Here are some additional points to consider regarding this topic:

Balancing employee needs and operational requirements: A well-designed policy should strike a balance between accommodating employees' need for time off and ensuring that the organization's operational requirements are met. It's important to consider factors such as peak work periods, client demands, and staffing levels when defining guidelines for holidays and vacations. This helps prevent excessive disruptions to workflow while still allowing employees to take needed time off.

Leave request and approval process: The policy should clearly outline the process for requesting and approving holidays and vacations. This may involve specifying the required notice period for submitting leave requests, the designated channels for submitting requests, and the responsibilities of both employees and managers in the approval process. Clearly communicated procedures help minimize confusion and ensure that leave requests are handled in a timely and fair manner.

Allocation of vacation days and scheduling: The policy should address how vacation days are allocated and how conflicts between employees' leave requests are resolved. It may include guidelines on factors such as seniority, rotation, or a first-come, first-served basis. Additionally, the policy should address how vacation schedules are communicated to employees well in advance, allowing them to plan their time off and make any necessary arrangements.

Tracking and managing employee attendance: Implementing a system for tracking and managing employee attendance is important for enforcing the policy consistently. This may involve maintaining records of employee absences, tracking accrued vacation days, and monitoring patterns of absenteeism. Regularly reviewing attendance records helps identify any issues and

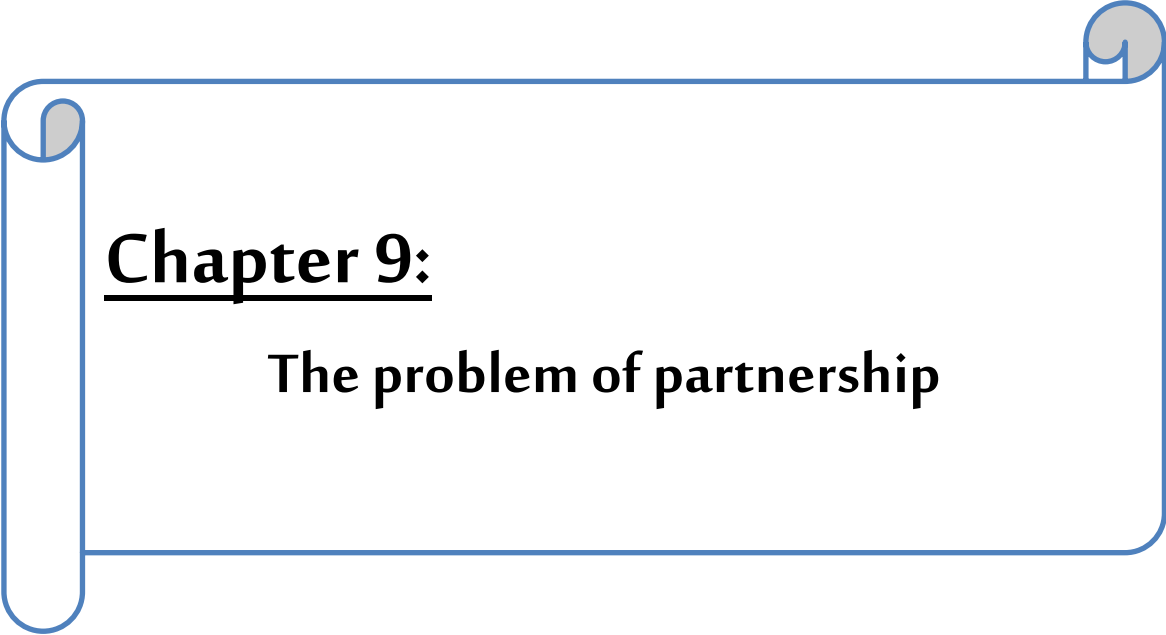
allows for appropriate actions, such as addressing excessive absenteeism or providing incentives for good attendance.

Encouraging a positive work-life balance: A comprehensive policy should emphasize the importance of work-life balance and the well-being of employees. It can include provisions for additional benefits such as paid time off for special occasions, flexible work arrangements, or opportunities for sabbaticals or extended leave. Promoting work-life balance contributes to employee satisfaction, engagement, and overall productivity.

Communication and employee awareness: It's crucial to effectively communicate the holiday and vacation policy to all employees and ensure their understanding of its provisions. This can be done through orientation sessions, employee handbooks, internal communications, and regular reminders. Open channels of communication allow employees to seek clarification, address concerns, and ensure compliance with the policy.

Periodic policy review and revision: Family firms should periodically review and update the holiday and vacation policy to reflect changing needs, industry practices, and legal requirements. This ensures that the policy remains relevant, effective, and aligned with the organization's goals and values.

By implementing a clear policy and enforcing it through a control system, small to medium family firms in Saudi Arabia can establish a structured and organized approach to managing holidays and vacations. This promotes employee attendance, reduces disruptions, and enhances overall productivity and operational efficiency. A well-managed policy contributes to a positive work environment, employee satisfaction, and the long-term success of the organization.



Chapter 9:

The problem of partnership

The problem of partnership

partnership issues that arise from the sale of a deceased partner's share due to inheritance decisions can pose significant challenges to the sustainability and continuity of small to medium family firms in Saudi Arabia. Here are some additional points to consider in relation to this topic:

Establishing clear partnership agreements: It is essential for family firms to have well-defined partnership agreements that address the process of transferring ownership in the event of a partner's death. These agreements should outline the procedures for valuing the deceased partner's share and the mechanisms for transferring ownership to inheritors or other partners. By having clear guidelines in place, family firms can minimize uncertainties and potential disputes that may arise during such transitions.

Contingency planning and succession strategies: Family firms should develop contingency plans and succession strategies to address the potential sale of a deceased partner's share. This involves identifying potential successors or buyers, considering the financial implications of such transactions, and establishing a framework for smooth ownership transitions. Planning ahead allows the business to navigate the process more effectively and maintain stability during times of change.

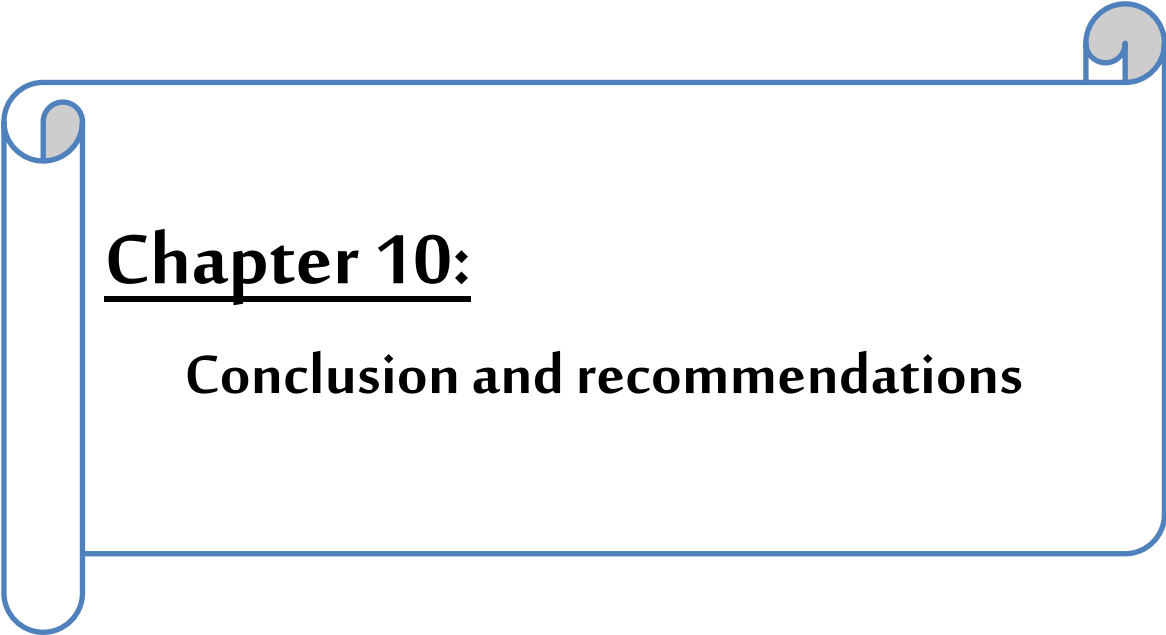
Professional legal and financial guidance: Seeking professional legal and financial guidance is crucial when addressing partnership issues related to inheritance and the sale of a deceased partner's share. Lawyers and financial advisors with expertise in family business dynamics can provide valuable insights, help navigate complex legal processes, ensure compliance with inheritance laws, and facilitate fair and smooth ownership transfers. Their expertise can help protect the interests of all parties involved and minimize potential conflicts.

Open and transparent communication: Effective communication is key in addressing partnership issues stemming from the sale of a deceased partner's share. Openly discussing the intentions and expectations of all involved parties can help foster understanding and cooperation. Clear and transparent communication channels ensure that everyone is informed about the process, mitigating misunderstandings and potential conflicts. Regular meetings and discussions can enable partners to address concerns, align their objectives, and work together to achieve the long-term sustainability of the business.

Maintaining relationships and preserving the business's vision: When a partner's share is sold due to inheritance, it is important to focus on maintaining relationships and preserving the business's vision and values. Engaging in open dialogue, negotiating mutually agreeable terms, and finding common ground can help protect the business's identity and culture. Proactively involving all relevant parties in decision-making processes fosters a sense of ownership and commitment, enabling the business to navigate partnership issues more effectively.

Continuous evaluation and adaptation: Family firms should regularly evaluate and adapt their partnership agreements and succession plans to reflect changing circumstances, family dynamics, and legal requirements. This ensures that the business remains resilient and adaptable in the face of partnership issues. By periodically reviewing and updating these documents, family firms can proactively address potential challenges and seize opportunities for growth and continuity.

By implementing these strategies, small to medium family firms in Saudi Arabia can navigate partnership issues arising from the sale of a deceased partner's share due to inheritance decisions. By establishing clear agreements, contingency plans, and succession strategies, seeking professional advice, fostering open communication, and preserving relationships, family firms can enhance their sustainability and effectively manage transitions in ownership and partnership structure.



Chapter 10:

Conclusion and recommendations

Conclusion and recommendations

The challenges you mentioned can indeed have a significant impact on the sustainability and long-term success of small to medium family companies in Saudi Arabia. Here are some additional points to consider regarding the challenges faced by family businesses in the region:

Encouraging intergenerational collaboration: To address the issue of older generation control and limited participation from younger family members, it is crucial to foster intergenerational collaboration. Creating opportunities for younger family members to contribute their ideas, perspectives, and expertise helps inject fresh thinking into the business and encourages innovation. This can be achieved through mentorship programs, family councils, and regular forums for open dialogue and idea exchange.

Talent acquisition and retention: Family firms may face challenges in attracting and retaining talent, particularly when there are limitations on compensation and development opportunities. To address this, businesses can focus on creating an attractive work environment, offering competitive compensation packages, providing opportunities for professional growth and development, and showcasing the unique benefits of working in a family business, such as a close-knit and supportive culture.

Succession planning and talent development: It is crucial for family businesses to have a clear succession plan in place to ensure a smooth transition of leadership from one generation to the next. This involves identifying and preparing potential successors well in advance, providing them with the necessary training and development opportunities, and gradually transferring responsibilities. By proactively addressing succession planning, family firms can mitigate uncertainties and maintain continuity.

Strategic planning and focus: Family businesses can benefit from developing a clear strategic plan that outlines their long-term goals, vision, and direction. This involves conducting regular strategic reviews, identifying new opportunities for growth, and aligning the efforts of all stakeholders towards common objectives. By establishing a strategic focus, family businesses can overcome the challenges of limited strategic direction and enhance their competitiveness in the market.

Professionalizing management and governance: Implementing clear management policies, professionalizing decision-making processes, and establishing proper governance structures can help family businesses overcome issues related to decision-making and control. This includes adopting transparent and accountable management practices, setting up formal structures for decision-making, and ensuring that family and non-family members alike have defined roles and responsibilities.

Seeking external expertise and advice: Family businesses can benefit from seeking external expertise and advice to address the challenges they face. Engaging consultants, industry experts, and business advisors can provide fresh perspectives, specialized knowledge, and insights into best practices. These external professionals can assist with various aspects such as strategic planning, governance, talent management, and succession planning.

By adopting a holistic approach that encompasses these strategies, small to medium family companies in Saudi Arabia can overcome the challenges they face and enhance their sustainability and long-term success. By fostering collaboration, attracting and developing talent, addressing succession planning, maintaining strategic focus, professionalizing management, and seeking external expertise, family businesses can navigate the complexities of their operating environment and position themselves for continued growth and prosperity.

References:

1. Curado, C., & Mota, A. (2021, March 31). A Systematic Literature Review on Sustainability in Family Firms. <https://doi.org/10.3390/su13073824>
2. Herrera, J., & Heras-Rosas, C. (2020, December 1). Economic, Non-Economic and Critical Factors for the Sustainability of Family Firms. <https://doi.org/10.3390/joitmc6040119>
3. The Family Firm: Central to the success of the Middle East. (2013, January 1)
4. Oster, E. (2021, August 12). The Family Firm. Souvenir Press. http://books.google.ie/books?id=vAAMEAAAQBAJ&printsec=frontcover&dq=the+family+firm&hl=&cd=1&source=gbs_api
5. Weber, C., & Pete, E. (2012, February 1). The Family Business. Urban Books. http://books.google.ie/books?id=xwc9KDFSew0C&printsec=frontcover&dq=the+family+business&hl=&cd=1&source=gbs_api

الملخص

يتأثر الافتقار إلى الاستدامة في الشركات العائلية الصغيرة والمتوسطة في المملكة العربية السعودية بعوامل مختلفة تشكل تحديات كبيرة لنجاحها على المدى الطويل. سيطرة الجيل الأكبر سناً على القرارات وسيطرة الموظفين القدامى يمكن أن تؤدي إلى اتخاذ قرارات متحفظة، وإعاقة الابتكار، والحد من تكامل وجهات النظر الجديدة. علاوة على ذلك، فإن إحصاء الأجيال الشابة عن المشاركة في الشركة العائلية يمكن أن يؤثر على التخطيط للخلافة ويعوق ضخ الأفكار والمواهب الجديدة.

بالإضافة إلى ذلك، فإن التحديات الناجمة عن توظيف خبرات جديدة ذات رواتب أعلى، ومخاوف تتعلق بالأمن الوظيفي، ونقص التركيز الاستراتيجي تساهم في عدم الكفاءة التشغيلية وإعاقة فرص النمو. إن المشاركة الكبيرة في العمل الإداري، إلى جانب غياب سياسات إدارية واضحة، يمكن أن تؤدي إلى الارتباك، ونقص التوجيه، وتعطيل سير العمل. علاوة على ذلك، فإن الشركات العائلية التي تواجه مشكلات الشراكة، مثل الاضطرابات المحتملة بسبب قرارات الميراث أو التغييرات في هياكل الملكية، تواجه تعقيدات إضافية يمكن أن تؤثر على الاستقرار والاستمرارية.

يتطلب التصدي لتحديات الاستدامة المتعددة الأوجه اتباع نهج شامل يركز على الشفافية والتواصل والتخطيط الاستراتيجي والحل الاستباقي لقضايا الشراكة. ومن خلال تعزيز ثقافة الابتكار، وتمكين الأجيال المتنوعة، وتحديد سياسات واضحة، وتنفيذ آليات رقابة فعالة، يمكن للشركات العائلية الصغيرة والمتوسطة في المملكة العربية السعودية تعزيز مرونتها، والتغلب على العقبات، ووضع نفسها لتحقيق النجاح المستدام وسط بيئات الأعمال المتطورة.

Summary

The lack of sustainability in small to medium-family companies in Saudi Arabia is influenced by various factors that pose significant challenges to their long-term success. Older generation control over decisions and the domination of old employees can lead to conservative decision-making, hinder innovation, and limit the integration of fresh perspectives. Moreover, the reluctance of younger generations to participate in the family business can impact succession planning and impede the infusion of new ideas and talent.

In addition, challenges stemming from the employment of new expertise with higher payrolls, job security concerns, and a lack of strategic focus contribute to operational inefficiencies and hinder growth opportunities. The significant involvement in administrative work, coupled with the absence of clear management policies, can lead to confusion, lack of direction, and disruptions in workflow. Furthermore, family businesses facing partnership issues, such as potential disruptions due to inheritance decisions or changes in ownership structures, encounter additional complexities that can impact stability and continuity.

Addressing these multifaceted sustainability challenges requires a holistic approach that emphasizes transparency, communication, strategic planning, and proactive resolution of partnership issues. By fostering a culture of innovation, empowering diverse generations, defining clear policies, and implementing effective control mechanisms, small to medium family companies in Saudi Arabia can enhance their resilience, overcome obstacles, and position themselves for sustained success amidst evolving business landscapes.