ID: 20050020

Internationalization of Family Businesses in U.A.E.

By

Amer Khansaheb

A thesis submitted in partial fulfillment of the requirements for the degree of

MSc in Project Management

Faculty of Business

December 2008

Abstract

Family Businesses (FBs) are the backbone of the UAE economy as they contribute to more than 90% of the economic activity in the country. Due to the heavy weight of FBs in the UAE economy, and the

need for local companies to go international I chose “Internationalization of Family Businesses in UAE” as a topic for my dissertation.

FBs are very vulnerable to time; many people involved in FBs believe that only 70% of Family Businesses make it to the second generation and around 10% make it to the third generation.

This research paper aims at outlining the growth factors for Family Businesses to grow into international businesses. It will further investigate the importance of those factors to FBs in UAE that are seeking internationalization.

In this report I have used the following definition by Naldi et al. (2007) to define a FB: firms where one family group controls the company through a clear majority of the ordinary voting shares, the family is represented on the management team and the leading representatives of the family perceives the business to be a FB.

The literature review revealed that for a FB to become international it should have the capacity to sustain growth. The factors contributing to sustainable growth in FBs are: assure fresh strategic insights, attract and retain excellent non-family managers, create a flexible and innovative organization, create and conserve capital, prepare successor for leadership, and exploit the unique strategic advantages of family ownership.

In my research I chose to use the case study approach. Some of the unique advantages that case studies offer are the ability to understand the nature and complexity of the situation and it is an appropriate way to research an area in which few previous studies have been carried out.

The criteria of selection used are for the Company to have been created via an entrepreneurial venture by the Emirati owner, and where the owner or owning family is involved in managing the business.

Only three companies accepted to participate in the case study; one has only domestic presence with no intent to go international, a second with only domestic presence but intends to go international in the future, and a third that already generates 30% of its revenue from its international operations. The case studies were conducted through semi structured interviews with high level management.

The case study was successful in establishing a positive relationship between three of the factors for sustaining growth of FBs, they are: Assuring fresh strategic insights, attracting and retaining excellent non-family managers, and creating a flexible and innovative organization. As for the other three factors, the case study did not succeed to establish any relationship with the ability to sustain growth.

Table of Contents

Introduction

ID: 20050020

The UAE economy has grown at a very fast pace over the last few years putting it among the fastest growing emerging markets. Joining the World Trade Organization, which is the intent of the UAE government, would only add to its growth. However, this would bring great challenges to domestic industries as multinational firms would be able to freely trade and do business in the country. Hence, it is essential that the local companies restructure and prepare themselves for the upcoming competition. I believe the best way for the local companies to survive is if they grow their business to become international businesses. This would allow them to gain economies of scale and acquire new technologies, thus, putting these companies at a more competitive position in the market. Family Businesses (FBs) are the backbone of the UAE economy as they contribute to more than 90% of the economic activity in the country (Dr. Ratab et. al, 2005). Due to the heavy weight of FBs in the UAE economy, and the need for local companies to go international I chose “Internationalization of Family Businesses in UAE” as a topic for my dissertation.

Family Businesses in the UAE economy dominate many key sectors including automotive, real estate, fashion, and retailing making them the fabric of the UAE economy. Due to the private nature of these FBs, it is very difficult to know the exact size of these conglomerates/ companies or their performances. However, their public assets do give a rough indication. There are FBs that range from very small businesses to billions of dollars worth businesses. However, FBs tend to go into fragile structures that are susceptive to collapse as efficiency gets hampered by internal family conflicts and feuds, and a patriarchal control structure. The biggest challenge to family businesses, however, comes from within. Many people involved in FBs believe that only 70% of Family Businesses make it to the second generation and around 10% make it to the third generation (Private communication with key business leaders in FB).

Considering the free trade economy as a “Coming Soon” destination for UAE’s economy, it has become essential that those FBs seek internationalization to be able to survive the competition it would face, and hence, preserve the backbone of UAE’s economy. As the business world is changing towards globalization and freedom of trade, local companies are experiencing more and more pressure in terms of high level of competition and market saturation. Organizations ought to seek revenues outside the borders of their country of origin if they were to maintain good growth levels.

During recent years, a significant development within the broad internationalization trend has been the increasingly active role played by small and medium-sized enterprises (SMEs) in international markets. The internationalization of SMEs can be expected to gain further momentum because the world economy is becoming increasingly integrated with continued declines in government-imposed barriers and continued advances in technology. By leveraging their resources in different markets, firms are in a position to capitalize on market imperfections and achieve higher returns on their resources. Conceptually, several economic benefits can be gained by exporting. The most obvious are gains related to scale and scope economies. Aside from the benefits gained from the internationalization of proprietary asset exchange across international borders, Foreign Direct Investment (FDI) in diversified locations enables a firm to leverage various location-based advantages, such as a competitively priced labor force, to have access to critical resources and to develop new knowledge and capabilities that enhance its international competitiveness. However, FDI requires a greater level of resource commitment in foreign countries, as a capital would have to be deployed, than exporting and is more difficult to reverse. It is also less flexible than exporting in coping with investment hazards such as political instability and fluctuating market conditions in host countries.

It is reasonable to say that most economists would agree that increasing openness and globalization brings all round benefits. Benefits to the exporters include employment and additions to GNP. Counter-intuitively, there are probably more benefits flowing to the importing country which manages to get access to technology or products which could not be produced locally with efficiency. A good example on this would be the case of the Japanese contractors, as their success in the Asian region, can be attributed to their technological superiority, their financial capacity, and their skills of forming strategic alliances with host governments and local firms (Raftery et al., 1998). The success was also strengthened by the indispensable presence of their government's string industrial policy giving aid and assistance to construction. Therefore, it is important to understand that for local companies to go international requires a collaborative effort from the government and the companies themselves. Governmental efforts include providing advice and political support to companies seeking internationalization, in addition to capital and other needs. Company efforts include having the appropriate structure and system in place. In this report I will discuss the internal efforts/ measures FBs could take to assist them in going international.

Aim

This research paper aims at outlining the growth factors for Family Businesses to grow into international businesses. It will further investigate the importance of those factors to FBs in UAE that are seeking internationalization.

Objectives

The objectives paving the way to meet the above mentioned aim are:

- Outlining the growth factors for family businesses to sustain growth and achieve internationalization
- Identify the characteristics of family businesses.
- Identify the difference between a family business and a non-family business.
- Conduct a case study to investigate the compliance of UAE FBs with the highlighted growth factors.
- Qualitatively assess the important of the highlighted growth factors to the FBs in UAE that are seeking internationalization.

ID: 20050020

Literature review

ID: 20050020

Family businesses

A number of researchers have worked to identify a set of characteristics that define a family business however, no formal rigid set have been put forward. FBs differ with respect to the level of ownership, control and involvement in the business. Sharma (2004) identified two main categories of stakeholders in family firms; internal stakeholders and external stakeholders. Internal stakeholders are directly linked to the firm through employment, ownership, or being a member of the family. While external stakeholders are not directly linked to the firm but have the power to influence the success and prosperity of the business. The level of interaction of these stakeholders with each other and with the business differ drastically from one FB to the other, causing a great difficulty to unanimously define a FB. However, before discussing the different definitions of a FB we should first understand the development model of a FB. Ward (1987) proposed a three stage development model for a family business. In the first stage, there will be one decision maker (i.e. the owner/manager) leading to consistency in the business and family needs. In the second stage, the weight of needs shift towards the family as the children grow, and the owner's goal becomes to secure a good life for his family. The last stage is the most complex, as the owner grows old and might get bored or retire, the aim of the family members is to maintain the family harmony rather than grow the business.

Sharma (2004) suggested three definitions of family businesses that differ in their stringency: the least stringent is that the family retains the voting control over the firm's strategy, the second definitions is the family is directly involved in the day-to-day running of the business, and the most stringent is the family retains the voting control with multiple family generations involved in the day-to-day running of the business. Sharma, Chrisman & Chua (1997) came up with the following definition: "A business governed and/or managed on a sustainable, potentially cross-generational, basis to shape and perhaps pursue the formal or implicit vision of the business held by member of the same family or a small number of families". According to Poza, Alfred & Maheshwari (1997) family business are described as having unique firm cultures; they seem to organize around informal and personal trust-relations to a greater extent than do other kinds of organizations. Davis & Harveston (2000) characterized family businesses by having the entrepreneur founder as the president or CEO of the firm. Naldi et al. (2007) viewed family firms as a contextual hybrid – a unique combination of two sets of rules and values, and expectation: the family's and the business's. They argued that family firms share certain characteristics that render them unique in terms of patterns of ownership, governance, and succession. For instance, owner-families share the desire for ownership control and the continuity of family involvement in the firm. In this report I have used the following definition by Naldi et al. (2007) to define a FB: firms where one family group controls the company through a clear majority of the ordinary voting shares, the family is represented on the management team and the leading representatives of the family perceives the business to be a family firm.

Sharma (2004) presented a scale to measure the extent of family involvement in the business; it compromises of three subscales which are power, experience and culture. The power scale relates to interchangeable and additive influence of family power through ownership, management, and/or governance. The experience relates to the breadth and depth of family member's dedication to the business. And the culture scale relates to the family's commitment to the business and values.

Studies have shown that FBs are different from non FBs across many dimensions such as entrepreneurial activities undertaken, performance, and perception of environmental opportunities and threats, and are the same on other dimensions such as strategic orientation and sources of debt financing, Sharma (2004) and Chrisman et al. (2005). The reason for this stems from the unique business model of a family business; as suggested by Feltham et al. (2005) FBs are highly dependent on a single decision-maker. In addition, unlike non FBs, FBs are personalized to the owners' desires and thus, could have different values. Poza, Alfred & Maheshwari (1997) argued that family businesses differ from publicly held companies in that FB owners often work and manage in a way that maximized flexibility and avoids costly personnel redundancies. In addition, Chrisman et al. (2005) distinguished five sources of family firm capital: human, social, survivability, patient, and governance structure. Family firms evaluate, acquire, shed, bundle, and leverage these resources that are different than non-family firms. Chrisman et al. (2005) found that it is believed that these differences allow family firms to develop competitive advantages.

Due to the tailoring of a FB to the owner's likes and dislikes, the key performance indicators for a FB could differ significantly than that for a non-FB. Often, ownership transition and efficiency of the family business system, rather than wealth creation and financial performance, are used to monitor successful performance (Sharma, Chrisman, & Chua, 1997; and Craig & Moores, 2006). There is an overlap between managing the family and managing the business in a Family business. The key to success, Sharma (2004), in such businesses is more dependent on the effective management of this overlap rather than the management of resources and processes. Sharma (2004) suggested two dimensions in a family business; family dimension and business dimension. Good performance on the family dimension indicates high cumulative emotional capital, while good business performance indicates high cumulative financial capital. Sharma (2004) further suggested that women are related to the success of family businesses through managing the emotional capital.

In the UAE, the majority of women in family firms occupies the role of a household manager, and is not involved in the operations of the firm. However, Muse & Oswald (2006) suggests that women can provide the emotional reservoir to be drawn on for efficient conduct of the business and management of relationships among family members. The wives, mothers and daughters play a great role in family conflicts; they have the power to initiate a conflict as well as eliminate one. If it was used astutely, their observations, intuition, and emotional capital can make a difference between the success and failure of a family firm. Rutherford, Muse & Oswald (2006) found that firms with higher family divorce rates suffered from lower sales revenue and were significantly younger than firms with lower family divorce rate.

FBs are characterized by ownership and control coupling; whereby the owner is the same person managing and controlling the business. In many cases the owner would be the CEO of the firm. Ownership and control coupling has both positive and negative effects on the business, it depends on the owners' awareness and capability to leverage on the strength derived from this coupling. Sharma, Chrisman & Chua (1997) suggested some advantages and disadvantages of ownership and control coupling. The advantages of coupling ownership and control is having reduced agency costs, reduced need for third party monitoring and supervision. While the disadvantages of this is that managers may be chosen on the basis of family ties rather than on basis of their expertise and qualifications, there may be limited managerial capacity to coordinate the activities of functional areas or perform detailed capital budgeting, and such firms may be at disadvantage in capital intensive and technological dynamic industries. Redding (1990) suggests that firms with coupled ownership and control make little use of financial control mechanism and lack the means of monitoring and detecting effects of strategic adjustments. Carney & Geajlovic (2002) suggested that coupling of ownership and control in Honk Kong is associated with lower capital expenditure, and strong financial liquidity. Firms with families who had a higher percentage of their net worth invested in the company benefited from higher sales revenue, more full-time employees, and higher growth rates. Anderson et. al. (2003) suggest that family control has a positive impact on value because family firms typically have longer planning horizons that result in valuable investment strategies.

Chrisman et al. (2005) found that altruism and entrenchment, combined with intentions to maintain family control, can influence FBs’ behavior in ways that nullify the value of existing capabilities, prevent or retard the development of new capabilities, and make cooperation dysfunctional. Owners’ Tendency toward altruism can manifest itself as a problem of self-control and create agency costs in family firms due to free riding, based parental perception of a child’s performance, difficulty in enforcing a contract, and generosity in terms of perquisite consumption, Schulze et al. (2001, 2003). However, these agency problems cannot be controlled easily with economic incentives because members of the family could already be shareholders in the firm. Studies have shown that reciprocal altruism can exist (both family owner and family manager are altruistic towards each other) and be symmetrical (equally strong reciprocal altruism); giving the family firms competitive advantage in pursuing business opportunities by having lower reservation costs, lower overheads, flexible decision making, and minimal bureaucratic processes, Chrisman et al. (2005). They further found that entrenchment in the context of agency theory is permitting the managers to extract private benefits from the owners; Morck et al. (1988) show empirically that management entrenchment decreases firm value. Chrisman et al. (2005) also suggests that contingencies such as the generation managing the firm, the extent of ownership control, corporate and business strategy, and industry appear to have some influence on whether the entrenchment and altruism influence is positive or negative. Harris & Ogbona (2005) highlighted four types of agency problems between owners and managers, they are: potential clash of expectations regarding management effort as managers may exert less effort than stockholders expect, difference in strategy time horizons between managers and owners, difference in degree of risk averse between owners and managers, conflict regarding asset use as managers may have the incentive to misuse assets consuming what stockholders could view as excessive benefits.

Naldi et al. (2007) found that family firms are likely to handle risk differently than other types of firms because of the ownership and control coupling. Zellweger (2007) suggested that strategy in family firm are more long term oriented than in a non-family firm which can reduce its cost of capital and thus, family firms can invest in more riskier projects than can non-family firms. This gives family firms an advantage over non-family firms; as strategic planning and debt to equity ratios are positively related to sales and growth, Rutherford, Muse & Oswald (2006).

Scholars disagree to what extent family firms constitute an organizational context that supports or constrains an entrepreneurial orientation, Naldi et.al. (2007). Family firms are often characterized as conservative, resistant to change introverted, contradicting what would be considered entrepreneurial. The reasons for this is that management tend to have most of its wealth invested in the firm and so bear the full financial burden of failed investments, hence there is a fear of losing family wealth created over a long period of time. Consequently, necessary but risky strategic decisions, such as international expansion, the launch of new products, or committing resources to R&D, are postponed due to concerns over the growth of the family wealth. In addition, the family name and reputation often built up over several generation, might be compromised. However, recent empirical research has shown that entrepreneurial activity is a common characteristic of many family firms. Naldi et.al. (2007) argues that entrepreneurial activities in FBs do involve taking risks, but to a lessor extent than in non-FBS. If family firms generally are characterized by less internal and external formal monitoring, risk taking in family firms is likely to mean that these firms makes decisions that are less based on closely calculated risks; less grounded in a systematic, unbiased way; and with less incorporation of outsiders’ perspectives and opinions. This lack of more formal monitoring and control, and systematic collection and analysis of information can result in family firms investing in projects without thoroughly considering the pros and cons in terms of risk.

Zahra et al. (2004) found that some researchers suggest that the unique interactions between the family subsystem, the business subsystem, and the individual organizational members, generate a bundle of unique resources and capabilities. The outcome of these interactions has been referred to as familiness, a variable that can differentiate the firm, resulting in a competitive advantage, as suggested by the Research Based View (RBV). Tokarcyzk et al. (2007) suggests that familiness plays a positive and significant role in the overall long-term financial success of family firms. It was associated with the creation of an environment that has a market-oriented culture.

Growing a family business is not an easy task. The pool of people to choose a successor from is very limited, in addition family problems which are bound to happen in any family could impact the success and sometimes the existence of the business. Ward (1997) has put forward a set of guideline for FBs to follow if they were to sustain their growth. However, he also argued that some FBs have survived without adhering to those guidelines; because: first, the non-growing firms that have survived have kept ownership in one person's hands, rather than evolving offspring partnerships or firms held widely by variety of family members. In general, ownership by one family member who leads the business significantly increases the chance of growth and survival. Second, the nature of their business and industries have spared them much competitive or technological change. In sum, most of the long-lasting survivors have avoided many of the business and family challenges faced by both family and non-family businesses. Ward (1997) found that family firms that have grown the most over time follow a certain path: each generation of leadership brings to the business new strategic ideas that build on underlying, long-held competencies developed in earlier strategies. In addition, ownership control rests with one family manager, or if not one, as few as possible.

Internationalization

The size of the UAE FBs in general when compared to the size of international companies working in UAE is considered small. Some believe that a company's ability to develop know-how and sell their products on international markets is seriously jeopardized by diseconomies of scale when the degree of specialization of the skills cannot reach a certain threshold. However, others believe that size has no restraint in the international competitiveness of small firms, both because of their important contribution to the trade balance of their respective countries and because sales abroad have been shown to be unaffected by firm size. The capital intensity of the industry could play a great role in factoring size as a barrier to go international. Irrespective of the size, the reasons why a business should go international include: increasing long term profitability, maintain shareholder's return, diversify risk, balance growth, increase short term profitability, avoid saturation in established markets, make better use of resources, and to increase turnover.

Internationalization could be achieved through two ways: either FDI, where the company would directly deploy and invest its capital in another country, or exporting, where the company would manufacture domestically and sell its products overseas. From an organizational economic perspective, there are many benefits that could be attained from exporting, these include: spreading the business risks across different markets and ventures; improving technology, quality, and service standards in the organization; generating more revenues and funds for reinvestment and further growth; exploiting idle operating capacity and improving production efficiency; and attracting and rewarding shareholders and employees through the creation of a better profit base. Obstacles such as internal organization weaknesses, strategic business flaws, home country deficiencies, and host-market problems are responsible for: many small indigenous firms viewing exporting with great scepticism, and refusing to engage in activities abroad, neophyte exporters developing a negative attitude toward exporting and thinking of withdrawing from overseas operations, and experienced exporters suffering from deteriorating performance which even threatens their survival in international markets (Leonidou and Katsikeas 1996; Meisenbock 1998). Barriers to exporting refer to all those constraints that hinder the firm's ability to initiate, to develop, or to sustain business operations in overseas markets. Barriers to exporting could be broken down into internal barriers (functional, informational, and marketing) and external (procedural, governmental, task, and environmental). In general, internal barriers found within the country base of the exporting firm are more controllable and are easier to manage, as opposed to external problems occurring abroad.

Going international is not a process to be rushed through. FBs should carefully plan this step. The three major factors to be analyzed are: ownership, location and internationalization. Internationalization of firms is related to the firm's strong competitive advantage in its home country, due mainly to control of proprietary technologies and strong brands. The choice of country to transfer assets to depends mainly on its similarities with the home country, and, in the case of FBs, could depend on the availability of a family member in that country who will be able to supervise the company's operations. This is not the case for non-FBs. Previous research on the performance of British construction companies in international markets during the period 1990-1996 indicated that the major share of their overseas activities appear to be conducted within developed, rather than developing regions, Crosthwaite (1998). The reasons given by respondents for their overseas workload favouring developed countries were: a secure environment in which to evaluate risks; financial security; and less corruption. Conditions considered important by survey respondents for working in a particular country overseas (in order of importance) are: political stability and potential economic growth, levels of foreign competition, levels of indigenous competition, potential project size, growth of market, potential for future projects, size of market, home country links, openness of market, language similarities, and long association with market. However, generally foreign direct investments (FDI) inflows are determined mainly by market size, physical and political infrastructure, education levels, and income per capital. Large internal markets, effective and efficient transportation and communication systems, effective governance at the political and economic levels, and well educated workers all contribute to location advantages. In the case of Chinese Family Enterprises (CFEs), Erdener & Shapiro (2005) have considered the enterprises that are outside china and internationalize by going to china. In this case the location and ownership advantages align, "Internalization advantages refer to the ability of a firm to leverage abroad its domestic advantages by internalizing markets", Erdener & Shapiro (2005). They found that CFEs retain hierarchical organizational control over its proprietary assets as it expands internationally to capitalize on its intangible human capital assets.

FBs tend to have a more local culture which drives them to operate the business locally and employ managers without international experience. Further, FBs are accustomed to having a functional, hierarchical responsibility structure with managers who are not very integrative and often "resist" the incorporation of international activities.

From previous studies (Gallo and Estape,1992; Luostarinem and Gallo, 1992; Gallo and Sveen, 1991) three kinds of factors can be identified that enable or limit the internationalizing process for family firms. The first set of factors is external. These factors are those associated with competitive characteristics of the firm and its environment, opportunities abroad or at home, and whether or not the firm's technological level is adequate to foreign competition. The second set of factors stem from the internal organization of family firms. One of the key aspects of family businesses is how they deploy family members in their operations. Consequently, the availability of family members willing to work towards internationalization is also important. The third set of factors depends upon the attitudes of the top management. In family owned businesses these attitudes are especially important given the usual dual-authority structure of family and business. The strategic orientation of products targeted for the local market, when coupled with an inadequate level of technology, seems to be the principal cause of the perception of rigidity towards internationalization of the FB. The multigenerational FBs are those which show the greatest levels of internationalization. Family businesses reduce international uncertainty through the use of foreign based family members. However, this uncertainty can be compensated by the willingness of the managers to take on calculated risk through the establishment of strategic alliances as a means to enter into other markets.

International projects tend to be subjected to external risks such as unawareness of social conditions, economic and political scenarios, unknown and new procedural formalities, regulatory framework and governing authority, etc. International project risks could be classified into three broad levels: country, market and project levels. Country level risks are seen as a function of political and macroeconomic stability. Market level risks, for a foreign firm, include technological advantage over local competitors, availability of resources, complexity of regulatory processes and attitude of local and foreign governments towards the specific industry while project level risks include logistics constraints, improper design, improper quality control and environmental protection. Wang et al. (2004) categorized international construction risk into three levels: 1) country level- includes approval and permit, change in law, justice reinforcement, government influence on disputes, corruption, expropriation, quota allocation, political instability, government policies, cultural differences, environmental protection, public image, force majeure, 2) market level – includes human resource, local partner's creditworthiness, corporate fraud, termination of joint venture, foreign exchange and convertibility, inflation and interest rates, market demand, competition, 3) project level – include cost overrun, improper design, low construction productivity, site safety, improper quality control, improper project management and intellectual property protection. Wang et al., (2004) suggests that there is a relationship among risks at different levels. The country level risks are influencing both the market and project levels risks, while the market level risks are influencing the project level risks. The country level risks are therefore most dominant and at the highest hierarchical level while the project level risks are relatively the most dormant and are in the lowest hierarchical level. 28 critical risks associated with international construction projects in developing countries were identified, of which, 22 were evaluated as critical or very much critical based on a 7 degree rating system. The top 11 critical risks are: approval and permit, change in law, justice reinforcement, local partner's creditworthiness, political instability, cost overrun, corruption, inflation and interest rates, government policies, government influence on disputes and termination of JV. The risks at country level are more critical than at the market level and the latter are more critical than that in project level.

Internationalizing can be considered entrepreneurial in that the firm is proactively and aggressively engaging in processes that emphasize opportunity creation and/or discovery, evaluation, and exploitation. Understanding how managers perceive the barriers to internationalization is particularly important as managerial attitudes and preferences are at the core of internationalization activities. In small size economies, for significant growth to occur, firms need to operate successfully in international markets. The barriers to internationalization can be categorized into five broad areas: financial, managerial, market-based (including both domestic and international markets), industry specific and firm specific. Those barriers to internationalization can exist at any stage in the internationalization process. Shaw and Darroch (2004) included 46 barriers to internationalization in their study. They concluded that the managers in New Zealand, whether they export or not, perceive the main five barriers to internationalization as being limited financial resources, the high costs of selling abroad, limited access to capital, limited knowledge of overseas market opportunities and the lack of New Zealand government assistance/incentives to export. The main barrier for non-exporters appears to be firm size – as the participants in this study perceive their firms to be too small to internationalize. Those who say they plan to expand overseas in the next two to three years are genuine potential exporters. They appear to have made some efforts to explore international opportunities.

At the beginning of internationalization, an entrepreneur is subject to the liability of foreignness which stems from doing business outside the firm's home country. This liability means that the global entrepreneur may incur higher costs than local competitors, and is related to increasing transaction and coordination costs that can be encountered even at very high levels of internationalization. Using a sample of 164 Japanese SMEs, Lu & Beamish (2001) found that the positive impact of internationalization on performance extends primarily from the extent of a firm's FDI activity. Lu and Beamish (2001) also found evidence consistent with the perspective that firms face a liability of foreignness. There are several benefits from alliances these include minimization of transaction costs, increased market power, shared risks and better access to key resources such as capital and information. When firms first begin FDI activity, profitability declines, but greater levels of FDI are associated with higher performance. Exporting moderates the relationship FDI has with performance, as pursuing a strategy of high exporting concurrent with high FDI is less profitable than one that involves lower levels of exporting when FDI levels are high. Finally, Lu and Beamish found that alliances with partners having local knowledge can be an effective strategy to overcome the deficiencies SMEs face in resources and capabilities, when they expand into international markets. Girmscheid and Brockmann (2004) conducted a research on the importance of trust in international joint ventures. In most cases, international joint ventures are formed to build large scale engineering projects. The organization of those large projects might be as big as a medium sized company; however, these organizations have to be built in a very short period of time, in order to deliver the project on time. Moreover, the team working will be joining in from different companies, and may be working together for the first time. According to Girmscheid & Brockmann (2004), the most pressing problem of International Construction Joint Ventures (ICJVs) is the complexity of the assigned tasks. To reduce this complexity requires a lot of energy that can only be given by the entire team. "ICJV Managers learn that their only chance of success is trust: a willingness to extent trust and to signal trustworthiness from the very first day." (Girmscheid & Brockmann, 2004). They conclude that trust has several beneficial effects: it helps build teams, where trust acts as a bond of tying people together, it reduces energy otherwise required for controls, it helps in cases of conflicts, over all, it reduces task complexity.

In going international, businesses cannot ignore the global drivers that affect the global markets. Planning for the future is a must for business to succeed. However, many businesses consider business drivers and ignore global drivers. Business drivers include: stakeholder pressure, human resources, profitability, merger and acquisition pressures, improving performance, more risk being managed, competition from low wage economies, competitiveness, markets and more bureaucracy. However, they are useful in planning for the short to medium term, and will allow for the competitiveness of the company. However, According to Flanagan (2004) "the need to sustain competitiveness means adapting faster to the increasing pace of the business world. The ability to change quickly is affected by the ability to predict change….predicting change means looking into the future and recognizing the synergy between business and global drivers and their temporal dimensions." The author identifies the global drivers to be: demographics and ageing, climate change, sustainability and environmental pressures, urbanization, growth of cities and transportation, people safety and health, rapid technological and organizational change, vulnerability, security, terrorism, corruption, and crime, globalization of economies and business, information, knowledge and communication, and governance and legislation. Flanagan (2004) mapped the global drivers across the business drivers, and he concluded that the drivers that match both are the rapid technological and organization change, globalization of economies and businesses, and governance and legislation.

Ofori & Cuervo (2004) highlighted the prerequisites for success of international construction firms, many of which could be applied to almost all industries. The success factors he highlighted are technical knowledge, access to the most efficient means of production; cheapest and best building materials, human resources, government disincentives to invest, willingness to carry risks, ability to procure globally, corporate infrastructure, ability to provide project funding, and ability to form partnerships or alliances.

Growth factors for Family Businesses

This paper is influenced by the research of Ward (1997); I have used his findings as a benchmark to assess the requirements for FBs in UAE to go international. Ward (1997) argues that there are many theories on why family firms do not grow and rarely survive over the long term. According to Ward, the following are those most frequently seen:

1- Maturing market, intensifying competition, and changing technology;

2- Owners abandon their entrepreneurial characteristic and cling to habits that were once effective but now are not, they avoid decisions that might threaten their image of economic security;
3- The second generation managing the business lacks the drive and enthusiasm of growing the business, they prefer instead the pleasure of leisure, artistic expression, and time with family and friends;
4- The inability of the founder to teach his offspring (i.e. the successors) vital social and leadership skills to maintain and grow the business;
5- Exponential growth in the number of family members putting great pressure on the growth potential of the family business; as profits gets drained out of the business to satisfy the personal financial needs of the family members;
6- As the number of family members owning the business increases, it would become difficult to reach consensus for business decision-making and common commitment to business ownership. In addition, building a shared vision for the future and reconciling inevitable conflicts become increasingly difficult, if not impossible.

Ward (1997) suggested that for FBs to sustain growth, they must address each of the following requirements in order to promote expansion and overcome their special challenges:

1- Assure Fresh strategic insights;
2- Attract and retain excellent non-family managers;
3- Create a flexible, innovative organization;
4- Create and conserve capital;
5- Prepare successor for leadership; and
6- Exploit the unique strategic advantages of family ownership.

Fresh strategic insights

Fresh strategic insights refer to enriching the experience within the organization. Family firms are usually centric around the founder, especially in the first generation stage, and thus, are highly affected by his strategic thinking and values. Sharma (2004) suggested founders could affect the family business in the following manner: high founder centrality can lead to alignment of perceptions between founder and other family and non-family executives, better performance along the dimensions of success that are important to the founder, and a stronger influence of the founder on the firms after his tenure ends. Founder centrality could be measured along three dimensions; betweenness (central to the flow of information), closeness (direct linkages to the top management group), and connectivity (ability to influence the most connected members). Sharma (2004) suggested that founder's view of the role of business in their family influences the mode and process of socialization they use for next-generation family members, thereby influencing the culture of the firm beyond their tenure. Those who regard their business as a means to support the family, value the feeling of family and limit the growth of their firm. They communicate higher value of group orientation to their successors, who were found to join the firm at a young age, lower position, and with low levels of formal education. On the other hand, founders viewing business as an end in itself encourage successors to achieve high levels of formal education and experience outside the business before joining the family at senior levels.

For the firm to survive it is essential to have a model that generates and retains organizational experience; enabling its evolution. It has been suggested that family firms usually allow themselves to be destructed through the inaction of their founder manager. The inability and/ or stubbornness to changing environmental and economic conditions, because they are used to doing things the old way, may cause them to miss great growth opportunities and avoid great difficulties of survival. Danco (1982) suggested that family businesses fail because they allow themselves to be destroyed by the action – or more accurately, inaction – of their owner-manager. The businesses fail because, more often than not, these people never make the decisions needed to ensure the vitality of their companies in an ever-changing, even more complex world, or in other terms, they fail to maintain their entrepreneurial characteristic that got them where they are.

Some have suggested that having outside board members could have a positive effect on the FB. However, Research on having non-family/outside board members have seen two points of view, Sharma, Chrisman & Chua (1997); where some believe that outside board members can benefit the family business through bringing in fresh perspectives and new directions, monitor the progress of the family business and act as arbitrators, help in the succession process by providing support for the newly elected leader, analyse perceived strengths and weaknesses more objectively, help reduce the loneliness of the owner-manager, act as a catalyst for change, sounding boards for the owner-manager, and low-cost consultants. However, others perceive outside board members have less value because they lack knowledge about the firm and its environment, lack availability, lack authority and definable shareholder interest, and they might be obligated to the owner-manager and are thus, not free of political pressure.

Voordeckers, Gils & Heuvel (2007) found that the added value of boards is reflected in several potential board roles including strategy development and control, general and technical advice and counsel, arbitration among family members, networking, and disciplining of management. An important dimension in board members is the members' degree of independence grounded in agency theory. An outside board of directors can reduce agency costs or costs resulting from altruistic behavior because of their expected higher degree of independence. Grundei and Talauicar (2002) suggest that outside directors should be driven by the governance, resource, advice, and information needs of the firm. However, Voordeckers, Gils & Heuvel (2007) suggested that family firms that focus on growth are more likely to have an inside board and not an outside board.

The benefits of outside board member, as per Poza, Alfred & Maheshwari (1997), are providing unbiased objective views, bringing a fresher and broader perspective, bringing with them a network of contacts, and make the top management accountable to others. However, the disadvantage is that an outside board member can impair the firm's flexibility. Sharma, Chrisman & Chua (1997) also found that professional management teams, effective financial planning and control systems, and strategic planning efforts can significantly diminish the need for outside members. Still board with two or more outsiders have been credited by family-business owners as having contributed to the effective management of their firms, Poza, Alfred & Maheshwari (1997).

Ward (1997) has suggested several dimensions that enhances fresh strategic insights in the organization, they are: promoting strategic experimentation, budget strategic expenses, provide serendipity capital, use outside board members, and encourage global experience for next generation business leaders.

Attract and retain excellent non-family managers

Attract and retain excellent non-family managers refers to the importance that family members recognize non-family managers as stakeholders in the business, rather than servants to the family. Poza, Alfred & Maheshwari (1997) found that non-family managers were less satisfied than family managers with the equity and fairness of their compensation. They also found that non-family managers are less likely to believe that career paths to senior management positions are open to them on an equal basis with family managers. In addition, they are more likely to feel dependant on the good will of the owner on both compensation and career options.

As human capital is considered essential to the success of any business, it is important to have the excellent employees satisfied. Managerial attitudes and capabilities are important factors in the successful internationalization of businesses. It has been listed as one of the barriers to internationalization in numerous studies (Morgan, 1997). Tsai et al. (2006) suggested that CEO turnover-performance sensitivity is significantly negative in both family and non-family firms. Tsai et al. (2006) found that in Taiwanese family firms, CEO turnover is related to the performance of the family firm.

As a business grows larger and becomes international, it becomes rigid and very difficult to manage, thus, retention of good managers becomes more and more important as finding a new person with the right caliber grows harder. Attention to understanding which managers are the right managers for cross border management roles can be achieved through a process of understanding three issues that go beyond technical skills, domestic success and perceived commitment. First, there is a need to understand how and why a manager values his or her cross-border business involvement and how and why his or her values direct his or her cross-border behaviour. Secondly, there is a need to understand what a manager's cultural identity is and subsequently how and why his or her values associated with cultural identity direct his or her cross-border business behaviour. Finally, there is a need to understand how and why personal and professional development experiences have influenced the values and subsequent behaviours of those involved in cross-border management roles. Thus, FBs have to enhance their human resource management capabilities to be able to source and develop such talent. Fish and Wood (1997b) in an examination of the cross cultural competence of Australian expatriates argued that four critical cross-border business competencies were needed. First was the assurance that cross-border managers are knowledgeable and skilled in transforming their business entity. Secondly, those cross-border managers should be capable of effective interaction when managing staff in and across firm's foreign business operations. Thirdly, cross-border managers need to be capable of transacting business with a variety of people in a positive and meaningful manner in and across a variety of foreign business settings. Finally, foreign language skill was acknowledged as an important element in the skill set. Manager types may assist in more appropriately fitting people to a cross-border work role that requires an effective balancing of business and cultural and personal allegiance. The manager types are: 1) Transnationalist- reflects someone who values highly a cross-border business focus and who has a low value orientation towards cultural identity, 2)Internationalist- reflects someone who values highly a cross-border business focus, and has a high value orientation towards cultural identity, 3) Ethnocentrist- reflects someone who values highly their cultural identity but does not value a cross-border business focus, 4)Transitionalist- reflects someone who at a particular point in time has a low cultural identity, and also low on the cross-border business focus value construct. However, being Transnationalist or whatever is nothing more than a state of mind. It is not a type of business activity alone. Thus, such a focus should be found in any type of cross-border business arrangement irrespective of the size, type, extent and location of that business activity. Fish (1999) suggest that building an understanding of value into the selection of cross-border managers may allow firm's to achieve their cross-border goals more effectively.

A proliferation of management paradigms is occurring, defining paradigms as means of understanding the world and a basis for informing action. But the contemporary fast-fusion of management thinking is fuelled by the transformation of technology markets, industries and products. A paradigm can be a set of unwritten regulations or practices that establishes or defines boundaries, and tells you how to behave inside boundaries. The new paradigm-manager is by definition transcultural in his or her approach to developing self-mastery within him or herself; in generating social synergy across a group; in engendering organizational learning within institutions, and in fostering sustainable development across the globe. "The business world is changing in fundamental ways, but this does not mean that one worn-out set of business beliefs and objectives should be exchanged for another universally acceptable management paradigm" (Clark and Clegg, 2000). New management paradigms are not simply a fixed template of criteria for a company to fulfil, nor a checklist or ten-step programme. Increasingly, new paradigms of management will be about an intelligent and creative engagement in an increasingly complex and changing world.

From the previous discussion it is noticeable that a formal Human Resource Management practice is essential for the survival of a large firm. Benefits of formal HRM practices include meeting legal requirements, maintaining records in support of decisions in the event of litigation, treating employees fairly, and increasing efficiency (Kotey and Slade, 2005).

Ward (1997) has suggested several criteria for enhancing the retention of excellent non-family managers, FBs should: emphasize merit on personal decisions, provide opportunities for the best managers to accumulate personal wealth, and assure career growth opportunities for the best non-family executives.

Flexible and innovative organization

In this ever changing world, flexibility and innovation is the key to survival and sustainable growth. Such attitude and culture is not alien to family business, as most family business start with an entrepreneurial venture by the founder. Gudmundson, Hartman & Tower found that family business characteristics does influence strategy, FB characteristics such as: “Inward” orientation, slower growth and less participation in global markets, long term commitment, less capital intensive, importance of family harmony, employee care and loyalty, lower costs, generation leadership, and board influence on implementation. However, over time, as the founder grows older his aims might diverge from growing the business to living in harmony and maintaining an income. In addition, as leadership is passed to new generation, it is not guaranteed that the new generation would have the entrepreneurial characteristics to grow the business. Thus, it is essential to have a system and rather an organizational culture in place that fosters innovation and encourage all employees to participate maintaining the entrepreneurial characteristic of the firm.

Zahra et al. (2004) argued that entrepreneurship is an important way in which family businesses create value; given that family businesses are typically characterized by an emphasis on social control and that centrality of their founder, organizational cultures may be of even greater strategic significance than for non-family firms. Habbeshon & Pistrui (2002) proposed that “family ownership groups that evidence the family-as-investor characteristics will perform better over the long run, thereby maintaining family-influenced wealth creation across generations.” Wiklund (1999) found that the positive relation between enterprising orientation and performance increases with time. Hall et al. (2001) suggested that for a family firm to be entrepreneurial, it should have explicit and open cultures, and should also have the capacity for at least double-loop learning that permeates the whole organization. Zahra et al. (2004) suggested that family firms that have a culture favoring the individual orientation are more entrepreneurial. However, they will also need the group oriented culture to implement those initiatives. Thus, it is necessary to have a balance between the two cultural orientations. Zahra et al. (2004) found that entrepreneurship in family firms is increased by having an externally orientated culture; value new knowledge acquired from customers, suppliers and competitors. They also found that decentralization of control and ownership is positively associated with entrepreneurship. Zahra et al. (2004) tested whether organizational culture, which has been proposed as an inimitable resource, effects entrepreneurship and the cultural dimension of individualism. Too little individualism discourages the recognition of radical innovation while too much inhibits the trust, acceptance, and cooperation required to adopt the innovation. They found, however, that the relationships between entrepreneurship and three other cultural dimensions: external orientation, distinctive familiness, and long-versus short-term orientation are linear and positive.

The results of Kalantaridis (2004) research suggest that overall there was a weak though significant relationship between the incidence of a strategic approach and the size of the enterprise. Moreover, strategy development more or less is identical in all three sidebands in instances of single-dimensional internationalization. The adoption of strategies aiming to enhance the enterprise competitiveness increased with the number of internationalization dimensions among small as well as large enterprises. Overall, there was a very weak negative relationship between the size of the firm and the incidence of strategies aiming to enhance competitiveness. However, the strength of this relationship increased modestly as the number of internationalization dimensions diminished. Moreover, there was a very weak positive relationship between the size of the firm and the incidence of new market development strategies. The strength of this relationship also declined as the number of internationalization dimensions increased. An increase in the number of internationalization dimensions is related positively with the incidence of strategic behaviour among medium- and large-scale organizations. Though unable to establish a cause-effect sequence, this study suggests that such enterprises consider strategic planning more essential in developing or in maintaining a global orientation. Greater involvement in the global marketplace among large firms did not result in a need for formalization and for the development of a coherent strategy. Moreover, greater degree and complexity of international operations appears adversely to affect potency of actions taken in order to implement strategy by small business. There is a possible interpretation of these apparently contradictory findings. The argument is that there is a minority of internationalized medium and large scale enterprises that do not adopt (or properly communicate at all levels of the organization) a strategic orientation. However, in instances where there are complex international operations, this is not sustainable. This is not the case with small-scale businesses as a sizable minority of small firms is able to maintain multidimensional international activities without ever adopting a strategic approach. A greater entrepreneurial propensity, leading to increased responsiveness to environmental change, among such small firms may explain success. However, the research conducted in this field is not enough to reach a valid conclusion of the final proposition.

A flexible and innovative organization also means an organization that could capture its client's requirements and change accordingly. It is false to assume that client requirements are the same for an industry across different borders, even neighboring countries could have different tastes and adhere to different values. Lee & Kano (2004) shows such an example in his study of the construction industry. The drivers of the construction industries are in most cases the clients, i.e. the owner who is financing the project. Thus, it is vital for any construction business that is going international to have a good idea on the clients' needs and nature, as they can differ a lot between even neighbouring countries. Lee & Kano (2004), compared Korean clients and Japanese clients to show their differences although the two countries have a lot in common. The study consists of a questionnaire covering disciplines such as value engineering and construction management, and the clients' satisfaction factors in the construction process.

Lee & Kano (2004) concludes that Koreans prefer companies of high reputation of strong design capabilities, while in Japan the clients prefer companies that can offer solid integrity and can reflect the client's needs.

Julian (2003) further strengthens the importance of meeting clients' needs, he found that competition, commitment, export market characteristics, and product characteristics have a significant influence on the export marketing performance of Thai export ventures. Competition factors include the degree of price competitiveness in this export market, the extent of price competition in the firm's industry, the competitive intensity of this export market, and the extent of foreign competitors in this export market. Commitment factors includes the level of service/ maintenance/ requirements for the products/services of this export market venture, the extent to which the product/service is established within your firm, the extent of resource commitment to this export venture, and the degree of exposure of your product in this export market. Export market characteristic include the level of sophistication of the marketing infrastructure in this export market, the degree of adaptation of the product's packaging in this export market venture, the extent of government intervention in this export market, the degree of adaptation of your product positioning strategy in this export market. Product characteristics factors include the degree of cultural specificity of your product/ service in this export market venture, the degree of uniqueness of your product/ service in this export market venture, and the extent of the patent your product/service enjoys.

Ward (1997) has suggested several dimension that would help FBs in building a flexible and innovative organization, they are: share business information openly, champion change and celebrate new ideas, and constantly change some things.

Create and conserve capital

The growth in any business require capital expenditure and additional investments to finance further growth and hence, capital creation and reservation is essential in any family business to sustain growth. Due to the nature of a family business in the sense that there would be conflict between the funding requirements of the business and that of the family members, some FBs have been unable to grow as the number of family members grew exponentially. Certain studies have shown that FBs usually are risk averse and avoid the use of debt in financing their business.

Study results suggest that FBs are more risk averse, are less growth oriented, need fewer socioeconomic networks, and are generally more conservative in the strategic behavior than non-family firms, Gudmundson, Hartman & Tower. In their research review, they found that the major strategy difference between FBs and non-FBs is that FBs are highly concentrated in the defender group (group in reference to Miles and Snow's (1978) strategic typology of defender, prospector, analyzer, and reactor), whereas non-FBs are more highly concentrated in the reactor group. The defender group is characterized by having narrow product-market domains, and do not tend to search outside their product-market domain for new opportunities. The reactors group is those that frequently perceive change and uncertainty occurring in their organizational environment but are unable to respond to it effectively. He also found that: FBs may favor learning from their organizational relationships rather than from the flow of individual consumers. FBs selling primarily to individual consumers appear to follow others in their industry when it comes to product or process innovations, rather than invest significantly in their own research and development.

Moores & Barret (2003), and Ward (1987) suggested that family business strategy formulation and decision making, which includes attitude to risk, diversification, technology, and the like, is often dependant on or at least strongly linked to the life stage of the controlling generation. In addition, Tsai et al. (2006) suggested that a founder who plans to pass his or her business to an heir will be more likely to use firm resources efficiently than a founder who does not plan on transferring the business to a family member.

Poza et al. (1997) referred to the individual development rationale to try and understand the effect of age on organizations' strategic orientation. While some FBs are growth oriented, others could be found to be stagnant. The individual development rationale describes three phases of development: younger individuals who are in the first phase have strong confidence in their knowledge of the world and in their organizations. They perceive the world in black and white, and it is those young individuals who have the highest level of energy focused on growth. Middle aged individuals develop a more tentative view of knowledge and begin to explore more subjective ways of defining and transforming their lives and the organizations, they are ambivalent about existing social and organizational structures; they understand and find support in them, yet recognize the limitations of those structures and often wish to transform them. As individuals advance to the third stage of development, they accept the word at its own terms. They are aware of their own uniqueness-both their strengths and their weaknesses-and often find support in engagements outside work. They are often less engaged in transforming existing social and work structures, and are more interested in Maslow's "higher-order" pursuits of self-actualization. Poza et al. (1997) concluded that as employees reach the senior age level, they are much more resigned to their own record. They may have come to terms with their expectations in the interest of peace of mind, and might believe that they have already contributed their best to the organizations they have worked for. They could also have psychological ownership of the organizational process they themselves helped to create, and thus may also want to safeguard what they have achieved.

However, Davis & Harveston (2000) suggests that the aging of the founder does not affect the internationalization of the firm nor the growth in sales. On the contrary, he found that the older the founder/manager is the greater is the probability of having international activities. The reasons he suggested for this, is that as time passes the firm will gain enough expertise and experience to go international, or/and the internationalization is aimed at achieving higher growth in an attempt to provide work for succeeding generations.

Davis & Harveston (2000) suggested that the greater the usage of internet technology, and the greater the investment in technology, the more extensive is the internationalization in those family firms. However, their research only shows that the relationship between those factors does not establish a cause-effect relationship.

Reductions in tariffs and the free flow of goods, labour, and capital across international borders has made it possible for many firms to coordinate strategically the financing, production, and marketing of products on a worldwide basis, capitalizing on economies of scale previously unimaginable. The importance of firm size as variable in export success relies on firms making the decision to export; that is, the question of firm size as a necessary condition for export participation precedes its importance as a sufficient condition for export success. Within an industry there are forces that shape the distribution of firm sizes. Economies of scale, capital, and labor intensity; target markets; industry specific tarrif and non-tarrif barriers; and niche opportunities all affect the number and size of competitors within an industry. Firms of different sizes can pursue different international strategies successfully. Mittelstaedt et al. (2003) suggests that 20 employees is the minimum necessary condition for exporting, regardless of productivity, labour and capital intensity, or product characteristics. Kalantaridis (2004) suggests, based on empirical evidence, that small-scale enterprises had difficulties in managing multidimensional international operations. There is significantly lower incidence of firms managing multidimensional international economic activities among small units than among medium and large firms. Consequently, Kalantaridis's statistical analysis suggests that there is a positive relationship between the size of the firms and the propensity to manage more than one internationalization dimensions. The greater the incidence of internationalization dimension the greater is the propensity to establish subsidiaries and joint venture abroad, as well as to initiate international subcontracting-out practices and import materials. There is no relationship between the clustering of enterprises and the number of countries of destination for exports, as well as age of the firm when subcontracting, importing, and exporting activities were initiated. The financial resources available to small firms can act as a considerable constraint in developing an international orientation. Lack of finance may hinder the firm's ability to identify opportunities arising from the opening up of national markets, and inadequate financial resources may restrict the exploitation of opportunities already identified.

Among the suggestions put forward by Ward (1997) to overcome this constraint are: use of debt, manage strategy to be less capital intensive, establish a share redemption plan and dividend policy, and implement estate plans yearly.

Prepare successor for leadership

Succession is widely seen by researchers as the most critical factor in the sustainability of a family business. Beckhard and Dyer (1983) highlighted the issues that should be addressed when planning succession; they are ownership continuity or change, management continuity or change, power and asset distribution, the firm's role in society, and the timing of succession. Sharma et al. (1997) suggested it is important that the next generation be interested in joining the business and qualified to manage it. For succession plan to work effectively it should be characterized by the handing over generation being supportive to the new generation and share mutual respect (Sharma, 2004). Sharma suggested that a good succession plan would satisfy the following four factors: appropriateness of successors' skills and experiences, timing, technique, and communication between predecessors and successors.

A business is usually controlled and driven by its leader and hence, the character of the leader, be it the current leader or the successor, is essential for sustaining growth of the business. Rutherford, Muse & Oswald (2006) suggests two owner characteristics that influence the growth of the business: growth orientation, and level of education. They found out that firms having an owner with growth orientation had larger growth rate, and similarly firms with owners having studied at graduate level were larger in both sales and number of employees. Family business leaders who are personally driven to grow their businesses by following the best practices are a special breed. Ward (1997) found that studies have shown that those "Masters of Growth", as he called them, share several characteristics. Their personal mission is to build an enduring institution that will last and be even more successful in the future. They build and test a personal philosophy of management that attempts to make their organization a self-managed system. They are willing to be role models for their beliefs, not out of vanity, but because they know it is the best way to get good feedback on their philosophy and thinking. They also realize that public accountability is a great motivation for themselves and for others in the company. These "masters" see themselves as stewards of capital and do not feel a sense of personal ownership. Instead, they believe it is their responsibility to pass on the business and its leadership in better condition than when they found it.

Sharma et al. (1997) found that succession is one of the most vital issues in family businesses, although it could occur only once in a few decades. In spite of this, succession planning seldom occurs in family businesses. Reasons for this include: the current owner is reluctant to let go of the business, the current owner doesn't want to make decisive decisions that could favor one offspring over another, and/or the current owner can't perceive the connection between succession planning and goal achievement.

According to Garcia-Alvarez et al. (2002), a good succession process provides family continuity to the business, raises the entrepreneurial potential of descendants and reduces the level of conflict between siblings in the succession process. A bad succession process can lead to sibling rivalry, poor performance, and business failure. Danco (1982) asserts that entrepreneurs who start planning their children's involvement and succession in their 40s will have a higher probability of successful family business succession than those who wait until their 50s and 60s.

The main objective in succession planning is to choose the best successors. The characteristics of the best successors depend on the goals of the family or the person managing the succession. If the main goal of the family is to increase its harmony, then the best successor will be the one who can contribute more to this goal. And if the main goal is to achieve growth and better performance then another successor may be chosen. Sharma et al. (1997) found that the best style for a family business leader to depart the business is that of an Ambassador, whereby he leads the business to moderate growth levels, steps down to a successor, and remains in contact with the business as an advisor.

Sharma (2004) suggested that the smooth transition of knowledge, social capital, and networks across generations is dependent on having a supportive relationship between them characterized by mutual respect. She found that the next generation's performance is influenced by its level of preparedness and its relationship with the senior generation, while Garcia-Alvarez et al. (2002) suggested that founders usually mould their successors in their image. Sharma (2004) put forward important factors in the transition to successors; sequence (appropriateness of successors' skills and experiences), timing, technique (details by which succession will be achieved), and communication between the predecessor and successor. According to Beckhard and Dyer (1983) the issues that need to be addressed in succession planning are ownership continuity or change, management continuity or change, power and asset distribution, the firm's role in society, and the timing of succession. An additional important issue in succession planning, according to Sharma et al. (1997) is to have the next generation interested in joining the business and qualified to manage it.

An embeddedness of the family and business systems, which in their original forms are based on fundamental sociological differences, makes family firms a ripe context for misunderstandings and conflict (Sharma, 2004). Sharma (2004) found that three types of conflicts has been conceptualized: task (disagreement on what tasks should be accomplished), process (disagreement on how to accomplish the tasks), and relationship (based on interpersonal incompatibilities about values, attitudes, etc.). The task and process conflicts interact with relationship conflict to influence firm performance. Relationship between conflict and performance is moderated by the ownership structure of the firm. Sharma (2004) suggested that it is possible to conceive that relationship conflict may be caused by allocation rules of distributive justice (equity, equality, or need based) that prevail in a family; or difference in fundamental norms guiding a family's value about the nature of relationship along siblings (e.g., whether one sibling is regarded above others in terms of inheritance of parental property or all are considered equal); or disagreements in terms of choices made along other dimensions of life such as mate selection. Sharma et al. (1997) suggested that all family members should be given the opportunity to learn and gain experience however, only the most competent should be taken into the firm. To assure the stability and survival of family firms, an appropriate succession strategy should eliminate conflict among family members (Tsai et al., 2006).

Ward (1997) suggested that leaders must: support successor in developing a culture of change in the business, promote good mentoring for the successor, and set a date to transfer both responsibility and control to the next generation.

Exploit unique strategic advantages of family ownership

Family firms are different than non-FBs, they have certain unique advantages over them, advantages that stem from the nature of the family values and culture. One of those advantages as seen by Ward (1997) and other researchers are the ability to enjoy long term strategies and thus, the ability to invest in projects that reward patient capital (refer to previous discussion). Another advantage is building strategy around relationships through utilizing the social network of the family. Socialization could also make it easier for the successor to run the business. Garcia-Alvarez et al. (2002) suggested that successor's training affects significantly the relationship between the founder and the successor. Successor's socialization plays a key role in the succession planning. Garcia-Alvarez et al. (2002) defined socialization as a complete process of induction of an individual into the objective world of a society. Successors whose succession was planned by the founder based on a certain strategy, and who received training from the founder himself are in a better position to deal with new competitive business environments and to share management with a professional team. Garcia-Alvarez et al. (2002) has shown that there are two different phases common to all socialization processes; family socialization and business socialization, which are conditioned by the founder's value. In addition, he also identified two patterns of socialization; founder homosocial reproduction and new leader development.

Family members living abroad could also be utilized through having them managing operations in the foreign country, making it less costly as the firm would save up on agency costs and others related to governance and internal controls.

Literature review conclusion

As the business world is changing towards globalization and freedom of trade, local companies are experiencing more and more pressure in terms of high level of competition and market saturation. Organizations ought to seek revenues outside the borders of their country of origin if they were to maintain good growth levels. There are a number of reasons that could encourage organization to seek internationalization among which are: spreading business risk across different markets and ventures, improving technological, quality and service standards in the organization, generating more revenues and funds for reinvestment and further growth, exploiting idle operating capacity and improving production efficiency, and attracting and rewarding shareholders and employees through the creation of a better profit base. The benefits that could be reaped from internationalization include: economies of scale and scope, leverage various location-based advantages such as competitively priced labor force, access to critical resources, and develop new knowledge and capabilities that would enhance the international competitiveness of the firm.

It has become essential that FBs in UAE seek internationalization to be able to survive the competition it would face, and hence, preserve the backbone of UAE's economy. Family firms are different that non-family firms in numerous ways. The main difference is the coinciding of the managing of the business with the managing of the family, especially after the firms passes its first generation. Any conflicts or disturbance in the family harmony can have severe consequences on the business. In this paper, we embrace the definition if family firms as put forward by Sharma, Chrisman & Chua (1997): “A business governed and/or managed on a sustainable, potentially cross-generational, basis to shape and perhaps pursue the formal or implicit vision of the business held by member of the same family or a small number of families”. Thus, the important key in defining a family business is the involvement of the owning family. Sharma (2004) presented three measures of family involvement in the business; those measures are power, experience and culture.

The investigation focuses primarily on the growth factors for family businesses suggested by Ward (1997); fresh strategic insights, attract and retain excellent non-family managers, create flexible, innovative organizations, create and conserve capital, prepare successor for leadership, and exploit the unique strategic advantages of family ownership.

Fresh strategic insights refers to enriching the experience within the organization. Family firms are usually centric around the founder, especially in the first generation stage, and thus, is highly effected by his strategic thinking and values. For the firm to survive it is essential to have a model that generates and retains organizational experience; enabling its evolution. It has been suggested that family firms usually allow themselves to be destructed through the inaction of their founder manager. The inability and/ or stubbornness to changing environmental and economic conditions, because they are used to doing things the old way, make cause them to miss great growth opportunities and avoid great difficulties of survival.

Attract and retain excellent non-family managers refers to the importance that family members recognize non-family managers as stakeholders in the business, rather than servants to the family. Maheshwari (1997) found that non-family managers don’t believe that opportunities to senior positions are opened to them on an equal basis with family managers, and that their promotions are left to the goodwill of the owner. As human capital is considered an essential to the success of any business, is its important to have the excellent employees satisfied. Managerial attitudes and capabilities are important factors in the successful internationalization of businesses.

In this ever changing world, flexibility and innovation is the key to survival and sustainable growth. Such attitude and culture is not alien to family business, as most family business start with an entrepreneurial venture by the founder. However, over time, as the founder grows older his aims might diverge from growing the business to living in harmony and maintaining an income. In addition, as leadership is passed to new generation, it is not guaranteed that the new generation would have the entrepreneurial characteristics to grow the business. Thus, it is essential to have a system and rather an organizational culture in place that fosters innovation and encourage all employees to participate maintaining the entrepreneurial characteristic of the firm.

Growth in any business requires capital expenditure and additional investments to finance further growth and hence, capital creation and reservation is essential in any family business to sustain growth. Due to the nature of a family business in the sense that there would be conflict between the funding requirements of the business and that of the family members, some family firms have been unable to grow as the number of family members grew exponentially. Certain studies have shown that family business usually are risk averse and avoid the use of debt in financing their business.

Succession is wide seen by researchers as the most critical factor in the sustainability of a family business. Beckhard and Dyer (1983) highlighted the issues that should be addresses when planning succession; they are ownership continuity or change, management continuity or change, power and asset distribution, the firm's role in society, and the timing of succession. It is also important that the next generation be interested in joining the business and qualified to manage it. For a succession plan to work effectively it should be characterized by the handing over generation being supportive to the new generation and share mutual respect, Sharma (2004). Sharma suggested that a good succession plan would satisfy the following four factors: appropriateness of successors' skills and experiences, timing, technique, and communication between predecessors and successors.

Family firms are different than non-family firms in that they have certain unique advantages over them, advantages that stem from the nature of the family values and culture. One of those advantages as seen by Ward (1997) is the ability to enjoy long term strategies and thus, the ability to invest in projects that reward patient capital. Another advantage is building strategy around relationships through utilizing the social network of the family. Family members living abroad could also be utilized through having them managing operations in the foreign country, making it less costly as the firm would save up on agency costs and others related to governance and internal controls.

The following table summarizes the growth factors for FBs.

Sub-factors	**Growth factors**
Promoting strategic experimentation Allocating budget for strategic expenses Providing serendipity capital Independent directors on the board	Fresh strategic insights
Objective structure to decide on promotions encourage employees to seek training and higher education Having clear and objective profit sharing plan Good pay relative to industry fast track for best nonfamily employees	Attraction and retention of excellent non-family employees
sharing of business information clear formal suggestion system	Flexible innovative organization

frequent changes Employees feel safe about change	
Use of financial leverage Being less capital intensive Having a fixed dividend policy plan Long term investment strategy	Creating and conserving capital
Having a succession plan Selecting the best successor rather than the eldest Having a definite timing for succession Training of successor Encourage potential successors to work outside the firm and seek global experience before joining the firm	Succession planning
leveraging on the family's social network Industry requires fast decision making	Exploiting unique advantages of family ownership

METHODOLOGY

ID: 20050020

Method of Choice

There is no one perfect method of research suitable for all situations, nor is there one that is perfect for a single situation. All methods have their flaws, however, there are some that are more appropriate for achieving certain targets than others. In my research, I have tried to be as rigor as practically possible to reach a realistic and objective conclusion.

I have considered the eight different research methods that Scandura & Williams (2000) highlighted, which are:

1- Formal theory, which is also known as literature review. This has been done in the prior section.
2- Sample survey, in this method the investigator tries to neutralize context by asking for behaviors that are unrelated to the context within which they are elicited. The advantage of surveys is that they maximize population generalizability, however, their disadvantage is that they are low on realism of context and precision of measurement.
3- Laboratory experiments. The laboratory experiment brings participants into an artificial setting for research purposes. The advantage of this method is that it maximizes precision in measurement of behavior. The disadvantage is that it is low on generalizability and realism of context.
4- Judgment tasks. In judgment tasks, a conclusion is reached through having the participants judging or rating behaviors. Its advantage is that it is moderately high on population generalizability and precision of measurement. Its disadvantage is that it is lower on realism of context.
5- Computer simulations. The advantage of computer simulation is that it is moderately high on population generalizability and realism of context. The disadvantage is that it is lower on precision of measurement.
6- Experimental simulation. In an experimental simulation the researcher contrives to retain some realism of context via the use of simulated situations or scenarios. The advantage is that it is moderately high on precision of measurement and realism of context however; the disadvantage is that it is low on generalizability.
7- Field studies. This method involves the investigation of behavior in its natural setting. The advantage is that it maximizes realism of context. The disadvantage is it can be low on precision of measurement, control of behavioral variables and generalizability.
8- Field experiments. This method involves collecting data in a field setting but manipulating behavioral variables. The advantage is that it is moderately high on precision of measurement and realism of context. The disadvantage is that it is low on generalizability.

In my research I chose to use the case study approach, which combines both the field study and sample survey. The case study included multi candidates, this increases generalizability and at the same time allows for deeper investigation into each case thus, maximizing the realism of context. Some of the unique advantages that case studies offer are the ability to study the natural setting and thus generate theories from practice, it allows the researcher to understand the nature and complexity of the situation and it is an appropriate way to research an area in which few previous studies have been carried out.

Case study

An important decision in any case study is the choice whether to include one or several cases in the project. Most research efforts require multiple cases, but single cases are useful in specific instances. Single-case studies are appropriate if: 1) it is a revelatory case, i.e. it is a situation previously inaccessible to scientific investigation 2) it represents a critical case for testing a well-formulated theory 3) it is an extreme or unique case. Multiple case studies are desirable when the intent of the research is description, theory building, or theory testing. In addition, multiple case studies allow for cross-case analysis, the extension of theory and yield more general research results. Therefore I chose to use more than one company in my research.

The criteria of selection was for the Company to have been created via an entrepreneurial venture by the Emirati owner, and where the owner or owning family is involved in managing the business. As many businesses in the UAE are created through securing agency contracts on foreign products, and through sponsoring a foreign entrepreneur who intends to start up a business in UAE, it was difficult to find many FBs satisfying the selection criteria. The initial intent was to include six companies; three FBs that only have domestic presence and three family businesses that have domestic and international presence. Eight FBs were highlighted as potential candidates for the case study; where five of them had domestic and international presence and three had only domestic presence. However, only three companies accepted to participate in the case study; one has only domestic presence with no intent to go international, a second with only domestic presence but intends to go international in the future, and a third that already generates 30% of its revenue from its international operations.

The case study was conducted through semi structured interviews with high level management. For Company 1, I was able to interview an Executive who is a member of the owning family in addition to a non-family manager. With Company 2 I was able to interview a family executive only. With Company 3, I was able to interview a non-family manager only.

Structure of the interview

The interview was structured so as to cover the background of the company and the main areas of concern in this research which are: fresh strategic insights, attracting and retaining non-family employees, flexible innovative organization, creating and conserving capital, succession planning, exploiting unique advantages of family ownership. Refer to Appendix 1 for interview questions.

ID: 20050020

Results

ID: 20050020

Company 1

Background

The family business started in 1965 by D.A.Y. as a trading company. Like any other trading company at the time, it traded on many things and was not specialized in one brand. As the business grew, D.A.Y entered into the real estate market and started building residential buildings to be rented out. By 1991, the Company opened its first hotel apartments and hence, a new business has started, the hospitality business. The hospitality business, known as A.Y.H., is the Company I'm using for my case study. Up to the year 2004, the A.Y.H. owned three properties; two in Dubai and one in London. However, in 2004 the London property was sold and only the two properties in Dubai remain.

D.A.Y. has six sons; the eldest – A.M.- has been involved in the business since 2003 and has helped make the decision of selling the property in London. The second eldest, A.B., has recently graduated university and is also involved in the business. The other four brothers are still in school finishing their education.
The annual revenue of the business is less than AED 100 million. For the past four years, A.Y.H. has been growing at an average rate of 30% per annum. The growth is mainly due to increase in rental prices which have been boosted by the soaring increase in demand and inflation. However, there are current projects in progress and A.Y.H is expected to add four more properties to its portfolio in the next three years.

The first interview was with A.M. who is the eldest son of D.A.Y. and the Managing Director of A.Y.H., and the interview covered the following topics: company background, fresh strategic insights, creation and conserving capital, succession planning and exploiting the unique advantages of family business. The second interview was with R.K. who is a Manager in A.Y.H. and is managing one of the two properties they currently own. R.K. has been in the firm for 14 years. The interview with R.K. covered the following topics: Attraction and retention of excellent non-family employees, flexible innovative organization and exploiting the unique advantages of family businesses.

Fresh strategic insights

Four key points have been highlighted in the literature review that helps companies in having fresh strategic insights, these are: promoting strategic experimentation, budget strategic expenses, provide serendipity capital, and having an independent board of directors that will challenge strategic assumptions. A.Y.H currently does not have any of those four key highlights. A.M. believes that these are good techniques and should be implemented in the future however, he says that the company is still too small to bear such costs such as strategic expenses and experiments. Currently, most of the cash generated in the business is focused towards building more properties and enhancing the portfolio of the Company. The reason is that A.M. wants to grow the Company from managing the family's properties only to managing other people's properties, and to do that, the Company needs a portfolio of prestigious properties. However, A.M. said that as the portfolio increases and the revenue generation of the Company strengthens he will be able to afford paying high salaries and attract highly experienced managers to perform such tasks. A.Y.H. currently does not have a formal board of directors, D.A.Y. and A.M. however could be seen as constituting an informal board of directors.

Attraction and retention of excellent nonfamily managers

None of the success sub factors highlighted under this is being implemented by A.Y.H. according to R.K. there is no clear objective structure to decide on promotions, promotions are very subjective. There are no policies and procedures governing promotions as could be found in public companies or other professional firms. The promotions are highly subjective to the will of the owners. In the 14 years that R.K. was in the firm he is not aware of any employee that was sponsored by the company to seek training or higher education. There is also no bonus scheme, employees are not entitled to any bonuses and whoever gets any bonus would be an exceptional case decided by the owners. In addition, the pay packages are slightly lower compared to firms of the same size in the industry, however when compared to larger firms, the pay packages are very low. Finally, there isn't a fast track system for the best non-family employee to boost their career.

Flexible innovative organization

In A.Y.H. business information such as strategy, targets, budgets and financial projections is shared at the management level only, it is not communicated down to all employees. This is also the case with the rest of the family businesses in this case study. Most of the non public companies try to keep their financial information confidential and thus, would restrict the communication of such information. There is a formal suggestion system in place at A.Y.H. at the managerial level, encouraging managers to share their views with the family executives on operational and strategic matters. However, there isn't any formal suggestion system in place for the rest of the employees and the managers. A.Y.H. rely on the informal communication lines between the employees and the managers to promote suggestions. Therefore, any employee can discuss his suggestion with his manager who will in return bring it up for discussion at the managerial level. A.Y.H did not undergo change for many years said R.K., the organization is static however, the employees he believes will endorse change if it is seen for the best of the firm and themselves.

Creation and conserving capital

Currently A.Y.H. is highly leveraged, A.M. believes it is more leveraged than its peers in the industry. The reason for this as A.M. explains it is that A.Y.H. is seeking to expand rapidly into property management. So instead of managing properties build by themselves, they can manage properties built by other investors and thus, reduce their risk and allow expansion without the need of large capital. However, due to the small size of A.Y.H., the brand isn't highly recognized in Dubai making it very difficult to enter into property management contracts. The plan is to build the portfolio of properties being managed by A.Y.H. as fast as possible to enhance the brand image. The rapid expansion in number of properties has caused A.Y.H. to highly gear its financial position. A.M. stated that currently it is not his aim to withdraw cash from the company in the form of dividends as his aim is to protect the Company and grow it. The general tendency of dividends payment in the long term is to give out fixed monthly salaries to all family members, and all the rest of the profits will be reinvested. A.Y.H.is focusing on a long-term strategy as its main focus right now is to build the brand name of the company and set a strategy for expanding into the GCC countries and other parts of the world. In addition, the Holding company has been very active in its acquisition of land and properties for future use.

Succession planning

D.A.Y. has limited his role in the Company to being an advisor and has handed all operations management to his eldest son A.M.. This could be seen as succession from one perspective however, the fact remains that A.M. has five other younger brothers who still didn't reach the age of employment yet. Thus, the second generation takeover has just began and is still not completed yet. A.M. took over the management of the Company after he completed his undergraduate studies from the UK in year 2003, when his father fired the existing managing director and placed A.M. in his seat. It was a huge challenge for A.M. as he was inexperienced at that time. His father did not discuss with him his career plan or any details regarding when he will become an equity partner in the Company. He started working as soon as he was told by his father and in 3 – 4 years time he made equity partner. However, A.M. has a different plan for his brothers, as he plans to get them to work outside the family business in multinational firms for 5 – 7 years, during which they will be part time involved in one of the family businesses, and when they have gained enough experience they will come back as full timers in the family business. He already started with his second eldest brother A.B. who recently joined A.Y.H. as the Chief operational Officer. A.M. is directly supervising his brother to make sure he gets the necessary experience. A.M.'s vision is that he starts new companies and have each brother managing one of the main companies while he supervises them through managing the holding company. However, A.M. did not discuss any of these plans with his brothers yet. D.A.Y. has offsprings from one wife only and the executive family members have not undergone a divorce.

Exploiting the unique advantages of family ownership

Both interviewees agreed that there are some advantages of being a FB as opposed to non-FB. They highlighted two advantages which are: the involvement of the family members would push the company to be more geared for expansion, and the fast decision making in family businesses could help satisfy the clients when negotiating contracts and prices. However, in this industry both interviewees believed that clients are attracted by the brand name and quality of services provided and not by the family name or individuals involved in the business.

ID: 20050020

Company 2

Background

The company was established in 1969 as a driving school by S.A.S.. He was one of the first to own a car at that time as he just got back from Kuwait. He realized that people in UAE wanted to learn how to drive, so he started by lending them his car to learn. He then capitalized on this opportunity and started buying cars to teach people how to drive. The Company was owned 100% by S.A.S., however after he passed away, the Company among other Companies owned by S.A.S were inherited by his children; two sons and four daughters according to the Shariaa law, as S.A.S. didn't put any of them as partners before his death.

The Company (i.e. the driving school) is being run by S.A.S.'s youngest son M.S.. M.S. got involved in the business after he graduated University in the US. He came back immediately to Sharjah and joined Sharjah's Water and electricity Authority. Although S.A.S. wanted M.S. to work full time with him, M.S. was able to convince him that he ought to work as employee in the Authority from 7 am to 2 pm, and in the afternoon he could supervise the family's business. S.A.S.'s eldest son S.S. did the same however, he is looking after the family's property business. It was S.A.S.'s sole decision how to engage his sons in the different family businesses, as they didn't play any role in him taking that decision.

Currently the Company's revenue is below AED 100 million, and in the past four years has been growing at an average rate of less than 10%. The Company has 1 Manager, a secretary and the rest of the employees are all driving instructors that are paid by the hour. In this case study I have interviewed M.S..

Fresh strategic insights

The Company appears to be very static and has not changed much, if not at all, over the past few decades. Though the Company is the first driving institute in the country it is currently among the smallest in its industry. M.S. argues that it is due to the small size of the Company that it does not consider any strategic experimentation or any strategic expenses in its budgets. The Company does have financial projections however, the general trend is that those projections are very conservative and results exceed those projections. It is worth noting again that the annual growth of the Company is less than 10%. The Company does not have a formal board of directors. As the Company is owned by S.A.S.'s children, they constitute an informal board of directors. The sisters usually do not interfere in the businesses, S.S. could give some suggestions from time to time however, M.S. has sole control over the decisions taken in the businesses. It is noticeable from the interview that the Owners are happy with the way the Company is growing and do not intend to put more effort into growing it to an international business.

Attraction and retention of excellent non-family managers

The Company has not promoted any employee in many years as it has only one manager, one secretary and all the rest are instructors constituting one level of employees under the manager. There is no bonus scheme for the employees: the manager gets allowances, and might get extra pay or extra leave from time to time as to the owners' wish. The instructors are paid by the hour, the working hours are flexible and could be organized according to the employees' will however, a minimum of 8 working hours a day is expected. According to M.S. the employees are happy by this system and this is proved by the very low employee turnover in the Company when compared to its peers in the industry. The current manager used to be as a representative ("mandoub") in the Company 30 years ago, and he learned the business and became S.A.S.'s right hand in the Company. 18 years ago S.A.S. decided to promote him to manager (his current position).

Flexible innovative organization

Business information such as financial information or future strategic plans is only known by M.S. and the manager. M.S. believes there is no need to involve the employees in such information as this may lead to employee frustration when they learn about the Company's profit margins and/ or future strategies that not necessarily coincide with their plans. M.S. does get involved in the operations of the businesses and always tries to listen to the employees' problems and issues, and work on resolving them. This has built strong ties between the employees and himself and thus, established informal lines to communicate suggestions. As indicated earlier, the Company did not witness any changes in decades and M.S. believes it is one of the reasons for the very low employee turnover in the company. He said that employees feel comfortable and safe when things are stable, and this leads to their satisfaction and happiness.

Creation and conserving capital

The Company used to finance all it acquisition of cars using equity however, recently this changed as the Company relies now on debt to finance its cars. M.S. believes the financial leverage of the Company is comparable to his peers in the industry. The nature of the business does impose being capital intensive, however, the capital required is small and it is easy to finance new cars via bank loans. There isn't a fixed dividend policy in place however, the general trend is to retain a small amount of the profits every year to satisfy the cash flow requirements of the coming year, all the rest is distributed as profits to the owners. The retained amount averages around 15% of net annual profit.

Succession planning

Currently there is no succession plan put in place by the owners. The founder however seemed to have a succession plan in his mind before he passed away. As he used to instruct his two sons on what to do and how to do it, in addition he distributed their responsibilities towards the different businesses he owned; M.S. was given the responsibility of managing the driving school while S.S. was given the responsibility of managing the real estate company. However, S.A.S. never discussed the succession plan with his sons. M.S. said that managing the business was difficult after their father passed away; during his life time they used to get instructions from him but now they have to take all the decisions and they weren't experienced enough, or more over they weren't prepared or trained to. However, over the years they have learned how to manage the business and he believes that things are going well now. Currently M.S. and S.S. sons are too young as they are no older than 3 years old, and thus, its too early to think of their future involvement in the business. However, when I asked about his sisters' sons who are currently in University, and whether they will be involved in the business, M.S. said that probably not. It is their mothers that have inherited part of the business, their kids could be involved but to the extent that their mothers owns part of the business and no more.

Exploiting the unique advantages of family businesses

M.S. doesn't think that fast decision making is a plus to the Company as the industry is highly regulated by the government authorities. Therefore, most of the issues are clear and there is not much room for client conflicts to arise. However, the Company does depend highly on the family's name. M.S. stated that almost 50% of the ladies in Sharjah have learned to drive in his institute; this is due to the large social network by his sisters. The clients brought in by the owners' social network constitute the majority of the clients.

ID: 20050020

Company 3

Background

Company 3 is owned by Maj, who is in his late 70s, and is involved in commercial property development. It has shopping malls all around the GCC and generates turnover in excess of AED 1billion. Turnover generated outside the UAE constitutes more than 30% of the Company’s total turnover. The Company got established in the year 2000, prior to that Maj owned part of a greater family business that had his cousins as partners. However, the greater family business collapsed and Maj sold his stake to his cousins and started his own Company. Prior to establishing the Company Maj owned 1 shopping mall in Dubai, therefore, he build on that to create one of the leading shopping malls developers in Dubai. Unfortunately, Maj has lost two of his sons in separate accidents and thus, has no successors to lead the business after him. He however, has a daughter that could inherit part of the Company as per the Shariaa law. In addition to building shopping malls, Maj was able to establish sister companies that are involved in leisure and entertainment, Hotels, and hyper markets. Maj is involved in the business from a very high level, as he has put in place a CEO and a non-executive board of directors to look after the daily operations of the business.
The interview was done with R.R. who is the Senior Vice President of Development in Company 3. He has joined the firm in 2006.

Fresh strategic insights

The owner acknowledges the fact that no single man can manage such a large company as Company 3. The Company has been growing at a fast pace, and Maj’s objective is to build a Dynasty, R.R. said. Thus, Maj has relied and worked hard on placing a good corporate governance system in place. There is a non-executive board of directors for the holding company, and separate non-executive board of directors for each subsidiary as well. Maj, tried hard not to interfere in the running of the business, and puts great responsibility on the CEO’s and other executives in the business to take the decisions. When it comes to strategic experimentation, the Company allocates an annual budget for each CEO to spend on research and feasibility studies without having to get the approval of the board of directors. Such budgets are found in each annual budget as well as the five year projections of the Company.

Attraction and retention of excellent non-family managers

Before R.R. joined the firm, the pay packages were less than the market as Management believed that the size and reputation of the firm is enough to attract excellent staff. However, the Management has come to acknowledge the importance of pay packages, and that if they want to attract the best of people in the market then they will have to pay the best. Therefore, the pay packages are now very competitive in the market. The bonus system in the Company works as follows: in the beginning of the year, the employees have a discussion with their managers individually and each employee is informed what is expected of them. In addition the bonus is set in that meeting. According to the performance of the employee during the year, that employee will either receive the full specified bonus or part of it. A full bonus will be paid only to those employees who exceed expectations. Employee performance evaluation is an ongoing process and is not limited to this one meeting at the beginning of the year. There is usually 1 semi-formal performance evaluation every quarter. Management believes that if an employee reaches to the end of year performance evaluation and is surprised of the result, then his manager has not been doing a good job. If an employee keeps getting a full bonus for 2-3 years, then the employee can well expect a promotion.

Management has asked each Vice President to identify three employees that are high potential employees –i.e. the best of their employees and have the potential of fast escalation through the promotion lines-. High potential employees are usually sent for training courses. Recently the Company came into an agreement with London Business School to design a short MBA course that is tailored to the organization’s needs. High potential employees and senior management members will be required to undergo this program. Other employees who wish to undergo higher education or training will not be sponsored by the Company. The reason as stated by R.R. is that some employees get obsessed with education and take so much of them that don’t add any value to them nor the organization.

Flexible innovative organization

The Company conducts what it calls a road show after it has defined the business plan, whereby the different divisions in the business and the different levels of employees will be informed about the aspirins, objectives and core strategic principles of the business. However, the communication continues between managers and their subordinates at all times and are not just limited to those road shows. In addition, the Group CEO conducts what he calls town hall meetings every 2 months whereby all the senior executives meet to discuss and communicate strategies and different business issues. R.R. believes that the days for suggestion boxes are way gone, the way suggestions take place should be on a day to day basis and employees should feel free to suggest to their managers anything anytime. However, the main principle that the Company works on when it comes to strategy is the following: when a strategy is formulated it gets cascaded all the way down the different employment levels in the organization, the feedback on this strategy is then communicated upwards and the strategy is revisited accordingly.

Changes happen very often in the organization; R.R. believes that when a Company achieves a certain size and style the Company has to accept that the environment is constantly shifting. There is never the right organization structure because the market is constantly changing. R.R. admits that some employees do get frustrated of the constant change and see it as disorganization. However, when change happens in an organized and quick manner, and the employees are thoroughly informed about it, then this reduces employee resistance to a great extent. He believes that a good duration for change to occur is a 100 days. The most important part in successful change is leadership and communication. The level of uncertainty that employees feel can be reduced through communicating the importance of change and duration it would take.

Creation and conserving capital

The industry Company 3 operates in is a capital intensive industry, as the Company has to build new property in order to expand. Until recently the Company was financing its expansion through equity however, recently the Company started to use bank debt to finance its developments. R.R. believes that the Company's financial leverage is still low compared to peers in the industry. It is the firm's strategy to be less financially leveraged so that when hard times struck, the Company will be able to stay standing. R.R. stated that the Company's investment strategy is long term; "Maj.'s aim of the business is no longer to generate cash as he is wealthy enough, but to create a global leader in its industry". Maj. Tries very hard not to withdraw money from the business, although there is no dividend policy plan, profits are mostly retained in the business.

Succession Planning

Unfortunately Maj. has lost two of his sons and has only one daughter left from his children. Therefore, there is no succession plan available. However, Maj has structured the Company in a similar manner to a public Company. The Company has a non-executive board of directors that assesses the performance of the Companies and designs the future strategies. As mentioned earlier, he tries very hard to push the decision making down the Management levels and tries not to get involved in running the business.

Exploiting the unique advantages of family ownership

Being a family business does have its advantages on the business as seen by R.R.. Although Maj. does not get involved in the day to day operations of the business, people have great respect for him as he is known for his honesty and great reputation and thus, people trust doing business with his firm. In addition, he gets involved from time to time to smooth obstacles caused by government authorities using his large social network, this adds to the speed of and quality of the Company's projects.

Summary of results

The three companies that were the subject of the case studies had a significant factor in common which is, they were all established based on an entrepreneurial venture of an Emirati owner. However, the three differ with respect to the generation controlling the business and their propensity to go international. Whereas Company 3 still did not undergo any succession of generations, Company 1 is in the process of succession and Company 2 did undergo full succession. I believe that the different perspectives of these companies on going international, and the different business stages they are at allowed me to assess the growth factors from different angles. Company 2 had no intention to go international, Company 1 had the intention to do so but isn't yet an international businesses, and

Company 3 is an international business. This difference reflected on the organizations perception on the importance of the growth factors leading to internationalization.

The following table summarizes the results from the case studies.

Company 3	Company 2	Company 1	Summary of case study results	
100%	100%	100%	Family ownership	**Company background**
No	No	Yes	Involvement in day to day operations	
1	1	2	Number of family members involved in running the business	
1st	2nd	2nd	Generation controlling the business	
> 60 years	30-40 years	20-30 years	Age range of controlling generation	
No degree	Bachelors	Bachelors	Education level of family executives	
Yes	Yes	Yes	Centrality in family executive decisions	
>1 billion	<100 million	<100 million	Annual revenue range (in AED)	
100%	0%	0%	Percentage of revenue generated outside UAE	
Yes	No	Yes	Propensity to go international	
Yes	No	No	Promoting strategic experimentation	**Fresh strategic insights**
Yes	No	No	Budget strategic expense	
Yes	No	No	Provide serendipity capital	
Yes	No	No	Independent board of directors	
objective	subjective	subjective	Promotions' decision structure	**Attracting and retaining excellent non-family managers**
Yes	No	No	Sponsoring professional training and higher education	
Performance based	No	No	Bonus system	
High	Low	Low	Pay package in comparison to peers	
Yes	No	No	Availability of fast track system	
Across all levels	Among Management	Among Management	Sharing of business information	**Flexible innovative organization**
Structured	Informal	Informal	Suggestion system	
Often	No change	No change	Frequency of change in the organization	
Low	High	Low	Employee resistance to change	
Low	Average	High	Financial leverage as compared to peers	**Creating and conserving capital**
High	Low	High	Level of capital intensiveness	
No dividends	85%	No dividends	Dividend policy plan	
Long term	Long term	Long term	Term of investment strategy	
No plan	No plan	Informal plan	Availability of succession plan	**Succession planning**
none	none	6	number of candidates for succession	
No system	No system	No system	Selection system of successors	
No	No	No	Definite timing for succession	

No	No	Yes	Availability of strategic training for successor	
-	-	No	Agreement of succession plan by family members	
-	-	Yes	Encourage potential successors to work outside the firm	
No	No	No	Owner have offsprings from more than one wife	
No	No	No	Divorce in executive family members	
No	Yes	No	Rely on family members to bring new clients	**Exploiting unique advantages of family ownership**
No	No	No	Other family businesses as strategic long term clients	
No	No	No	Does the industry require fast decision making	

Discussion

The case studies were done on three different and distinctive companies. Company 1 works in the hospitality industry, has been growing by more than 30% annually, is controlled by a second generation who are in their third decade, has domestic presence only but has the propensity to go international. While Company 2 works in the driving school industry, has been growing at less than 10% annually, is controlled by a second generation who are in their fourth decade, has domestic presence only and is not willing to go international. Company 3 on the other hand works in the commercial property development industry, has been growing by more than 30% annually, is controlled by the founder who is in his ninth decade, and has domestic and international presence. Most of the results have come as expected.

Fresh strategic insights

Company 3 was the only one to satisfy the fresh strategic insights factor, and it has done that fully by satisfying all the four sub-factors; promoting strategic experimentation, budget strategic expense, provide serendipity capital and has an independent board of directors. This supports the literature review, as Company 3 has international presence, suggesting that the four sub-factors are important for family business to consider if they want to sustain their growth. Company 1 has also been growing at the same rate as Company 3 but is not international, thus, it is arguable that growth may not be a result of fresh strategic insights. I believe that Company 1 has been growing due to the tremendous growth of demand in the economy which gave them the opportunity to increase their prices and thus, increase their revenue. In fact, the number of properties that Company 1 manages has decreased from 2000 to 2008. In addition it is always easier for small firms to grow. Have Company 1 been a large organization, I don't believe it could have grown in the same rate without satisfying the strategic insights requirement. The importance of this factor could be seen from the response of Company 1 and Company 2 to the questions related to those factors. Both Companies do not satisfy the factors however, Company 1, having the propensity to sustain its rapid growth and go international, showed appreciation to the elements of this factor and acknowledged their importance. They believed that the Company is still small to be able to afford such expenses however, it is in their plan to start implementing those techniques somewhere down the line of their growth. Whereas Company 2, which does not have the propensity to go international, showed no appreciation of those factors and are settled in with the size of the organization. Company 2 believes that they don't need such techniques in their organization and that it can do fine without it.

Attracting and retaining excellent non-family managers

All three companies have low employee turnover, suggesting great employee retention capacity. However, I have great doubt that Company 1 and Company 2 are retaining the right calibre of employees. Company 2 has one manager only, who was appointed 18 years ago, all the rest are driving instructors. It cannot be judged from the type and level of employees whether the Company is doing a good job in retaining and attracting the best in the industry. Company 1 also has not attracted the best employees in the business. So whereas the results show a low employee turnover in those two companies, this could be due to the incapability of those employees to find better jobs elsewhere. Companies 1 and 2 have not satisfied any of the five sub-factors under attracting and retaining excellent non-family managers. Company 3 however, which is an international business, satisfied all of the five sub-factors. Promotions decision structure is very objective, employees' performance is measured based on certain KPIs, and if employees sustain good performance over a period of time then they will be promoted. In addition, the pay packages are very competitive in the market, and the bonus system is clear and known by employees at the beginning of every year. Company 3 also has a system whereby it identifies its best performers and provides them with adequate training and education to escalate faster through the promotion lines. The ability to attract and retain excellent non-family managers was supported by the case study results to be an important factor in the ability of family businesses to sustain growth and go international.

Flexible innovative organization

Results on the factor flexible innovative organization were positive as Company 3 satisfied all the four sub-factors; sharing business information, suggestion system, frequency of change, and employee resistance to change. While Companies 1 and 2 were very rigid, showing no change in their organization over the past two decades approximately, and no structured formal suggestion system for the employees, in addition to a very limited sharing base of the business information. All three Companies did not share its financial information with employees other than the senior management. However, Company 3 does share its ambitions and values with its employees on a regular basis and had a system in place whereby initiatives are communicated to all employees and their feedback is considered on the decision making. Moreover, Company 3 appreciates the need to change to be able to keep up with a changing environment, and thus, its organization is changing on a regular basis and the management has build an experience on how to reduce employee resistance to change. The results found do support the importance of a flexible innovative organization in the journey to internationalization.

Creating and conserving capital

Results on the factor creating and conserving capital were not as clear as the first three factors. Whereas the financial leverage sub-factor showed results that contradict the literature review, the dividend policy sub-factor showed results that supported the literature review. As discussed in the literature review, one of the constraints to growth of family businesses is their conservatism and fear of using debt, thus it was expected that international family businesses would be more financially leveraged than domestic family firms. However, results showed that Company 3 was less leveraged than its peers in the industry, while Companies 1 and 2 were higher and similar to their peers, respectively. Both Companies 1 and 3 tried not to give out dividends, instead they aimed at retaining all their profits to finance their growth. Company 2 however, tried distributing all its profit and thus, was growing at a very low pace as compared to Companies 1 and 3. This result supports the literature review in that having a clear aim when it comes to profit distribution does reflect in the Company's growth. Though all Companies said their strategy was long term oriented, Company 2 did demonstrate that in its strategy. The fact that the Company retains only around 15% of its profit suggests that the Family's objective of the Company is annual income and not growth.

Succession planning

None of the Companies had a formal succession plan in place, although each of them had their own view on succession. Company 3, the international family business, had no successor as the owner lost both his sons. However, being structured as it is, i.e. similar to public companies and having an independent board of directors, gives some comfort to employees in that the Company is run a by a board of directors and not by a single man. Thus, if the owner dies that Company's operation won't be affected. This system may have replaced the need of a successor. Company 1 however, has started its succession as the management of the business has been handed over from the founder to his eldest son. This transition went smoothly however; the founder still has 5 more sons to join the business. The eldest brother does have a training plan to mould his brothers' experience and capabilities. The plan is the eldest brothers' own idea and it was not discussed with any of the family members. It was obvious that he wants to position himself at a position superior to his brothers' positions, and is playing the role of a founder who is distributing responsibilities to his children rather than an equal brother. However, the results of his views and plans could not be realized until the brothers join the business; for now the transition is smooth and has not caused any problems to the business. Company 2's succession happened according to the Shari'a law. The founders' sons were brought to the business by the founder, they supervised the work part time in his presence and when he passed away, the ownership was distributed among his children by the sharia' law. The owners now have no succession plan, and have left the ownership to be transitioned according to Shari'a law in the future. These results on the factor succession planning are not enough to conclude on the importance of succession planning in the sustained growth of family businesses. Both Company 1 and Company 3 did not have a clear agreed on formal succession plan to replace the founder and/ or integrate the new generation in the business, yet they have been growing on average more than 30% annually and Company 3 did go international.

Exploiting unique advantages of family businesses

The factor exploiting unique advantages of family ownership showed contradictory results as well. Whereas Company 2 is a domestic business it satisfied the sub-factor related to bringing new clients by the family members, so did Company 3 but in a non-direct way. The good reputation of Company 3's owner encouraged people to do business with him, whereas Company 2 relied heavily on clients brought by the family's social network to survive. None of the industries the three Companies worked in required fast decision making however, Company 1 did say the fast decision making was a plus to the Company. In addition, none of the Companies had other family businesses as strategic long term clients. From those results I cannot decide on whether exploiting unique advantages of family firms is crucial in the long-term sustainability of family ownership or not.

Conclusion and Limitations

The case study was successful in establishing the relationship between three of the factors for sustaining growth of FBs, they are: Assuring fresh strategic insights, attracting and retaining excellent non-family managers, and creating a flexible and innovative organization. However, the report did not establish a cause and effect relationship. Whether those characteristics occur due to the international presence of a FB or whether international presence cannot be achieved without them has not been proven in this report. Nonetheless, it is important for FBs willing to go international to understand that there is a relationship between those factors and internationalization.

The different position of each company in the case studies towards internationalization and those factors shows a positive relation. Company 3, which has international presence, already implement those three factors, while Company 1, which has the propensity to go international, does not implement the factor yet it acknowledges their importance and is considering implementing them in the future. Company 2, which does not have the propensity to go international, do not acknowledge the factors' importance and is not considering implementing them in the future.

The factor "creating and conserving capital" showed contradicting results, while Companies 1 and 2 were expected to be less financially leveraged when compared to their industry, they were not. Company 3 was expected to be more financial leveraged than its peers however, the result showed that it was less leveraged. Succession planning was difficult to establish, as Company 1 did not undergo full succession yet, with only two out of the six brothers being old enough to start working life, and the founder of Company 3 lost his two sons. However, the situation of Company 3 could suggest that having a proper structure in place, including external board of directors, could substitute the succession plan. However, more investigation should be done on this area before reaching a definite conclusion. In the case studies I conducted, the factor "exploiting unique advantages of family ownership", did not show great relevance to the internationalization of FBs.

It is important to note that there are some limitations to the conclusion of this report. I have conducted a case study on three FBs only, having done that on more FBs would have resulted in stronger conclusion however, it was very difficult to find FBs that accept such a case study to be conducted on them. Most of them considered the topics confidential and did not agree on discussing them. In addition, the case study on Company 2 was done through interviewing an executive family member only, as the non-family manger was not available for interviewing. The case study on Company 3 was done through interviewing a non-family manager only, the founder was not available for interviewing as well. However, the results of this report does establish good grounds for taking this research topic a step further. This could include a detailed investigation of international FBs whereby, the investigators could spend some time observing the way the organizations function and interview more managers and family executives.

REFERENCES

1. Al Halyan, Dr. A., 2003. The Legal Perspective of Changing Family Businesses to Public Companies. *Dubai Chamber of Commerce and Industry, Statistics and Research Department.*
2. Al Rawi, Dr. H., 2006. Factors Aiding the Development of Family Business Projects. *Dubai Chamber of Commerce and Industry, Statistics and Research Department.*
3. Al Talhouny, Dr. H., 2003. The Appropriateness of Private Joint Stock Companies for Family Businesses. *Dubai Chamber of Commerce and Industry, Statistics and Research Department.*
4. Ali, A. J., 1993. Decision-Making Style, Individualism, and Attitudes toward Risk of Arab Executives. *International Studies of Management and Organization*. 23(3), pp. 53-74.
5. AlYaafi, Dr. A., 2003. Human Resource and its Impact on Family Businesses' Infra Structure. *Chamber of Industry, Damascus, Syria.*
6. Anderson, R., Mansi, S. and Reeb, R., 2003. Founding Family Ownership and The Agency Cost of Debt. *Journal of Financial Economics,* vol. 68, pp 263-285.
7. Beckhard, R. and Dyer, W., 1983. Managing Continuity in the Family Owned Business. *Organizational Dynamics,* No. Summer, pp 5-12.
8. Benbasat, I., Goldstein, D., and Mead, M. 1987. The Case Research Strategy in Studies of Information Systems. *MIS Quarterly,* September, 11(3), pp 369-386.
9. Carney, M. and Gedajlovic, E., 2002. The Coupling of Ownership and Control and the Allocation of Financial Resources: Evidence from Hong Kong. *Journal of Management Studies.* 39(1), pp 123-146.
10. Chiniara, W., 2002. Family Business Practice. *Al Tamimi & Company.*
11. Chrisman, J., Chua, J. and Sharma, P., 2005. Trends and Direction in the Development of a Strategic Management Theory of the Family Firm. *Entrepreneurship Theory and Practice.* 29(5), pp 555-575.
12. Clarke, T. and Clegg, S., 2000. Management Paradigms for the New Millennium. *International Journal of Management Reviews.* 2(1), pp 45-64.
13. Corbetta, G. and Salvato, C., 2004. Self-Serving or Self-Actualizing? Models of Man and Agency Costs in Different Types of Family Firms: A Commentary on "Comparing the Agency Costs of Family and Non-family Firms: Conceptual Issues and Exploratory Evidence". *Entrepreneurship Theory and Practice.* Vol. 28, pp 355-362.
14. Craig, J. and Moores, K., 2006. A 10-Year Longitudinal Investigation of Strategy, systems, and Environment on Innovation in Family Firms. *Family Business Review.* 19(1), pp 1-10.
15. Crosthwaite D., 1998. The Internationalization of British Construction Companies 1990-96: an empirical Analysis. *Construction Management and Economics.* Vol. 16, pp 389-395.
16. Czinkota and Ronkainen, 2001. International Marketing. *US: Dryden Press*.
17. Danco, L., 1982. Beyond Survival: A Guide for The Business Owner and His Family. *Cleveland, OH: University Press.*

18. Davies, G., 2003. Keeping it in the Family. www.timesonline.co.uk.
19. Davis, P. and Harveston, P., 2000. Internationalization and Organizational Growth: The Impact of Internet Usage and Technology Involvement Among Entrepreneurial-led Family Businesses. *Family Business Review.* 13(2), pp 107-120.
20. Erderner C. and Shapiro M., 2005. The Internationalization of Chinese Family Enterprises and Dunning's Eclectic MNE Paradigm. *Management and Organization Review.* 1(3), pp 411-436.
21. Feltham, T., Feltham, G. and Barnett, J., 2005. The Dependence of Family Businesses on a Single Decision-Maker. *Journal of Small Business Management*. 43(1), pp 1-15.
22. Fish, A. 1999. Selecting Managers for Cross-border Assignments: Building Value into the Process. *International Journal of Management Reviews.* 1(4), pp 461-483.
23. Fish, A. J. and Wood, J., 1997. Cross-cultural Management Competence in Australian Business Enterprises. *Asia Pacific Journal of Human Resources.* 35(1), pp 37-52.
24. Flanagan, R., 2004. The synergy between business and global drivers in futures planning for construction enterprises IN Kähkönen, K. and Sexton, M. (Eds) Understanding the construction business and companies in the new millennium. VTT Helsinki p42-53 (ISBN 952-5004-62-7.
25. Gallo, M. and Estape, M., 1992. The Internationalization of the Family Business. *Research paper no. 230, IESE Business School.*
26. Gallo, M. and Pont, C., 1996. Important Factors in Family Business Internationalization. *Family Business Review.* 9(1), pp 45-59.
27. Gallo, M., and Sveen, J., 1991. Internationalizing the Family Business: Facilitating and Restraining Forces. *Family Business Review.* 4(2), pp 181-190.
28. Garcia-Alvarez, E., Lopez-Sintas, J. and Gonzalvo, P., 2002. Socialization Patterns of Successors in First to Second Generation Family Businesses. *Family Business Review.* 15(3), pp 189-203.
29. Girmscheid, Dr. G. and Brockmann C., 2004. Trust as a Success Factor in International Joint Ventures. In: Proceedings of the CIB World Buidling Congress 2005"Combining Forces" Helsinki 13-16/06/2005, Hrsg.: VTT - Technical Research Centre of Finland and RIL - Association of Finnish Civil Engineers (2005), Vol. II, p. 69-81.
30. Grundei, J. and Talaulicar, T., 2002. "Company Law and Corporate Governance of Start-Ups in Germany: Legal Stipulations, Managerial Requirements, and Modifications Strategy. *Journal of Management and Governance.* 6(1), pp 1-27.
31. Gudmundson, D., Hartman E and Tower C., 1999. Strategic Orientation: Differences between Family and Non-family Firms. Family Business Review, 12 (1), 27-39.
32. Habbeshon, T. and Pistrui, J., 2002. Enterprising Families Domain: Family-Influences Ownership Groups in Pursuit of Transgenerational Wealth. *Family Business Review.* 15(3), pp 223-238.
33. Hall, A., Melin L. and Nordqvist M., 2001. Entrepreneurship as Radical Change in the Family Business: Exploring the Role of Cultural Patterns. *Family Business Review*. 14(3), pp 193-208.

34. Harris, L. and Ogbonna, E., 2005. Ownership and Control in Closely-held Family-Owned Firms: An Exploration of strategic and Operational Control. *British Journal of Management.* 18(1), pp 5-26.
35. Huovinen, P., 2004. Aplying Porter's Frameworks to Managing A Business in Global Construction Markets. 11th Joint CIB W65 and W55 International Symposium on Combining FOrces - Advancing facilities management and construction through innovation. Helsinki 2005, VTT, RIL, and CIB, pp. 109-120.
36. Huovinen, P., 2004. Recursive Management of a Dynamic Business in Global Capital-Investment Markets. 11th Joint CIBW65 and W55 International Symposium on Combining Forces - Advancing facilities management and construction through innovation. Helsinki 2005, VTT, RIL, and CIB, pp. 142-153.
37. Julian, C., 2003. Export Marketing Performance: A Study of Thailand Firms. *Journal of Small Business Management.* 41(2), pp 213-221.
38. Kalantaridis C., 2004. Internationalization, Strategic Behavior, and the Small Firm: A Comparative Investigation. *Journal of Small Business Management.* 42(3), pp 245-262.
39. Katzell, R., 1962. Contrasting Systems of Work Organizations. *American Psychologist*. 17(2), pp 102-108.
40. Khalid, Y., 2003. Family Businesses in UAE. *Dubai Chamber of Commerce and Industry, Statistics and Research Department.*
41. Kobrin, S., 1994. Is there a Relationship between a Geocentric Mindset and Multinational Strategy. *Journal of International businesses Management.* 25(3), pp 493-511.
42. Koiranen, M., 2002. Over 100 Years of Age but Still Entrepreneurially Active in Business: Exploring the Values and Family Characteristics of Old Finish Family Firms. *Family Business Review*. 15(3), pp 175-187.
43. Kotey, B. and Slade P., 2005. Formal Human Resource Management Practices in Small Growing Firms. *Journal of Small Business Management.* 43(1), pp 16-40.
44. Lee, A. S., 1989. A Scientific Methodology for MIS Case Studies. *MIS Quarterly,* March 13(1), pp 33-50.
45. Lee, E., and Kano, N., 2004. Comparative Survey of Clients between Japan and Korea. *Proceedings of Symposium on Building Construction and Management of Projects.* Vol. 21, pp 31-38.
46. Leonidou, L. and Katsikeas, C., 1996. The Export Development Process: An Integrative Review of Empirical Models. *Journal of International Business Studies.* 27(3), pp 517-551.
47. Leonidou, L., 2004. An Analysis of the Barriers Hindering Small Business Export Development. *Journal of Small Business Development.* 42(3), pp 279-302.
48. Lu, J. and Beamish, P., 2001. The Internationalization and Performance of SMEs. *Strategic Management Journal.* Vol. 22, pp 565-586.
49. Luostarinem, R. and Gallo, M., 1992. Internationalization: A Challenging Change for Family Business. *Proceedings of the 2nd Family Business Network Conference, Barcelona.*
50. Mahmoud A., 2003. Organizational and Legal Types of Arabic Family Businesses. *Proceedings of the 2nd Arabic Forum of Family Businesses in the Arab World, Dubai.*
51. Meisenbock, K., 1988. Small Businesses and Exporting: A Literature Review. *International Small Business Journal.* 6(1), pp 42-61.

52. Miles, R. and Snow, C., 1978. Organizational Strategy, Structure and Process. *New York: McGraw-Hill.*
53. Mittelstaedt, J., Harben, G., and Ward, W. 2003. How Small is too Small? Firm Size as a Barrier to Exporting from the United Stated. *Journal of Small Business Management.* 4(1), pp 68-84.
54. Moores, K. and Barret, M., 2003. Learning Family Business: Paradoxes and Pathways. *London: Ashgate.*
55. Moores, K. and Mula, J., 2000. The Salience of Market, Bureaucratic, and Clan Controls in the Management of Family Firm Transitions: Some Tentative Australian Evidence. *Family Business Review.* 13(2), pp 91-106.
56. Morck, R., Shleifer, A. and Vishny, R., 1988. Management Ownership and Market Evaluation: An Empirical Analysis. *Journal of Financial Economics.* Vol. 20, pp 293-315.
57. Morgan, R., 1997. Export Stimuli and Export Barriers: Evidence from Empirical Research Studies. *European Business Review.* 97(2), pp 68-79.
58. Naldi, L., Nordqvist, M., Sjoberg, K. and Wiklund, J. 2007. Entrepreneurial Orientation, Risk Taking, and Performance in Family Firms. *Family Business Review.* 20(1), pp 33-47.
59. Ofori, G., and Cuervo J., 2004. Consortia for Export of Construction Service in Singapore. [11th Joint CIBW65 and W55 International Symposium on Combining Forces - Advancing facilities management and construction through innovation. Helsinki 2005, VTT, RIL, and CIB.]
60. Porter, M., 1990. The Competitive Advantage of Nations. Free Press: New York.
61. Poza E., Alfred T. and Maheshwari A. 1997. Stakeholder Perceptions of Culture and Management Practices in Family and Family Firms – A Preliminary Report. *Family Business Review.* 10(2), pp 135-155.
62. Poza, E., 1998. Business Continuity is the Prize of Succession (Part 1). http://www.fambiz.com/contprov.cfm?ContProvCode=Baylor&ID=168. *NetMarquee Inc.* (Accessed January 23, 2001).
63. Raftery, J., Pasadilla, B., Chiang, Y., Hui, E., and Tang, B., 1998. Globalization and Construction Industry Development: Implications of Recent Developments in the Construction Sector in Asia. *Construction Management and Economics.* Vol. 16, pp 729-737.
64. Ratab Dr. B., AbuFakhr T. and Murada M., 2005. Family Businesses in Dubai: Definition, Structure and Performance. *Dubai Chamber of Commerce and Industry, Statistics and Research Department.*
65. Redding, S., 1990. The Spirit of Chinese Capitalism. *New York: De Gruyter.*
66. Rutherford, M., Muse L. and Oswald, S., 2006. A New Perspective of the Developmental Model for Family Business. *Family Business Review*. 19(4), pp 317-333.
67. Scandura, T., and Williams, E., 2000. Research Methodology in Management: Current Practices, Trends, And Implications for Future Research. *Academy of Management Journal.* 43(6), pp 1248- 1264.
68. Schlegelmilch B., 1986. Can Export Performance be Explained by Attitudinal Differences? *Managerial and Decision Economics.* Vol. 7, pp 249-254.
69. Schulze, W., Lubatkin, M., and Dino, R., 2003. Toward a Theory of Agency and Altruism in Family Firms. *Journal of Business Venturing.* 18(4), pp 473-490.

70. Schulze, W., Lubatkin, M., Dino, R. and Buchholtz A., 2001. Agency Relationships in Family Firms: Theory and Evidence. *Organization Science.* 12(2), pp 99-116.
71. Sharma, P., 2004. An Overview of the Field of Family Business Studies: Current Status and Directions for the Future. *Family Business Review.* 17(1), pp 1-36.
72. Sharma, P., Chrisman, J. and Chua, J., 1997. Strategic Management of the Family business: Past Research and Future Challenges. *Family Business Review.*10(1), pp 1-35.
73. Shaw, V., and Darroch, J., 2004. Barriers to Internationalization: A Study of Entrepreneurial New Ventures in New Zealand. *Journal of International Entrepreneurship.* Vol. 2, pp 327-343
74. Sirmon D. and Hitt M., 2003. Managing Resources: Linking Unique Resources, Management, and Wealth creation in Family Firms. *Entrepreneurship Theory and Practice.* 27(4), pp 339-358.
75. Tokarcyzk, J., Hansen, E., Green M., and Down, J., 2007. A Resource-Based View and Market Orientation Theory Examination of the Role of "Familiness" in Family Business Success. Family *Business Review.* 20(1), pp 17-31.
76. Tsai, W., Hung, J., Kuo, Y., and Kuo, L. 2006. CEO Tenure in Taiwanese Family and Non-family Firms: An Agency Theory Perspective. Family *Business Review.* 19(1), pp 11-28.
77. Vern, T., and Sarathy, R., 2000. International Marketing. *US: Dryden Press.*
78. Voordeckers, W., Van Gils, A. and Van den Heuvel, J., 2007. Board Composition in Small and Medium-Sized Family Firms. *Journal of Small Business Management.* 45(1), pp 137-156.
79. Wang, S., Dulaimi, M., and Aguria, M., 2004. Risk Management Framework for Construction Projects in Developing Countries. *Construction Management and Economics.* Vol. 22, pp 237-252.
80. Ward J., 1997. Growing the Family Business: Special Challenges and Best Practices. *Family Business Review.* 10(4), pp 323-337.
81. Ward, J., 1987. Keeping the Family Business Healthy: How to Plan for Continuing Growth, Profitability, and Family Leadership. *San Francisco: Jossey-Bass.*
82. Wiedersheim-Paul, F., Olson, H. and Welch, L., 1978. Pre-Export Activity: The First Step in Internationalization. *Journal of International Business Studies.* 9(1), pp 47-58.
83. Wiklund, J., 1998. Small Firm Growth and Performance: Entrepreneurship and Beyond Other Explanations. *Doctoral Dissertation, Jonkoping International Business School, Sweden.*
84. Williams, J. and Chaston, I., 2004. Links Between the Linguistic Ability and International Experience of Export Managers and their Export Marketing Intelligence Behaviour. *International Small Business Journal.* 22(5), pp 463-486.
85. Zahra, S., Hayton, J. and Salvato, C., 2004. Entrepreneurship in Family vs. Non-Family Firms: A Resource-Based Analysis of the Effect of Organizational Culture. *Entrepreneurship Theory and Practice.* Summer, pp 363-381.
86. Zaidan, Dr. A., 2004. Development of Family Businesses' Model. S.I.

87. Zellweger, T., 2007. Time Horizon, Costs of Equity Capital, and Generic Investment Strategies of Firms. *Family Business Review.* 20(1), pp 1-15.

Appendix 1 – Interview Questions

ID: 20050020

A- Characteristics of the firm

1. Does a single family/ person own more than 51% of the company?
2. Are the family members involved in managing the business?
3. How many family members are involved in managing the business?
4. What generation controls the business?
5. What is the age range of the controlling generation?
6. What level of education does the family member executive have?
7. Is there centrality in the decision making among the family members?
8. How much of the revenue is generated outside the UAE?

B- Fresh strategic insights

9. Does the firm promote strategic experimentation?
10. Does the firm allocate a budget for strategic expenses?
11. Does the firm provide serendipity capital?
12. Are there independent directors on the board to challenge strategic assumptions?

C- Attraction and retention of excellent non-family managers

13. Is there a clear objective structure to decide on promotions or is it based on a subjective decision by the family executive or other executives?
14. Are employees encouraged by the firm to seek professional training and higher education?
15. Is the bonus based on a clear and objective profit sharing plan, subjective according to the executive's estimate, or is it a fixed bonus system?
16. Do you consider the bonus system to be among the highest, moderate or lowest in the industry?
17. Is there a fast track system for the best non-family employees?

D- **Flexible innovative organization**

18. Is business information shared among all employees, all managers, or restricted to executives and family members only?
19. Is there a clear formal suggestion system in place?
20. How often does the firm undergo a structural change either for a department, subsidiary or as a whole?
21. How do employees feel about change? (strongly resist, resist, don't care, welcome the change and assist positively in its implementation).

E- Creation and conserving capital

22. Is the financial leverage of the business in comparison to its peers in the industry is high, moderate or low?
23. Is being less capital intensive among the most important factors in the firms' strategy?

24. Is there a fixed dividend policy plan in place?
25. Is the investment strategy of the firm short term, medium term or long term?

F- **Succession planning**

26. Is there a succession plan in place?
27. Is there more than one candidate for succession?
28. Is the successor selection based on choosing the eldest or is there a test to find out the best performer?
29. Is there a definite timing on when succession is to occur?
30. Is there a strategic training program to prepare the successor/s?
31. Is the succession plan agreed on by all family members involved in the business?
32. Does the family encourage potential successors to work outside the firm and seek global experience before joining the firm?
33. Does the owner have offsprings from more than one wife?
34. Have the executive family members been through a divorce?

G- Exploiting the unique advantages of family ownership

35. Does the firm rely on the family members to bring in new clients?
36. Does the firm have other family businesses as a strategic long term client?
37. Does the industry require decision making to be slow, moderate or fast?

Appendix 2 – Interviews Script

ID: 20050020

ID: 20050020

Company 1

Company background.

The company was established in 1965 by D.A.Y. as a trading company; it traded on different items and opened small restaurants such as Pizza Hut which was later closed down. However, the Hospitality business started in 1991. The development is usually built by the holding company which is A.Y.G, and is managed by A.Y.H.. The company used to manage three properties, two in Dubai and one in London however, the property in London has been recently sold. The revenue generated by the company is less than AED 100 million.

I conducted two interviews, one with the CEO of the Company Mr. A.Y. and another with a property manager Mr. R.K. The following interview is with Mr. A.Y.

- Why was the property in London sold?

The property was bought because my father travels to London a lot, and I studied in London between 2000 and 2003, and hence, it seemed like a good decision at the time to buy a property and expand into the London market. However, due to the difficulty of regulations in the UK and the lack of a permanent person in London, it was too much of a hassle managing that property. As you can notice, the Company is still small in the number of employees as it used to be a one man show managed by my father. Therefore, investment decisions were made based on the like and dislike of my father rather than on a structured investment plan.

- Are you planning to re-enter the London property/ hospitality market? Or expand anywhere outside the UAE?

It doesn’t make sense yet for us to enter into the UK market however, yes we do intend to expand into the GCC market, especially in Saudi Arabia and Qatar.

- How many brothers and sisters do you have? And how many are involved in the business?

We are six brothers; I am the eldest and have been involved in the business for almost 5 years now. One of my brothers just graduated and he started working with us as well. The rest are still young. Hopefully they will join the business once they graduate from university. When I say the business I mean here the Group and not A.Y.H.. My idea is to diversify the Group’s income and have each of my brothers looking after a separate entity while I get involved with everything from a high level. However, I don’t think my brothers ought to be working full time on those companies, they could have a day time job in one of the multinational companies for 5-7 years to gain experience, and at night they could spend little time in our Companies to find out what's happening. After that, they could join full time and they will have a multinational experience by then.

- Who takes the decision in the Company?

My father does get involved in the details anymore, he has delegated the authority to me to manage the operations of the Company, and thus, the main decisions are made by me.

- Does the Company promote strategic experimentation?

No. We want to start implementing this but the Company is still too small to have enough money to do it. Hopefully in the future as we grow, we will start doing this.

- Do you have projections and/or an annual budget?

Yes we have a four year projection based on cash flow, and we have an annual budget.

- Do you have strategic expenses in your budget?

No, we don't.

- Is there a board of Directors for the Company?

Not formally no, my father and I constitute the Informal Board of Directors.

- Is the financial leverage less than, equal to, or greater than your peers in the industry?

I believe our financial leverage is greater than our peers in the industry, as we are expanding rapidly and could not finance this great expansion by equity. The Company's mission is to manage properties build by others, as this would be safe than building our own properties or leasing properties. However, at the moment we have to work on establishing a brand name in the market before anyone would give us his property to manage. We have four projects that are currently being built by us, once we start managing them; our portfolio of properties would increase from two properties to six. This would give a good uplift to our brand name, and would help us to get into management contracts for other properties. At the time, I believe our leverage would come down greatly.

- Is there a fixed dividend policy?

No we don't have a dividend policy, we are in a rapid expansion phase and whatever profits we earn goes into building our new property and expanding it. At the moment I am not a fan of giving out dividends, my main aim is to protect the Company and grow it. My idea is, for all our companies and not just the Hospitality business, to give my brothers fixed salaries, and the rest would be reinvested.

- Is your investment strategy short term, medium term or long term?

ID: 20050020

Our investment strategy is long term, we have been building a lot of properties and buying lots of land for future expansion.

- How did you enter into the Company?

I graduated from University in 2003, and my father fired the CEO at the time and assigned me to take over his position and I became a shareholder in 2007. When I first joined the company was very laid back in the sense that there wasn't much going on. However, at that time I had a vision and an objective to take advantage of the property boom that is happening in Dubai. So I decided that we should have a Hospitality management company that would manage a portfolio of properties rather than just manage our properties. This new company that I am working on would be owned completely by me and the real estate would remain in the name of all the shareholders.

- Was there a definite timing agreed by your father and yourself on when you would become a partner?

No there wasn't. I started working in the business, and when it was the right time I became a partner.

- Is there a plan as to when and how your brothers are going to join the firm and become partners?

The plan is that I will manage the Group Company and have everything under my supervision, my brothers as they graduate will manage the separate individual companies. There are a lot of family businesses that have split up or even collapsed as they move from one generation to the other. And we learn from what others have gone through. So the plan in place to avoid that is to have a holding company that everybody has a share in and then subsidiaries where the Holding Company would own a share and the particular brother managing it would have a share as well. This way they won't interfere in each other's business, and everyone would sort of get the profits based on his Company's performance.

- Is there a strategic training plan that you will put your brothers through?

Yes I have thought of a plan, my second eldest brother who joined recently has been appointed as the chief operation officer for the Hospitality Group, I am getting him involved in the business and encouraging him to learn the ins and outs of the business. So he is directly under my supervision. As for the rest of my brothers, I would encourage them as I said earlier to work outside the family business, preferably in multinational companies so that they can build their experience, and once there experience is satisfactory they would manage one of our companies. Of course they would be getting a salary from the company, and once they start managing the full operation and prove themselves they will be given a percentage in the Company.

- When you joined did you discuss your career plan with your father?

No I didn't. I was involved in the business even before I graduated as my father used to bring me with him to the office ever since I was a kid. So I knew a lot about the business and the employees before I join.

- Do you see any advantages to the business that comes from being a family business?

ID: 20050020

Yes, as a family business where the family members are involved, the company's strategy could be more focused on long term growth, and the business could be more efficiently managed. In addition, being a family business decisions are made quicker and are more flexible. For example, w had a meeting with a corporate client the other day that wanted cheaper prices, and we took a decision about it right away. Had it not been a family business the decision would to go through a lot of processes that may result in losing the client.

- Is the business driven by the family name or the company's brand?

The business we get is due to our brand being known in the market, and not because of the family's social network.

The following interview was conducted with Mr. R. K. the property manager at A.Y.H.

- How long have you been with A.Y.H.?

Previously I have worked for six year with A.Y.H. however, I moved to another subsidiary in the Group for six years, and then I came back to A.Y.H. two years ago.

- Why did you leave for six years?

Well I enjoyed working in A.Y.H. however, I found a better opportunity with respect to growth, salary and promotion and so I requested the owner and he agreed to move me to another company within the Group.

- Is there a clear objective structure for promotions?

Promotions are very subjective. It cannot be compared to a professional public company that could have policies and procedures. However, this is not the case here.

- Have you seen a change in the past few years since you left and when you came back?

No, it's almost the same.

- Are the employees encouraged to seek professional training and higher education?

In a normal term no, it depends on case to case situation taking into consideration the profit generated by the business.

- In the history of the company has it ever sponsored an employee seeking training or higher education?

No.

- Is the bonus fixed every year or is it performance based?

There is no bonus. If anyone would get a bonus it would be the exceptional case as decided by the owners.

- How is the package compared to peers in the industry?

In comparison to peers of our size we are slightly in the lower side, however, as compared to large companies we are definitely less.

- Is the business information shared among all employees?

Is shared between the management levels, but obviously it will not be shared all the way down to the rest of the employees. Of course the management would know the targets, budgets and plans…etc

- What about the five year targets or the vision of the company?

It will only be shared among the Management team.

- Is there a suggestion system in place?

Yes, it is there among the Management team. However, lower position employees could suggest and communicate with their managers in informal ways which will then be brought up by that particular manager.

- Does the firm usually undergo structural change?

No change occurs.

- Are the employees ready to accept change?

Yes as long as it is for the better then they are all open for it.

- Are there any advantages to be working in a family business as opposed to working for a non family business?

This is a very individual situation where one can communicate one to one with the owners, as opposed to a Non-FB where there will be rules and procedures, and everybody will know what is expected from them and what they can expect from the firm. A family business is a difficult environment to work especially for professionals, as everything is done on a case by case situation and according to the wishes of the owners.

- Do you see it as easy for an employee to grow within a family business and make it to the top?

Yes, and there are plenty of examples on this.

- Is there competition between the family members and non family members within the firm?

There is always the possibility of this happening, and it would be frustrating for all the employees. As there would be a young man with no experience in the operations of the business, and who doesn't know how the system works, yet I would have to report to him. Hence, my position would become more of a dummy position. This scenario has happened in A.Y.H.; but there is always the possibility of it happening.

- In the hospitality industry, would being a family business have an advantage?

Yes definitely, due to the family involvement in the family business, the business will be more geared to growth than non family business. However, with regards to bringing new clients, the business won't be affected if it was run by a family or no. In addition, being a family business has the advantage of taking fast decisions, especially during negotiations with clients on such things as prices and contracts. Such a thing could help satisfy clients.

Company 2

Company background

The company was established in 1969 as a driving school by S.A.S.. He was one of the first to own a car at that time as he just got back from Kuwait. He realized that people in emirates wanted to learn how to drive, so he started by lending them his car to learn. He then capitalized on this opportunity and started buying cars to teach people how to drive. The Company was owned 100% by him, however after he passed away the company among other companies owned by S.A.S. were inherited by his sons and daughters according to the Shariaa law, as S.A.S. didn't put any of his offsprings as partners before his death.

I conducted the Interview with M.S. who is the youngest sons of S.A.S. and is the Director of Company 2. The following is the interview script.

- How did you join the business

When I graduated from University in the states, I came back immediately to Sharjah and joined Sharjah's Water and electricity Authority. Although my father wanted me to work full time with him I was able to convince him that I can work as employee in the authority from 7 am to 2 pm, and in the afternoon I can go and supervise the family's business. My brother did the same thing however, he is looking after the family's property business. It was my father who decided how to engage us in the different family businesses; we didn't take any decision on that.

- Did you approach any partners to own a stake in the business?

No.

- Who is the decision maker in the driving institute business?

There is a manager who runs the daily operations, and has a staff of teachers to work under him. I am also involved but from a high level. However, my brother could also be involved but as an advisor role only, and would not take any decisions.

- Are you considering expanding outside of Sharjah?

ID: 20050020

When we first started we opened in Abu Dhabi, however, after the UAE got established and as the industry got regulated we confined ourselves to Sharjah only.

- Do you do any projections for coming years/ annual budget?

Yes we do on a general level, however, now we are considering bringing in a partner to manage the company. Yes we do put an annual budget, however, we always have difference between the actual and planned figures, in the sense that we generate higher profits than expected. The reason for this is the rapid growth in population of Sharjah.

- Do you allocate a strategic expense in the annual budget/ do you promote strategic experimentation?

No we don't.

- Is there a board of directors?

Not a formal board of directors, we are a family owning the businesses after all, and you can consider the family members as members of the board. However, I run the business and the rest do not interfere in the way it is being run. After all it's a small business, with only one manager and a secretary and all the rest are instructors.

- How long has your manager been working in the Company?

He has been with us for 30 years. He started as an instructor and then became my father's right hand in the Company. Later on as my father became old he appointed him as a manager to run the Company as he knew all the ins and outs of the Company as well as the way my father like things to be organized. And now he has been a manager for 18 years.

- Do the employees get paid a bonus and what is the salary scheme?

They get paid by the hour, i.e. according to how many hours they have worked each day. However, they are to work a minimum of 8 hours a day. There is no bonus for the instructors. The Manager gets allowance however, he doesn't gets paid any bonus.

- Is the salary package competitive among your peers?

It's a little less than the rest. However, we are known to take could care of our employees, and it is noticeable that our employee turnover is far less than other companies in the industry. This is due to the good treatment we give our employees and flexible timings.

- Is the business information shared among your employees?

Yes we do share some information, and we do advice them so bring up whatever is dissatisfying them in the company. However, we do not share financial information with our employees.

- Do you have a formal suggestion system?

Yes we do have a formal suggestion system, however, we do promote informal suggestions as well.

- Do you take on changes in the organization?

No, and this is one of the main reasons for our low employee turnover. Everybody feels secured in this organization.

- How is the Company's financial leverage?

We previously used to buy all our cars by cash, however, recently we started using bank loans to finance our cars. However, with regards to our peers in the industry, our financial leverage is approximately the same.

- Are the profits all distributed or is some profits retained?

A small part of the profits are retained for the operations of the business, however the major parts are taken out. Almost 15% of the profits are retained.

- Is the strategy of the company short, medium or long term?

Long term.

- Is being a family business an advantage to the business?

Yes it's definitely an advantage, as my name is the main attraction of clients. Most of our clients come from the family's social network. From the women of Sharjah, almost more than 50% of them are trained in our institute, due to the social network of my sisters. And this is the main source of income to the business.

- Would your sisters' sons be involved in the business?

Not directly, they will get involved to the extent that their mother is an inheritor and thus a shareholder. However, they will not interfere in the running of the business. The succession of the business would be done according to the Shariaa law.

- Before joining the firm did you discuss your career within the family business with him?

During his life we used to get direct instructions from my him, so when he passed away we found ourselves lacking the knowledge of how to run it, so my brother and myself started learning how rung the family businesses. However, he did not discuss with us his plan on how to deploy us in the family business.

- Is fast decision making a plus in this industry?

No I don't think it has this much affect. The reason is that the industry is highly regulated by the government's authority, and as such all issues is sorted out by them.

Company 3

ID: 20050020

Company background.

The company essentially started with the break between Maj. and his relatives. It was originally A.F.G.. At that, Maj had sitting outside the group one shopping mall. The break was in the year 2000. And so he formed Maj Group. He started the business with two essences, the shopping mall and a private property vehicle. Over the years he grew the business to Egypt, bahrain and oman. In addition to the property business, he has a private trust which deals in equities, this is kept separate from the property business as a hedge in the case something goes badly wrong with the business, then he will always have this investment trust. The third part, is the leisure entertainment which has also recently grown. Maj. is the sole owner of the business. He has no offsprings involved in the business. And is involved in the business to a certain extent. He has been very careful to build a westerner model for the business. There is the group board which consists of non executive members, the group CEO, and then each business would have its own CEO and board of directors as well. Maj has adopted best practices of businesses, and has focused on improving the corporate governance. The turnover generated by Maj is in excess of AED 1 billion.

I have conducted the interview with Mr. R.R. who is the Senior Vice President of Development in the Company, he has been in the Company for almost 2.5 years now. The following is the script o the interview.

- Are the board members related to Maj?

No they are not, and they are the majority in the board.

- Does the group CEO has shares in the company?

No, it is a private company and Maj owns 100% of the shares.

- Does Maj take all the big decisions?

No, what he tries very hard to do is push the decision making down to the businesses' Management. Although there are something's he is passionate about such as property designs and gets pretty involved in them.

- How much revenue is generated outside the UAE?

About 30%.

- Do you usually have 5 year projections?

Yes we do, in addition to a budget.

- Do you have an expense dedicated to strategic experimentation?

We certainly have a budget for research in addition to a proper CEO budget to spend on initial design feasibility and project, so rather than going to the board to approve such budgets, the CEO has the authority to spend a limited amount on these things.

- Do you experiment on small changes as far as the organizational structure and inter procedures are concerned?

I'll answer you in a couple of ways as far as the formula for building a property, we have developed into professionals, and the procedure is pretty well defined. However we are entrepreneurial in a couple of dimensions. The first dimension is that we go out and bring world class designers to provide world class standard and architecture. So we like to be innovative and entrepreneurial in pursuing world class objectives. The other dimension where we are entrepreneurial and innovative is bringing the extraordinary, such as snow to the desert.

- Is internal information of the business shared to all employees?

We work pretty hard when we defined the business plan this year to develop what we call a road show which is also shared with the teams outside the UAE. Certainly the objectives, and the core strategic principles are shared with all employees on a very regular basis. The group CEO has what he calls a town hall meeting, and he uses that as a communication form to discuss strategies. He conducts these town halls every 2 months. I think a good job is done there.

- Is there a formal suggestion system?

Yes there is, the days of having suggestion boxes are over obviously. The principles we work on these days is we cascade down all the way through the organization communicating a strategy and that gets a feedback back again. And in this process there was room for a lot of debate.

- How often do you have changes going on in the organization?

Too often, it's been my experience in large organization is that when you get to a certain style the environment is constantly shifting, and you learn to accept that the environment is constantly shifting. There is never the right organizational structure because the market is constantly changing. However, this can be enormously frustrating as some see constant changing as disorganization.

- How do your employees feel about change?

I think that if you make change and implement it rapidly and thoroughly then people will accept it and settle in quietly. However, when the process is not clear and is taking a long time people would get frustrated. I think a good time frame for change should within 100 days. The most important dimensions of change are leadership and communication. The level of uncertainty can be reduced through communicating the importance of the change and duration it would take.

- Is there a clear objective structure to decide on promotions?

Yes, there are two dimensions there: firstly in a region that is growing very rapidly with not enough resources we have to recruit people externally and at the same time we should keep the balance with internal promotions.

However, I believe in the environment we live in there is opportunity for both however, it is not the less a very delicate matter.

- Do you conduct reviews for each employee?

Yes we got quite a rigorous process whereby at the beginning of the year you sign of a KPI with your manager, and the through the year there are four more discussion about those KPIs. At the end of the year there is a more formal discussion with the manager about the employees' performance and a score would be given, and there a debate on the score.

- From the score is it possible for the employee to know if they would get promoted or no?

Well if you went to the meeting at the end of the year and you were surprised at the discussion with the manager then obviously the manager hasn't done his job. However if you get 100% of your bonus consistently over a couple of years then you can start talking about a promotion. However, if you don't then you could be doing your job, but you are just not acceding expectations. So the bonus discussions are in affect a form where you discuss ability and performance. And over a period of 14 to 30 months you get a very clear picture on your career progress within the firm. A great weakness in organizations is where the manager has weakness in communicating his subordinates' failure.

- Is the maximum potential bonus set at the beginning of the year?

Yes

- Is the executives' bonus set on a profit sharing scheme?

There are different levels of management and accordingly different levels of bonuses. However, the most senior executives would have some of their bonuses retained and put in an investment pool which is a long term retention of bonus mechanism. So yes there is a very systematic bonus and KPI measuring tool for everybody in the organization.

- Do you consider the bonus system among the highest/ medium or lowest in the organization?

When I first joined the firm 2.5 years ago, it was lower than the market. People joined the firm because they wanted to work for a market leader and not for the salary as they would be able to find higher salaries outside. However, as the market has grown so rapidly MAF came to realize that if doesn't keep up with salary increases and match the market it will lose all its excellent employees. So now, I think we are very competitive salaries in the market.

- Do you have a fast track system for your employees?

Yes, each VP has the responsibility of identify high potential candidates, and then we have a number of training schools that they would go to. We now have set up a relationship with London Business School to design a short

MBA program that is tailored for our organization, that we would allow the high potential candidates to go through. For the rest of the employees the company will not pay for any higher education, that is because some people get obsessed with certificates and they get to a level that additional degrees will not add a lot more value to them as executives and certainly not the company.

- Is the financial leverage compared to peers in the industry?

It is very low, there was a time where we funded all our businesses with equity. However, now we do have a financial leverage, but we are conservatively geared so that when we go through a bad time we will be able to stay strong.

- Is there a fixed dividend policy plan?

Because we are private, that doesn't exist. The owner tries very hard not take any money out of the business as his aim is to grow it into a global leader in its industry.

- Is the investment term considered to be short term, medium term or long term?

Very much a long term strategy, Maj talks about creating a dynasty, his objective is not wealth creation anymore as he is already wealthy enough. His aim has shifted from generating cash to being the best.

Is there a succession plan in place?

That is a difficult question to answer, Maj has lost two of his sons, and as of now there is no inheritor.

Is being a family business adds certain advantages to the business?

Yes absolutely, Maj's name is name throughout the company, he has a reputation of honesty and thus, people trust doing business with him. And that is one advantage of having the man involved in the business. In addition, he uses from time to time his social network to remove operational obstacles in our way. However, he knows that an individual man can't run a business as big as this, and that's why he has placed a board of directors, and has structured the company as a public company. So from a succession point of view, he knows that if he leaves the business, the business is well structured so as to survive without him. Secondly, I think we get the best of both worlds here, so he gets involved in designs because he is passionate about it and he gets involved in road works because he can help to smooth things with the authority bodies, and this is something you won't get in a public business.