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**The Effect of Modernization and Development on Family Owned Companies in the
Eastern Region**

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Abstract

This paper examines how the modernized company (uses IS and MIS systems) affected the performance of the Saudi family company managers. The paper tracks the managers' performance in holding the management position as one of three statuses: the 1st generation (grandfathers), the 2nd generation (senior sons) and the 3rd generation (grandchildren). The paper hypothesizes that, these 3 generations of managers are present in every family company's decision-making (board of directors) and other senior positions. The study adopted a survey questionnaire as a tool for collecting the data involving 70 Saudi family company managers who are holding different positions. Regarding the criteria of the management performance of the managers are: professionally functioning as managers, maintaining their managerial influence/image; and achieving the company growth. While, the criteria of the "modernized company" the study selected 3 systems of them: Office Automation System (OAS), Management Information System (MIS), and Management Support Systems (MSS). The study concluded that, modernized company systems' use are impacting the family company managers differently according to their generations: the 1st generation (grandfathers), the 2nd generation (senior sons) and the 3rd generation of the grandchildren. It also found that the performance of the 3rd generation of grandchildren managers who are more educated, is better than of the two older generations.

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INTRODUCTION

Leaders and managers are often the focal point of conversation in nearly every Saudi gathering, community, and organization. It is human nature to gossip, criticize, and evaluate others' behavior, especially when our interests are directly impacted by the leader in question. Our educational community is no exception, and there are several leaders who are the subject of our daily discussions. As a result, we have formed our own perceptions of the leaders we directly interact with, as well as a broader understanding of how Saudi managers lead and behave.

This topic was chosen because of the critical role of leadership in Saudi public life, the business environment, and other formal relationships. Leaders in various organizations are tasked with running, inspiring, motivating, and guiding their workforce toward set goals (Abou-Moghli & Al-Abdallah, 2019). Given that the leader serves as the catalyst for such dynamics and interactions, it is important to examine the prevailing Saudi approach to leadership, as it impacts many organizations to which we currently belong, may deal with, or will join in our future careers.

Problem statement

The Kingdom of Saudi Arabia boasts the highest percentage of family-owned companies in the world, standing at 95%, a trend mirrored in the other Gulf 5 countries. However, as time progresses, the original founders of these companies are finding it increasingly challenging to manage the businesses they established. The question arises: Is this situation also prevalent in Saudi Arabia? Are companies in Saudi Arabia managed according to the principle of "the right person in the right place"? To answer this question, a thorough investigation is required. Tracking back and comparing the status of three generations of Saudi participation in the workforce before and after Vision 2030 is crucial. This comparison is outlined in Table 1 below.

Table (1) The 3 Generations of Managers

1st Generation	2nd Generation	3rd Generation
Founding grandfathers	Senior sons	Grandchildren

Significance of the Study:

This study is significant for several reasons. Firstly, it integrates three important topics: modernized business organizations and technology, leadership behaviors, and Saudi Arabia's business culture. By examining these topics together, the study provides a comprehensive understanding of the challenges and opportunities faced by family-owned businesses in Saudi Arabia.

Secondly, the study sheds light on the role of information systems (IS) and management information systems (MIS) as essential components of modern business organizations. Understanding the impact of these technologies is crucial for enhancing the efficiency and effectiveness of family-owned businesses.

Objectives of the Study:

The main objectives of this project are threefold:

- To observe the progress of the Saudi business environment, particularly in the context of Vision 2030.
- To evaluate the common corporate culture of Saudi family companies.
- To highlight the latest technologies used in modernized companies and their impact on national workforce, especially under the changing landscape of Vision 2030.

Research Questions:

- The main research question of this study is: How are technologically modernized company systems impacting the performance of family company managers?
- This main question is supported by several sub-questions, including:
- Is it advantageous or disadvantageous for a family to run and manage its own business?
- How prevalent is the presence of older generations (founding grandfathers and older sons) in the boards of directors of Saudi family companies?
- How do technologically modernized company systems help family company managers overcome gender bias in the workplace?
- Does the combination of modernized company systems and the new generation of managers guarantee the success of a family company?
- Has the Saudi public's perception changed regarding the acceptance of family company managers?

LITERATURE REVIEW

The Saudi social culture and business culture

In Saudi Arabia, the percentage of family-owned businesses stands at 90%, which is higher than anywhere else in the world, as reported by Al-Khaled & Berglund (2018). These businesses, which include large companies, are typically managed either by the owning families themselves or by hired management, with each expected to operate within the legal framework of the business environment. Major companies in Saudi Arabia, such as Ak-Suwaidi, Al-Zamil, and AlRajhi, are examples of family-owned businesses where top positions like CEO, vice presidents, and board members are often held by family members. This raises the question of whether it is more challenging for a family to manage their business or to hire external management, and why this might be the case.

The anomaly of 95% in the private sector's SMEs, along with the significant state-owned entities, combined with an economy that depends on oil revenues by 84%, as noted by Abou-Moghli & Al-Abdallah (2019), contributes to various types, levels, and patterns of corporate culture and behaviors in Saudi Arabia. This presents a three-dimensional financial and corporate reality in Saudi Arabia's capital market, involving state influence, SME performance, and the functioning of the capital market.

Local sources like the Saudi Gazette (Jan 9, 2014) highlight that the predominantly family-owned private sector in Saudi Arabia, accounting for 95% of businesses, is creating socio-economic issues (Kauser & Tlaiss, 2011). This is evidenced by the tendency of managers to hire their relatives for different positions out of a sense of "mercy." In Saudi culture, there is a duty to help family members, and this extends to providing job opportunities or assisting them in gaining admission to college. Hiring relatives is seen as advantageous because it involves selecting someone known well, which saves the need for a "background check."

However, there are counter-arguments against this practice. Sidani (2008) argues that nepotism, which involves favoring relatives, goes against the principle of selecting the right person for the right job. Others also argue against it, stating that it often results in hiring unqualified individuals at the expense of others. Sahaaban (2015) adds that such practices can harm the organization's prosperity, as hiring "non-productive" individuals can negatively impact performance.

Leadership skills and traits

The study of leadership encompasses theories that classify the types of leadership styles, the traits that distinguish leaders from followers, and how leaders behave in various situations (Brusseovich, Dabla-Norris & Khalid, 2019). This framework applies to Saudis as well, as leaders are tasked with overseeing work, motivating their team, and inspiring them to achieve their best. The cultural context to which leaders belong, particularly in the case of Saudi Arabia, plays a significant role in shaping leadership behaviors.

Leadership is seen as the ability to inspire, motivate, and guide followers toward a common goal, and this ability is influenced by culture (Fallatah & Dickins, 2012). Both leaders and followers are influenced by their inherent cultural characteristics, which shape their behaviors. Therefore, understanding leadership in the context of Saudi culture provides insights into how Saudi managers and leaders behave, the leadership styles prevalent among Saudis, and how they differ from leaders elsewhere.

The environment in which a leader operates also significantly impacts their behavior (Beto-Faye, 2024). By examining the interplay between a leader's style, the cultural context, and the environmental characteristics, we can develop an understanding of the "Saudi version of leaders." This concept refers to a distinctive leadership style and behavior pattern exhibited by Saudi leaders, regardless of their level of professionalism or the nature of their environment. Even in highly professional environments like Saudi Aramco, there is a distinct Saudi leadership framework that sets Saudi leaders apart from leaders in other contexts.

Technologies in modernized company

An article by Asongu et al. (2019) analyzed inequality, information technology and inclusive education in Sub-Saharan Africa. The authors contend found that countries with greater levels of gender inequality also had higher levels of information technology usage and greater access to education. This suggests that technology can play a key role in reducing gender inequality by promoting greater access to education for both men and women. These findings are supported by Beto-Faye, 2024) in his study examining IT and gender diversity in power sector utilities. The authors argued that power utilities should promote gender diversity in order to improve efficiency and reduce costs. Their study suggested that power utilities should create gender-sensitive organizational structures and explore opportunities for training and education for Family Companies employees. The advantages that managers get from using MIS systems are illustrated by Beto-Faye (2024) in the Table 2 below

Table 2. Basic MIS Systems for Managers

OAS Office Automation System	ECS Enterprise Collaboration System	MSS Management Support Systems
● It is a communication and other office functions' hub that combines IT and IS systems. ● It connects departments and administration and enables communicating and sharing vital messaging.	● It is a system that enables co-working via IT technology (email, chat, video conferencing etc.) ● It helps communicate, share resources and co-ordinate work effort.	● Overseeing and managing business operations, ● Department performance Automate tasks (integrates with IT) ● Output data for decision-making.

As a justification as Beto-Faye (2024) says only 3 MIS systems are selected to focus on because they are commonly used in most companies. They are used in developing this 2-component framework analytical tool because of two reasons. First, the 3 MIS systems require the minimum or basic MIS knowledge for a standard manager (not specialized in IT). Secondly, these 3 MIS systems are the most essential in managing an organization. Therefore, this 2-component theoretical framework tool enables obtaining the data collected from the literature review findings and analyzing it.

METHOD OF RESEARCH

This study employs an empirical qualitative research method. Tan-hu (2017) defines empirical research as a type of study "based on observation and measurement of phenomena, as directly experienced by the researcher." This method is well-suited for this study, similar to a case study, as it involves a small sample group in a closed environment, focusing on non-quantifiable aspects. In the empirical qualitative approach, the researcher does not participate directly but can devise specific data collection instruments for the sample. This method is appropriate for this study because it allows for close observation of the experiences of the participants (Saudi females) and enables better understanding of the situation.

Instrument of data collection

The instrument is a survey questionnaire form of 5 questions that the researcher has carefully designed to cover the topic of the study. The questionnaire form offers the participant Likert Scale's 4 degrees of agreement to choose.

The data targeted by this research method, is of two main types: 1) primary data from the 70 family company managers and their experience with managing with the MIS systems; 2) secondary data from the literature on the current Saudi work environment, 3 generations work status and other facts related to the change.

Table 3. Types of Collected Data

Secondary data sources	Primary data sources
Statistics of family company Managers	surveyed 70 family company managers' responses
Literature on family company manager's success, performance	
Literature on the main IS and MIS systems used by managers	

Scope of the study

The geographic scope of this study is the Eastern Province of Saudi Arabia. Whereas, the human scope of the study is all the male and female Saudi who are leading senior positions (managers, department heads) as well as persons who are familiar with them. While the time frame of the study is April 2024.

RESULTS

All the surveyed 70 managers answered the 5 survey questions and their recorded responses have been extracted from the online platform. Even though not all who answered the survey questions were manager, their responses were out of experience and narration covered all the areas that were targeted by each question.

Part#1 Demographic result

Age:	☐ 20 or more (0) ☐ 30 or more (20) ☐ 40 or more (45) ☐ 50 or more (2)
Managerial status	☐ Business owner (15) ☐ Child of business owner (55) ☐ Business owner's relative (20)
Sex:	☐ Male (45) ☐ Female (25)
Years of service:	☐ 2 year or more (10) ☐ 5 years or more (60)
Managerial level	☐ CEO (0) ☐ GM (30) ☐ CFO (0) ☐ VP (10) ☐ Head of Dep. (30)
Education	☐ School-leaver (0) ☐ Diploma/tertiary (0) ☐ BA degree (45) ☐ MA degree (25)

Part 2: Survey Questionnaire

Q#1	Do you support that career succession helps the company develop?	61	87.6%
Q#2	The position of company developer must be from outside the family?	33	47.2%
Q#3	Emotional ownership among family members to develop the company?	57	82%
Q#4	Is the entry of family company shares into the financial market considered development?	32	47.2%
Q#5	The development of family company is better than the development of other companies?	41	54.2%

From the results in Table 2 above the highest was to Question #1 that asked whether the managers supported the idea that career succession helps the company develop by 87.6%. Whereas the second to the highest response was to Question #3 that asked whether the managers found emotional ownership among family members to develop the company with 82%.

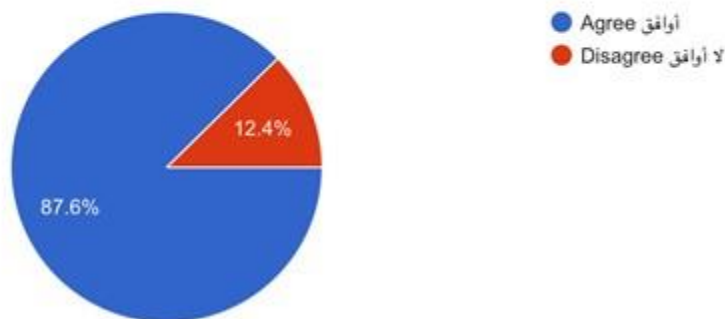
RESULT DISCUSSION

In this section of the paper, the obtained responses data is of the 70 managers are going to be interpreted by the theoretical framework analysis tool. Then, findings will be drawn under each of the pre-set 5 premises.

Survey Question#1

Do you support that career succession helps the company develop

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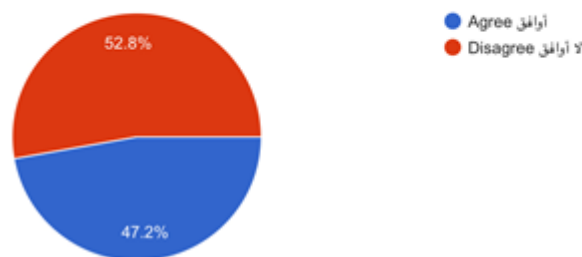


In responses to the Question #1 as whether the managers think the support that career succession helps the company develop, 61 of them agreed or by a parentage of 87.6%.

A finding can be drawn from this response which is that, a high majority of the managers agree with a non-relative manager is better in terms of succession and HR flow even though they are relatives of the owners-founders of the company. This response can also be linked to and explained by Abou-Moghli & Al-Abdallah (2019) statements that the career succession (the organizational structure) changed to the better after the 2nd generation of senior sons took leadership unlike during the 1st generation of grandfathers, especially with the help of IT systems like MIS.

Survey Question#2

The position of company developer must be from outside the family?



In responses to the Question #2 as whether the managers think the position of company developer must be from outside the family, 33 of them agreed or by a percentage of 47.2%.

A finding can be drawn from this response which is that, non-relative managers can also be a good just they are or even better in running the company. This response can also be linked to and explained by Dabla-Norris & Khalid (2019) statements that the new (3rd generation of grandchildren) has less family attachment and accept hired-managers more especially with the MIS system that help them to supervise the company's operations.

Survey Question#3

emotional ownership among family members to develop the company



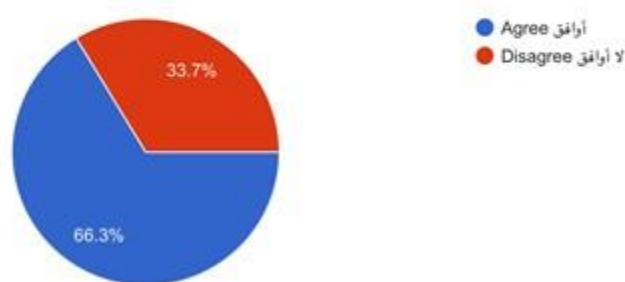
In responses to the Question #3 as whether the managers think emotional ownership among family members to develop the company, 57 of them agreed or by a percentage of 82%.

A finding can be drawn from this response which is that, the relatives who are more attached to the company than non-relatives helps in developing the company. This response can also be linked to and explained by Awan (2016) statements that the new 3rd

generation of grandchildren have become more practical than emotion in running their companies unlike the 1st generation of grandfathers and the 2nd generation of senior sons who are less familiar with IS and MIS systems.

Survey Question#4

The development of family company is better than the development of other companies



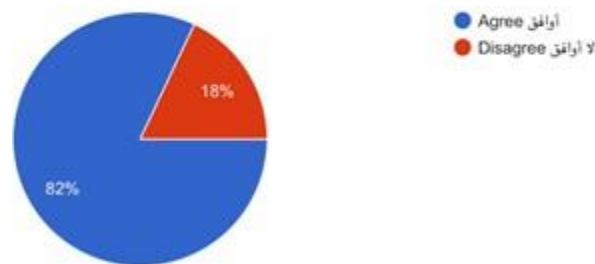
In responses to the Question #4 as whether the managers think the entry of family company shares into the financial market considered development, 32 of them agreed or by a parentage of 47.2%.

A finding can be drawn from this response which is that, it is agreeable that entry of family company shares into the financial market considered development. This response can also be linked to and explained by Fallatah & Dickins (2018) statements that the financial market is most business activity that requires MIS system and it is one of the reasons that the 1st generation of grandfathers stepped down from the company's board of directors.

Survey Question #5

In responses to the Question #5 as whether the managers think the development of family company is better than the development of other companies, 41 of them agreed or by a parentage of 54.2%.

Is the entry of family company shares into the financial market considered
development



In responses to the Question #2 as whether the managers think the position of company developer must be from outside the family, 33 of them agreed or by a parentage of 47.2%.

A finding can be drawn from this response which is that, outside managers who are not relatives can still develop the company just as well. This response can also be linked to and explained by Al-Khaled & Berglund (2018) statements that, with the introduction of the “virtual business environment” and other IT systems besides cloud computing, more hired (non-relative) managers are replacing the 1st generation and the 2nd generation.

SUMMARY

It can be concluded that, modernized company system's use has different impacts on the 70 family company managers. The first factor of the relative impact is co-relationship between the generation of managers and the MIS technology use. Therefore, the 1st generation of grandfathers disappeared from the company's board of directors. Whereas, the 2nd generation of senior sons have changed they become more open to hiring non-relative managers and it is even more with the 3rd generation of grandchildren. Also, the performance of these managers differ at all their three levels: professionally in functioning as managers, in maintaining their managerial influence/image; and in achieving the growth of the company. In all these levels of performance the new 3rd generation of grandchildren who embraced technology and have access to the latest MIS systems of modernized company; ECS, MSS and DSS, become less emotionally and family attached to the company.

RECOMMENDATION

In this light of this I would like to extend a recommendation for my fellow students. My recommendation is another study to be done by a co-student on the subject of how the Saudi female managers are performing in the technologically modernized company. Such study is important because there is also another change besides the technological one which is the entry of Saudi women in the leadership field after Vision 2030 reforms.

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