Sustaining Emirati family businesses: A Dubai business system case study

by

ADIL ALZAROONI

A thesis submitted in fulfilment of the requirements for the degree of

DOCTOR OF PHILOSOPHY IN BUSINESS MANAGEMENT

at

The British University in Dubai

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Sustaining Emirati family businesses:

A Dubai business system case study

استدامة الشركات العائلية الإماراتية:

دراسة حالة في منظومة الأعمال في دبي

By

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A thesis submitted to the faculty of business and law in fulfilment of the degree of DOCTOR OF PHILOSOPHY IN BUSINESS MANAGEMENT

at

The British University in Dubai

January 2021

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Abstract

Emirati family businesses play an important role in Dubai as do family-owned firms in many states and countries. Family businesses’ sustainability contributes to the resilience of their respective economies and therefore it is imperative to understand different contextual influences. This thesis focuses on exploring the external challenges that Emirati family businesses face in Dubai emirate. Business Systems Theory (BST) is applied to an empirical assessment of family businesses’ sustainability in a context that has been analysed in the academic literature less than have a number of other economies globally. Dubai’s Business System has not been subject to in-depth contextualized assessment especially from the perspective of Emirati family businesses.

The empirical research for this thesis is purely qualitative and exploratory in nature and the unit of analysis is a city-based case study. The primary method of data collection is interviews of elite individuals working in the Dubai Business System. The sample of interviewees are principals or executives of large Emirati family businesses, government officials, and consultants. The data are coded and analysed using a qualitative, interpretive approach. The main findings are interpreted based on a BST model and the researcher recommends that researchers and practitioners develop more customised taxonomies of sustainable family businesses.

This study makes a valuable contribution to understanding the external challenges encountered by Emirati family businesses in the Dubai context. It advances a new academic evaluation of Dubai’s Business System, proposing a general model for characterising contexts and developing taxonomies of family business sustainability. It is argued that this will contribute to academic and practical guidance for family businesses on their governance, sustainability, and investment strategies. It is also
envisaged that such contextualized models and taxonomies can support governments in their policy making and initiatives to sustain national family businesses.

**Keywords:** Family businesses; Emirati; Dubai; UAE; Sustainability; Business Systems
نبذة مختصرة

كما هو الحال في العديد من الدول والبلدان، تلعب الشركات العائلية الإماراتية دورًا مهمًا في دبي، وساهمت استدامة الشركات العائلية في مرونة اقتصادات الدول التي تنشط فيها؛ من هنا تنبع ضرورة فهم التأثيرات السياقية المختلفة. يُركز هذا البحث على استكشاف التحديات الخارجية التي تواجه الشركات العائلية الإماراتية في إمارة دبي، وُضِع فيه نظرية نظم الأعمال (BST) على تقييم تجريبي لاستدامة الشركات العائلية في سياق حزمة من التحديات في الآدابية الأكاديمية أقل مما تألف في عدد من الاقتصادات الأخرى على مستوى العالم. إذ لا يُحذِّر نظام الأعمال في دبي لتقييم سياقات متعمقة من قبل، وخاصة من منظور الشركات العائلية الإماراتية.

البحث التجريبي لهذه الأطرمة نوعي بحت، واستكشافي، ووحدة التحليل هي دراسة حالة ضمن مدينة دبي.

طريقة هذا البحث الأساسية لجمع البيانات هي إجراء مقابلات مع نخبة من العاملين في نظام دبي للأعمال، وعنبية الأشخاص الذين جرى مقابلتهم هم رؤساء أو التنفيذيون لشركات عائلية إماراتية كبيرة، ومسؤولون حكوميون، ومستشارون. جرى ترميز البيانات وتحليلها باستخدام منهج تفسيري نوحي، ويجري تفسير النتائج الرئيسية بناءً على نموذج (BST) الرئيسي بناء على نموذج (BST).

كما يُوصي الباحث بأن يقوم الباحثون والممارسو تطوير المزيد من التصنيفات للشركات العائلية المستقبلة. تُقدم هذه الدراسة مساهمة قيّمة في فهم التحديات الخارجية التي تواجه الشركات العائلية الإماراتية ضمن سياق مدينة دبي. وهي تقدم تقنيات أكاديميا جديدا لنظم الأعمال في دبي، وتقترب نموذجًا عامًا لتوصيف السياقات وتطوير تصنيفات لاستدامة الأعمال العائلية.

وتجد الباحث إن هذا سيساهم في التوجيه الأكاديمي والعمل للشركات العائلية بشأن استراتيجيات الحوكمة والاستدامة والاستثمار، وترى أيضًا أن مثل هذه النماذج والتصنيفات السياقية يمكن أن تدعم الحكومات في صنع سياساتها ومبادراتها لدعم الشركات العائلية الوطنية.

الكلمات الدالة: الشركات العائلية؛ دبي؛ الإمارات العربية المتحدة؛ الاستدامة؛ أنظمة الأعمال.
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I am grateful to my colleagues and friends at BUiD, who have supported me and shared ideas and advice throughout my PhD journey.

My dearest father, this achievement is dedicated to you.
Contents

Declaration .......................................................... i
Copyright and information to users .............................................
Abstract ........................................................................
Abstract in Arabic ................................................................
Acknowledgements ................................................................
Contents ........................................................................

| List of Tables                          | v                          |
| List of Figures                        | v                          |
| Glossary of Terms                      | vi                         |

Chapter 1.  Introduction to the research ........................................ 1
1.1  Research problem and rationale ............................................ 1
1.2  Research aim and objectives ................................................ 4
1.3  Research questions .................................................................. 4
1.4  The scope of the research ...................................................... 6
1.5  The importance of the study .................................................... 6
1.6  Personal story and interest in the research topic ..................... 7
1.7  Contribution to knowledge ...................................................... 7
1.8  The structure of the research .................................................. 8

Chapter 2.  Literature review – Emirati family businesses .................. 10
2.1  Family businesses ................................................................. 11
2.1.1  Definition of family businesses ......................................... 12
2.2  Predominance of family businesses in academic research ............ 15
2.3  Family firms vs. non-family firms ......................................... 15
2.3.1  Decision making ............................................................... 16
2.3.2  Succession ........................................................................ 17
2.3.3  Culture and context .......................................................... 18
2.4  Common challenges of family businesses .................................. 19
2.5  Internal challenges .................................................................. 20
2.5.1  Family business enmeshment ............................................. 20
2.5.2  Lack of professionalism and good governance ....................... 20
2.5.3  Lack of planning ............................................................... 21
2.5.4  Talent retention ............................................................... 21
Chapter 3. Literature review – Dubai’s business system ................................................................. 73

3.1 Business systems .................................................................................................................. 75
3.1.1 National Business Systems (NBS) by Whitley (1992) .................................................. 77
3.1.2 Varieties of Institutional Systems (VIS) ....................................................................... 79
3.1.3 A Taxonomy by Witt et al. (2018) ..................................................................................... 85
3.2 Family businesses and business systems ............................................................................ 91
3.3 The UAE business system ................................................................................................... 95
3.4 Dubai’s business system ....................................................................................................... 98
3.4.1 Economy ........................................................................................................................ 101
3.4.2 Legal system ................................................................................................................... 106
3.4.3 Society and culture ......................................................................................................... 108
3.5 Chapter summary and conclusions .................................................................................... 110
3.6 Author’s note ....................................................................................................................... 111

Chapter 4. Research questions and methodology ................................................................. 113

4.1 Research questions ............................................................................................................. 113
4.2 Research approach ............................................................................................................. 116
4.3 Characteristics of qualitative research ............................................................................. 124
4.4 Research method ................................................................................................................ 126
4.5 Research design .................................................................................................................. 128
4.6 Case study development ..................................................................................................... 129
4.7 Data collection methods ..................................................................................................... 130
4.7.1 Interviews ....................................................................................................................... 131
4.7.2 Instruments for data collection ...................................................................................... 134
4.8 Population Sample ............................................................................................................. 134
4.9 Data analysis method ........................................................................................................ 137
4.10 Ethical considerations ....................................................................................................... 139
4.11 Reporting .......................................................................................................................... 140
4.12 Verification ......................................................................................................................... 140
4.13 The interview process ....................................................................................................... 142
4.14 Reliability and validity ..................................................................................................... 143
4.15 Credibility and truthfulness .............................................................................................. 144

Chapter 5. Interview results .................................................................................................. 145

5.1 Preparing for the interviews .............................................................................................. 145
5.2 Interview questions............................................................................................................. 147
5.3 Selecting interviewees......................................................................................................... 148
5.4 Conducting the interviews................................................................................................. 156
5.5 Analysing the interview data............................................................................................. 157
5.6 Interview results ............................................................................................................... 169
  5.6.1 Emirati family businesses sustainability and governance challenges in the Dubai context ..................................................................................................................... 169
  5.6.2 Analysis of results........................................................................................................... 199
  5.6.3 Summary of results - Emirati family businesses’ sustainability ................................... 200
  5.6.4 Dubai’s business system ............................................................................................... 206
  5.6.5 Analysis of results........................................................................................................... 217
  5.6.6 Summary of results - Dubai’s business system............................................................. 218

Chapter 6. Discussion ................................................................................................................ 221
  6.1 Emirati family businesses challenges in Dubai ............................................................. 221
  6.2 Discussion of challenges ................................................................................................. 226
  6.3 Dubai’s business system ................................................................................................ 227
  6.3.1 The state ...................................................................................................................... 229
  6.3.2 Financial markets ....................................................................................................... 231
  6.3.3 Human capital ........................................................................................................... 231
  6.3.4 Social capital ............................................................................................................. 232
  6.3.5 Corporate governance ............................................................................................... 233
  6.4 Discussion of business systems models ......................................................................... 234
  6.5 Conceptual model of business systems for family business’ sustainability .................. 235
  6.5.1 The role of state ........................................................................................................ 240
  6.5.2 The role of financial markets .................................................................................... 241
  6.5.3 The role of human capital ......................................................................................... 242
  6.5.4 The role of social capital ......................................................................................... 242
  6.5.5 The role of corporate governance ......................................................................... 243
  6.5.6 The role of the legal environment ........................................................................... 243
  6.6 The taxonomy development process ........................................................................... 246
  6.6.1 Contexts selection .................................................................................................... 246
  6.6.2 Qualitative study ...................................................................................................... 247
  6.6.3 Quantitative survey ................................................................................................. 247
List of Tables

Table 2-1. The sequential stages of family business development (adapted from Gersick et al., 1997 p. 61) ................................................................. 57
Table 2-2. UAE enterprise categories (Source: Abu Dhabi Statistics Centre, 2015, p. 11). ................................................................. 61
Table 3-1. A comparison of NBS and VIS (Adapted from Fainshmidt et al. (2016, p.309)). ................................................................. 81
Table 3-2. Results of 13 institutional elements pertaining to the UAE. .......... 96
Table 5-1. Participants’ code names, roles, and profiles. ............................. 152
Table 5-2. Coding process - lack of clear succession planning. .................... 160
Table 6-1. Institutional contextual dimensions of the VOC, NBS, and VIS frameworks (adapted from Fainshmidt et al. (2016, p.308)) .......... 229
Table 6-2. Institutional matrix for family businesses sustainability 244

List of Figures

Figure 1-1. Structure of the thesis.......................................................... 9
Figure 2-1. Literature review scope ....................................................... 10
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>IC</td>
<td>Innovation Champion</td>
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<tr>
<td>IE</td>
<td>Innovation Effectiveness</td>
</tr>
<tr>
<td>IEF</td>
<td>El Instituto de la Empresa Familiar</td>
</tr>
<tr>
<td>INTES</td>
<td>Academy for Family Businesses</td>
</tr>
<tr>
<td>JSC</td>
<td>Joint Stock Companies</td>
</tr>
<tr>
<td>LI</td>
<td>Leadership for Innovation</td>
</tr>
<tr>
<td>MENA</td>
<td>Middle East and North Africa</td>
</tr>
<tr>
<td>MOE</td>
<td>Ministry of Economy</td>
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<tr>
<td>MCS</td>
<td>Management Control System</td>
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<tr>
<td>NBS</td>
<td>National Business Systems</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<tr>
<td>PWC</td>
<td>Price Waterhouse Coopers</td>
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<tr>
<td>SFB</td>
<td>Sustainable Family Business</td>
</tr>
<tr>
<td>SI</td>
<td>Stakeholder Integration</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>UAE</td>
<td>United Arab Emirates</td>
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<tr>
<td>UK</td>
<td>United Kingdom</td>
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<tr>
<td>USA</td>
<td>United States of America</td>
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<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
</tr>
<tr>
<td>VIS</td>
<td>Varieties of Institutional Systems</td>
</tr>
<tr>
<td>VOC</td>
<td>Varieties of Capitalism</td>
</tr>
<tr>
<td>WCED</td>
<td>World Commission of Environment and Development</td>
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</table>
Chapter 1. Introduction to the research

This chapter explains the research problem and the rationale behind the study. It signals the importance of the research and presents the author’s interest in the subject. The chapter covers the research aim and objectives, the research questions, scope, structure and contribution to knowledge.

1.1 Research problem and rationale

It is estimated that 50% or more of commercial activities in Dubai (excluding free zones) are controlled by Emirati family businesses. The Emiratis or Emirati people (Arabic: الإماراتيون) are the native population and citizens of the seven states of the United Arab Emirates (UAE), of which Dubai is one (Rettab, Abu Fakhr and Morada, 2005). Dubai has witnessed tremendous economic growth since its oil discovery back in the sixties and it has managed to diversify its income towards trade and tourism (Matly and Dillon, 2007; Spraggon and Bodolica, 2014). The city has undergone major economic, legal, and cultural changes in the last four decades (Abdella, 2014; Heard-Bey, 2013; Obay, 2009). Many Emirati families based in Dubai have experienced sudden wealth in those four decades (Bristol-Rhys, 2009). Many of them are facing internal and external challenges and threats to their continuity and sustainability, hence jeopardising Dubai’s economic resilience (Abdella, 2010; Alfahim, 2011; Obay, 2009; Succession Planning for GCC Family Businesses 2015). Business sustainability, as defined by the World Commission of Environment and Development (WCED) is ‘meeting the current needs without compromising the next generation’s ability to meet

---

their needs’ (WCED 1987, p.16). Studies of sustainability challenges affecting family businesses have evolved in recent decades, but few concerns the Middle East and UAE, and fewer still Dubai (Alfahim, 2011). Understanding and managing the sustainability challenges of Emirati family businesses in Dubai is key for the resilience of Dubai’s economy.

There has been an increase in family business studies in recent years, as researchers attempt to understand the underlying nature of such businesses and the sustainability challenges they face (Goel et al., 2012; Lewin, 1940; Oudah, Jabeen and Dixon, 2018; Sharma, 2004). Most of these studies are skewed towards Western countries and mostly focus on publicly listed businesses (Bodolica, Spraggon and Zaidi, 2015). They also mostly focus on internal challenges such as succession planning, governance, and financial management. Studies on external challenges and, more specifically, the pertaining context has otherwise been limited. A number of models have evolved such as the Sustainable Family Business (SFB) model by Stafford et al. (1999), and there are many governance codes regarding sustainability best practice such as the G20/OECD Principles of Corporate Governance\(^2\). However, these are generic in nature and do not address the particularities of context. Context as defined by Johns (2006, p.386) “as situational opportunities and constraints that affect the occurrence and meaning of organizational behavior as well as functional relationships between variables”. Most focus on internal challenges such as governance and succession and lack sufficient coverage of external challenges. The last decade has witnessed a number of research papers on the sustainability of Emirati family businesses in the UAE (Abdella, 2010,

2014; Al Awadi and Koster, 2017; Alfahim, 2011; Bodolica, Spraggon and Zaidi, 2015; Heard-Bey, 2013; Obay, 2009; Oudah, Jabeen and Dixon, 2018; Rettab, Abu Fakhr and Morada, 2005; Rettab, Brik and Mellahi, 2009). Many though argue that the development philosophy and route that Dubai has adopted is materially different than that of the neighbouring states in the UAE and plays a unique role in the Middle East (Hvidt, 2007). As Hvidt (2009) puts it, ‘Dubai must be considered a “deviant case” from a methodological point of view’. Hence the need to understand the characteristics of Dubai, whether it is different to the UAE, and the effect this has on the sustainability of Emirati family businesses there.

In addressing contexts and recognising that family businesses are a form of economic organisation, Business Systems Theory (BST) studies in the field of International Business (IB) are of interest. BST has evolved to help explain how and why forms of economic organisation diverge in specific ways, and the factors involved in such change (Whitley, 1999). BST studies have evolved multiple models and tools aiming to define, compare, and evolve taxonomies of similar contexts (Whitley, 1999; Hall and Soskice, 2001; Fainshmidt et al., 2016; Witt et al., 2018). BST could potentially be leveraged to study diverse family businesses, comparing Dubai-based Emirati family businesses to others in different contexts and identifying taxonomies that offer similar sustainability environments. Existing models have not been designed with institutional dimensions that focus on family businesses sustainability. Nor has Dubai been addressed by any of the popular BST models. Therefore, identifying Dubai’s business system and investigating BST for family business sustainability is of importance.
1.2 Research aim and objectives

This research aims to study the sustainability challenges of Emirati family businesses based in Dubai. The challenges of interest are the external ones imposed by Dubai’s context. A related aim is to analyse the business system of Dubai and the potential use of BST for family business sustainability research. Achieving these aims involves an investigation of the following research objectives:

1. Examine the impact of Dubai’s context on Emirati family businesses sustainability.
2. Identify the characteristics of Dubai’s business system in terms of the structure and practices of state agencies, financial organisations, labour-market actors, and social dynamics from the perspective of Emirati family businesses.
3. Suggest a BST model that focuses on developing the taxonomy of contexts in relation to national family business sustainability.

1.3 Research questions

The two overarching research questions are:

RQ 1: What are the sustainability and governance challenges facing Emirati family businesses’ in Dubai?

This question will be explored by examining the following sub-questions:

1. What are the corporate governance and sustainability practices that Emirati family businesses follow?
2. What are the challenges Emirati family businesses face in attempting to adopt corporate governance practices?
3. What are the challenges imposed by the context of Dubai on Emirati family businesses?
   a. What are the challenges imposed by the economy?
b. What are the challenges imposed by the legal system?
c. What are the challenges imposed upon the culture?

The research will also investigate the characteristics of Dubai’s business system in an effort to determine the potential use of Business System Theory (BST) as a tool to enable a more structured approach to characterising contexts and external challenges within studies of family businesses and hopefully facilitate comparability. This leads to the second question:

**RQ 2: What is Dubai’s business system?**

The goal is to investigate the role of the state, financial markets, human capital, social capital, and corporate governance in Dubai from the perspective of Emirati family businesses by means of the following sub-questions:

A- Role of the state:
   1- What is the role of Dubai’s government in the economy?
   2- What is the level of government ownership in the economy?

B- Role of financial markets:
   3- What are the main sources of capital in Dubai? (state/family/banks/equity market)
   4- What is the role of Emirati family business in Dubai’s financial market?

C- Role of human capital:
   5- What are the levels of specialised skills available in Dubai?
   6- What is the role of organised labour in Dubai?

D- Role of social capital:
   7- What is the level of trust between Dubai’s society and government?

E- Role of corporate governance:
   8- What is the prevailing ownership structure of key organisations in Dubai?
   9- What is the general structure of ownership in Emirati family companies?
   10- What is the role of non-family executives in Emirati family businesses?
1.4 **The scope of the research**

This research seeks an understanding of external challenges to Emirati family business sustainability imposed by Dubai’s context. It focuses on large Dubai-based Emirati family businesses, following the Abu Dhabi Statistics Centre (2015) classification, and relies on interviews amongst the elites, including Emirati family business principals, government officials, and consultants, as Emirati family businesses are not obliged to disclose data publicly. Challenges are both internal and external, but the focus is primarily on the external challenges imposed by Dubai’s context. In addressing Dubai’s business system, common institutional dimensions are investigated and compared with existing taxonomies.

1.5 **The importance of the study**

The significance of Emirati family businesses in Dubai’s economy underlines the importance of their sustainability and governance. Enhancing the survival rate of such businesses could lead to a more resilient economy (Olson et al., 2003). Their sustainability is influenced by context (Sharma, 2004). Understanding the dynamics between the Dubai context and Emirati family businesses could enhance the understanding of their sustainability challenges. This opens the door to the use of Business Systems Theory (BST) models to investigate systematically a context’s impact on national family businesses, comparing contexts and developing appropriate taxonomies. Accordingly, this could add to the body of knowledge and contribute to building positive governance and management practices.
1.6 Personal story and interest in the research topic

The author attempted to structure his family business. He faced challenges like many other families in the world. He wanted his family to be professional, highly organised, well structured, and properly diversified. He wanted his family to maintain their wealth over decades, and enhance strategic economic and social positions. The author investigated the field of family business governance, seeking best practice. He noticed that views were widely varied and diverse. Many of the challenges encountered were specific to the United Arab Emirates (UAE), and particularly the state of Dubai, where he has established his family business. This led to conversations with other ‘more-established’ Emirati family businesses that fall under similar legal and cultural structures, and the realisation that most of them are not yet organised and that they share common concerns. The author also spoke to lawyers, bankers, and consultants, all of whom acknowledged the importance of the subject and the lack of sustainable properly-governed family businesses in the region. As a result, the author grew more curious about the means to support Emirati family businesses in Dubai to govern themselves successfully into the future.

1.7 Contribution to knowledge

In the domain of social sciences, many scientists argue that knowledge has rational and empirical dimensions: empirical, derived from interacting with and observing the world; and rational, which is independent of our context and experience (Flyvbjerg, 2007). This research contributes to the empirical knowledge of family businesses and business systems, mainly in a particular context but potentially more generally. It explores the sustainability of an important segment of a small but influential economy.
While sharing many of the sustainability challenges with families globally, its unique
development path deserves academic research. This research compares contexts,
seeking to contribute to empirical knowledge by 1- developing an understanding of the
effect of Dubai’s context on Emirati family business sustainability; 2- analysing
Dubai’s business systems from the perspective of Emirati family businesses, and 3-
developing a model to compare contexts in the field of family business sustainability.

1.8 The structure of the research

This thesis is divided into seven chapters as illustrated in Figure 1-1:

- Chapter 1 establishes the research problem and rationale. It lists the aim and
  objectives behind the study and presents the research questions. It discusses the
  importance of the study and its potential contribution to knowledge. It also
  outlines the structure of the thesis.

- Chapter 2 critically reviews the literature on Dubai-based Emirati family
  business governance and sustainability. It initially considers the definition of
  family businesses, its governance and sustainability practice. It also covers the
  definition of Emirati family businesses, governance, sustainability practice,
  identifying a gap in the literature in relation to the research problem.

- Chapter 3 investigates the literature on Dubai’s business system. It initially
  addresses the extant literature on Business Systems Theory (BST) and studies
  the role of the state, financial markets, human capital, social capital, and
  corporate governance in the UAE and Dubai. As a consequence, the literature
  gap in relation to Dubai’s business system is identified.

- Chapter 4 discusses the research methodology and methods of choice. It
  elaborates on the case study development, data collection methods, sampling,
  analysis, and reporting.

- Chapter 5 presents the outcomes of the data collection exercise, and the themes
  arising, with examples.
- Chapter 6 presents the case study research findings through analysing and discussing interview results. It also suggests a conceptual model and a research process for future studies.
- Chapter 7 summarises the research and presents the contribution to knowledge and potential practical implications. It also lists the research limitations and recommendations for future research.

Figure 1-1. Structure of the thesis
Chapter 2. Literature review – Emirati family businesses

This literature review presents the extent of the evidence and the gap arising in terms of the governance and sustainability of subject of Emirati family businesses within the context of Dubai. To this end, it is essential to establish a high-level view of the subject of family businesses, their sustainability, governance, and context, as depicted in Figure 2-1. The literature review encompasses two chapters: Chapter 2 concerns family businesses, governance and more specifically Dubai-based Emirati family businesses’ sustainability; Chapter 3 addresses business systems in general and, more specifically, Dubai’s business system.

Figure 2-1. Literature review scope.
2.1 Family businesses

Family businesses are possibly the oldest form of corporations (Goel et al., 2012). They are a type of firm where both ownership and management are still predominantly combined (Sharma, 2004). Schulze, Lubatkin, and Dino (2003) see family firms as ideal organisations where the interest alignment of owners and managers ensures effective decision making for the continuity of the firm. Moreover, family businesses are the dominant form of business in many parts of the world and the main contributor to their respective economies (Alfahim, 2011; IFERA, 2003; Olson et al., 2003; Sharma, 2004), particularly in emerging markets (Olson et al., 2003; Sharma and Nordqvist, 2008). They constitute almost 70 percent of all the businesses in the world, contribute 70-90 percent of global GDP, and roughly 50 percent of employment in developed countries. Hence the importance of the subject (Oudah, Jabeen and Dixon, 2018). There has been an increase in studies in recent years as researchers attempt to understand the underlying nature of family business structure as a whole (Goel et al., 2012; Lewin, 1940; Samara, 2020; Sharma, 2004). However, as a subject of research, specifically in the field of business management, it is seen as a recent arrival and remains understudied (Goel et al., 2012; Steier et al., 2015). Although many efforts have supported improving our understanding of this kind of firm, no defined, distinct variables distinguishing family and non-family firms have yet been determined. Their different evolutionary paths can be attributed to broader institutional contexts and can probably be explained via the notions of adaptability and coexistence with macro environments (Steier, Chrisman and Chua, 2015). The family business arena is very wide: indeed, ‘no one
knows what the entire field is like or what its boundaries are or should be’ (Wortman, 1994, p.4).

Many researchers have looked at the family and the firm as independent entities, each of which is a paradigm, and each of which needs to be sustainable on its own, whilst influencing the other (Goel et al., 2012; Olson et al., 2003; Stafford et al., 1999). However, the majority of studies have focused on the business side, considering the element of the family influence and mainly focusing on governance and succession planning (Brenes, Madrigal and Requena, 2011; Shepherd and Zacharakis, 2000; Steier, Chrisman and Chua, 2015). This may be due to the sizable number of variables to be considered from both the family and the business side and the diverse influencing factors. The involvement of families in the business makes it different than other conventional businesses (Miller and Rice, 1967). Many researchers have explained the participation of families in management and ownership (Handler, 1989). Unfortunately, most have failed to distinguish between the degree of involvement in the businesses that are controlled by families and in those that are not. For this reason, there is a need to develop a definition of a family-owned and run businesses that distinguishes them from non-family businesses.

2.1.1 Definition of family businesses

While previous studies have focused theoretically and empirically on elements that differentiate family and non-family businesses, there has been no consensus amongst the academics (Songini, 2006). Wrotman (1995) identified more than 20 variations of definitions of family firms in the literature, over two decades ago. Some studies are based on the family’s influence on the strategic direction of the firm (Davis and Tagiuri,
1989; Shanker and Astrachan, 1996). Others emphasise the objective and purpose of the family, which is to tighten their grip on the business over generations to come. Some studies have revealed that the involvement of family firms in entrepreneurial activity can be construed as an example of an entrepreneurial firm (Litz, 1995). Others have been concerned with different features of family-owned businesses such as control and dominance (Chua et al., 1999) or the presence of unique and particular resources and capabilities such as ‘familiness’ (Habbershon et al., 2003). According to Astachan et al. (2002), family influence has three dimensions: power, experience, and culture: power as in ownership, governance, and management; experience with family contributions to succession and business; and culture as in the overlap between family and business values, and business commitment. It is worth noting that there has not been a noticeable difference either quantitatively or qualitatively between family and non-family businesses when it comes to financial and non-financial performance indicators (Poutziouris and Chittenden, 1996; Westhead and Cowling, 1997).

This thesis uses the most commonly recognised definition of a family business, introduced by Chua, et al. (1999, p.25): ‘a business governed and/or managed with the intention of shaping and pursue the vision of the business held by the dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families’. Sharma’s (2004) strict definition of a business being family run is, if there is direct family involvement in the day-to-day operations of the firm, but it adds two conditions: (1) the family retains majority voting control of the business at board level and higher, and (2) that multiple generations of the family are actively involved in the everyday running of the business. Chua et al.’s (1999) definition covers the nuclear family-controlled firm
including publicly listed family firms which over the years have been formed and operated by more than one generation of a family that may not even hold majority shares, yet control the firm. The ‘dominant coalition’ in the definition refers to the principal actors who control the overall organisational agenda (Cyert and March, 1963; Hambrick and Mason, 1984). When studies try to develop an operational definition of the family business there are some difficulties. The majority of these studies attempt to examine and discuss the business in terms of management, ownership, control, and intergenerational succession planning (Samad et al., 2008). Chua et al.’s (1999) review of more than 200 family businesses differentiate between governance, management, controlling ownership, and requiring both ownership and management. Hence, the definition of family businesses may include a mixture of both management and ownership: (1) family-owned and family-managed; (2) family-owned but not family-managed; and (3) family-managed but not family-owned.

A definition by Zahra et al. (2004, p.369) refers to generational leadership: ‘family firms are defined as those businesses that report some identifiable share of ownership by at least one family member and having multiple generations in leadership positions within that firm’. Another definition is offered by Leach (2007, p.2) who argues that the complex and rigid standards of ownership in shares or composition of management are often misleading and give erroneous conclusions. He claims that a family business is one that ‘is influenced by a family or by family relationship, and that perceives itself to be a family business’. The family is in control of the business ‘because it owns more than 50 percent of the voting shares, or because family members fill a significant number of the top management positions’. Some studies specify a certain amount of ownership as opposed to others which do not.
2.2 Predominance of family businesses in academic research

Research demonstrates the prevalence of family-owned firms all around the world, and more particularly in emerging markets (Olson et al., 2003; Oudah, Jabeen and Dixon, 2018; Samara, 2020; Sharma and Nordqvist, 2008). There has been an increase in studies in recent years as researchers attempt to understand the underlying nature of the family business structure as a whole (Bodolica, Dupuis and Spraggon, 2020; Goel et al., 2012; Lewin, 1940; Samara, 2020; Sharma, 2004). Spriggs et al.’s (2012) investigation of the literature grouped it around the roles of family businesses, family dynamics, strategy, succession, governance, performance, and social and economic impact. Sharma (2004), on the other hand, has attempted to categorise research in family businesses according to interpersonal/group level, theological, organisational level, and societal/environmental level. Some researchers have considered the firm and the family as separate entities with each having its own pattern, otherwise known as a paradigm and each being self-sustainable, yet having an influence on each other (Goel et al., 2012; Olson et al., 2003; Stafford et al., 1999). However, the majority of studies have focused on the business side, considering the element of family influence and mainly focusing on governance and succession planning (Brenes, Madrigal and Requena, 2011; Shepherd and Zacharakis, 2000; Steier, Chrisman and Chua, 2015).

2.3 Family firms vs. non-family firms

Although there are no defined, distinct variables distinguishing family and non-family firms, the existing literature highlights a few likely distinctions. One suggested way to make the distinction would be to conduct comparative studies between the two, as advocated by Warde (2000). He advocated comparative studies and viewed them as
necessary to put a phenomenon in its proper perspective and, therefore, provide useful parallels. Both have a common ground, in terms of the business side of operations, and so it would be necessary to see how the concept of the family reacts to and overlaps the fundamentals of business. It is argued that effective management of the overlap between family and business determines the level of success of family firms, rather than processes and resources (Olson et al., 2003). Some possible distinctions are:

2.3.1 Decision making
According to Aquilera and Crespi-Cladera (2012, p.67), ‘corporate governance structures in family firms give high levels of discretionary power to the owner's managers, which the remaining shareholders and stakeholders tend to accept’. This is distinct from the traditional corporate governance structures seen implemented in non-family firms, which have a prescribed decision-making process. Berrone, Cruz, and Gomez-Mejia (2012) note the element of socio-emotional wealth in family firms. They address the reasons that families take business decisions that are not financially driven. Owners might, for example, be motivated to ensure that there is a greater utility in cooperative behaviour (cf. Hofstede, 1980, 2001). Gomez-Mejia et al. (2002, p.17) suggested that ‘family firm leaders engage in self-control and adopt governance mechanisms that would aid in curbing the negative tendencies of altruism even when owners and managers belong to the same family’. Chua, Chrisman, and Sharma (2003) claim that non-family executives in larger firms play a critical role in strategic decision making. Family members’ involvement and employment seem to have a positive effect according to the study by Olson et al. (2003). However, family firms seem to deploy less formal control and monitoring mechanisms than other firms (Aguilera and Crespi-Cladera, 2012; Olson et al., 2003). Macaulay (1963, p.58) hinted at one example: family
business individuals largely prefer to rely on mechanisms such as ‘a man's word’, a 
‘handshake’, or ‘common honesty and decency’. Aguilera and Crespi-Cladera (2012) 
identify two key family firm decisions for which they seek assurance of firm control: 
(1) succession and (2) the structure of firms around a family business group. Aguilera 
and Crespi-Cladera (2012, p.67) claim that ‘agency theory asserts that family owners' 
monitoring practices differ from those of the institutional investors, for instance, due to 
differences in incentives’. Gomez-Mejia, Larraza-Kintana, and Makri (2003) found that 
family member CEOs receive significantly lower pay than non-family CEOs. Agency 
theory, the agency problem, and the separation of owners (principals) and managers 
(agents), could also hold true in relation to family businesses (Sharma, 2004). In 
addition, majority and minority family member shareholders could question the 
motivation and self-interest of the family-based executive management: the greater 
stake a family member holds, the more likely they are to be motivated to perform 
(Sharma, 2004).

2.3.2 Succession

Another aspect that provides an interesting comparative insight is in relation to 
sustainability and succession planning. The two are naturally interlinked, as the survival 
and longevity of any firm is dependent on those who take over controlling positions 
having the requisite ability to continue performance (Olson et al., 2003). The topic of 
succession planning has extensive coverage (Handler, 1994). Most families naturally 
tend to desire continuity. There is a clear difference between succession in non-family 
and family business. The number of potential candidates is far larger in the former. 
Burkart, Pununzi, and Shleifer (2003), on the other hand, argue that to attempt 
succession planning to retain the business within the family is less effective than
transferring management to professional outsiders. Much of the literature has attempted to identify the set of ‘necessary’ attributes of a successor. An example of relevance is *Succession Issues Among Family Entrepreneurs in Countries of the Gulf* by Palliam, Cader, and Chiemeke (2011). The literature has sought to show that the level of readiness of the next generation of a family and their relationship with the senior generation has a significant influence on the next generation’s performance. Much of the literature focuses on finding an able successor, which is seen to be crucial to the sustainability of a family business. A family business, consequently, needs to plan early in identifying a successor. The process, Handler (1994) believes, involves three general considerations: the successor’s desired attributes, from the perspective of the leaders; performance-enhancing factors; and family members’ reasons for deciding to pursue a career in their family firms. Handler’s (1994) research distinguished between what the leader required in a successor, and what a potential family member might think about the role. The patriarch of the family business is usually deeply entrenched in the day-to-day running of the business and, without their input, no successor would be able to take over the operation of the business. Furthermore, emotions are generally highly involved when it comes to succession in family businesses, and this is far more complicated to address than in non-family businesses (Palliam et al., 2011). The literature reveals that there have been many attempts to provide clarity on the nuances of succession and each firm’s process, comparing successful successions to those that weren’t, and assessing why each outcome was achieved.

### 2.3.3 Culture and context

Sirmon and Hitt (2003) identify five different types of capital resources that family businesses have as opposed to non-family businesses: human, social, survivability,
patient, and governance structures. Habbershon and Williams (1999) suggest that it is the ‘families’ or the idiosyncratic internal resources built into a firm as a result of the involvement of family that make family firms distinctive. Families, typically, are seen to move together in one direction, whether by mutual consent or by the decision-making power held by one individual. This is where the inherent subjectivity of family businesses becomes apparent, in that it is important to ‘incorporate the role of family beliefs and culture’ in order to identify how a family business goes about making decisions and governing itself (Sharma, 2004, p.21). Aguilera, Filatotchev, Gospel and Jackson (2008) claim that the governance of a firm actively dictates how it can benefit the society within which it exists, and furthermore, ascertain how those benefits can be effectively distributed to the firm’s different stakeholders. This relates back to the desired balance between responsibility and performance: in essence, how stakeholder relationships can be sustained and how this will affect the overall profitability of the firm. Claessens and Yurtoglu (2012) put forward evidence to suggest that, in the presence of a large divergence between cash-flow rights and voting rights, group-affiliation has detrimental effects on stock valuation and operating performance.

2.4 Common challenges of family businesses

Family firms face general business, social, political and environmental challenges, as for any other company, but these challenges, such as competing in global markets and raising finance, may sometimes be more severe for family firms owing to their unique characteristics. Then there are many obstacles that only family businesses have to deal with if they want to gain the trust of external investors and/or other stakeholders and to make the business sustainable in the long run (Mandic, & Mandic, 2020). An overview
of the key internal and external challenges that many family businesses typically face include:

2.5 **Internal challenges**

A family business, especially a small or medium enterprise (SME), can be affected by internal disruptions resulting from family conflicts, dysfunctional relationships, death, divorce or many other life-altering situations. Its survival can also be threatened by a lack of proper succession planning.

2.5.1 **Family business enmeshment**

Conflicts are inevitable in a family business, whether they arise between parents and children, siblings, cousins, spouses or in-laws and so forth. Much depends on who is involved in the business as an owner, investor, and/or manager. However, there are times when a business can become too enmeshed within the family, leading to problems in management and the delegation of responsibilities, not to mention a lack of objectivity in decision making, etc. owing to a focus on emotions and status within the family, *inter alia*. For example, if a father values his position in the business more than the business itself and his relationship with his children, he may be too overbearing, refuse to give them fair compensation, be unwilling to accept their ideas, or be unwilling to relinquish control.

2.5.2 **Lack of professionalism and good governance**

Issues emerge where there is no concept of family or business governance and when family members are executors, managers, and owners, as this may lead to a lack of professionalism and improvisation (Kružić, 2016). For example, if certain family members lack interest or specialist knowledge of an industry or important leadership
qualities and have only been given a position due to blood relations, then the business is likely to suffer. Smaller businesses may not be able to absorb the costs of mistakes made by such new generation managers (Efendioglu & Muscat 2009).

2.5.3 Lack of planning
Strategic planning is essential for the success and expansion of any enterprise. However, some family businesses might fail to plan if they value secrecy, as planning necessitates the sharing of information, being willing to collaborate, staying receptive to external ideas and perspectives, and making a long-term commitment to the final plan and goals, etc.

2.5.4 Talent retention
It may be difficult to retain skilled executive non-family members on the team due to issues relating to nepotism and a lack of growth opportunities. Some specialised skills required by certain positions cannot be developed via traditional education, for instance a degree in business management, and so family firms need to look for outside talent in order to compete effectively against other private and public companies which may offer a great working environment to talented professionals (Mandic & Mandic, 2020).

2.5.5 Succession
Succession planning and the transfer of ownership are two of the most critical challenges that family businesses face. Choosing a successor might mean making a choice among one’s children based on their individual entrepreneurial strengths. For business continuity, it is vital to have a leader who can grow the company while maintaining harmony within the family.
The success of the business transfer process depends on several people and institutions, including business owners, government bodies, universities, research centres, entrepreneurial training programmes, financial institutions, business consultants and legal advisers. It can also be affected by major and unexpected changes in the owners’ personal or family lives.

2.5.6 Death

The sudden and untimely death of a business owner or his family members can lead to problems with sustainability and may even result in business closure. In the absence of a proper succession plan, a sudden death may cause conflicts to arise between family members regarding the choice of successor. In the event of a death, family firms may also need to pay high death taxes for the previous owners (Ward, 1987).

2.5.7 Divorce

If spouses own and run a business together, divorce can make things even more complicated as there is ensuing psychological and emotional turmoil and the family business and its assets need to be divided equitably and amicably. This is a growing challenge as, according to the Organisation for Economic Co-operation and Development (OECD), there has been a rise in divorce rates in most countries since 1970. In current times, a lawyer should anticipate that his or her client, one or more of his or her client’s children (or co-owner) will obtain a divorce at some point during the business life cycle (Sildon, 2006). In the case of divorce, when the business is jointly owned by the spouses, each party must decide whether they want to remain involved in the business or not and if they can continue to work with each other amicably despite
the dissolution of their marriage (Schnaubelt, 2019). A division of assets may significantly affect the scale of operations (Efendioglu & Muscat 2009).

### 2.5.8 Disability
Physical disability can cause immense loss, both in terms of the funds allocated towards treatment/recovery and the owner’s physical and mental capacity to work and dedicate his or her time and focus to the company (Efendioglu & Muscat 2009).

### 2.5.9 Mental illness
Mental illnesses and psychological disorders can put a strain on time and finances, and lead to additional stress in the workplace unless the person with the illness is managed effectively. If a family member with a mental illness occupies a leadership position, his or her condition could adversely impact both decision making and company culture which may, in turn, lead to impulsive and unplanned changes, missed opportunities, business expenditure on unnecessary items, dysfunctional professional relationships, and so on. Bad behaviours or a series of irrational decisions can easily jeopardise the future of the business (Miller, Wiklund and Yu, 2020).

### 2.6 External Challenges
#### 2.6.1 Market changes
While all businesses are impacted by maturing markets, technological changes, digitisation and so forth, some family business leaders might find it harder to let go of their existing philosophy and instruments of success even though they no longer work rather than focusing on new areas and means of growth. If they are not as proactive as non-family firms in diversifying and changing the model or structure of their business,
their profitability is bound to decline and their products or services may cease to be relevant (Ward, 1997).

2.6.2 **Building trust with external investors**

The involvement of non-family investors and shareholders can bring more capital to the business but also brings with it its own set of challenges. There is a need to build and maintain trust by ensuring fair treatment to these external parties and to have a strong corporate governance and communication structure in place. Conflicts can arise where there is a divergence of views on business matters between external investors and the family members, or when non-family members who are not involved in the management have greater access to company information than is usual. The family needs to be able to effectively address any such concerns within the investor community.

2.6.3 **Legal Challenges**

There is no dedicated “Family Business Law” dealing with issues that are specific to family businesses. These businesses are also governed by general business/corporate, real estate and family laws. Many litigation cases pertaining to family businesses highlight the importance of drawing up legal agreements between family members. Informal and verbal arrangements can pose significant problems when dealing with the law, leading to a loss of time and money along with disruptions of the company.

2.7 **Family businesses governance and sustainability**

The survival rate of family businesses is low. It is estimated that only 30 percent of family businesses transition to the second generation; only 10-15 percent survive to the third generation; and a mere 2-3 percent survive to the fourth generation. Many
researchers blame these low survival rates on internal and external challenges, such as weak leadership in the succeeding generation, lack of governance, lack of innovation, family disputes, limited capital, market competition, and government policies, amongst others (Hammadeh, 2018; Oudah, Jabeen and Dixon, 2018). It is therefore probable that enhancing the survival rates of family businesses could lead to more resilient economies (Olson et al., 2003) Prior to addressing family business governance specifically, a quick overview of corporate governance might be useful.

2.7.1 Corporate governance
The origin of the term ‘governance’ lies in the Greek word ‘kyberman’ which means to steer, guide, or govern. This passed on from Greek to Latin as the word ‘gubernia’ and the old French ‘governor’. The word has been defined in various ways by different organisations or committees, according to their ideological concerns (Abu-Tapanjah, 2009, p.558). When considering the history of corporate governance, many resources do have a different understanding of the starting point. Is it the emergence of ‘the firm’ as we know it today, where ownership and management are separated? This is the origin of a major issue featuring in the academic literature on corporate governance, namely the problem of agency. Cheffins’ (2012) view is that corporate governance has existed since the emergence of corporate forms that separated investors from managers. He claims that, ‘There is no definitive historical treatment of corporate governance and that there may never be one, given the vastness of the subject’ (Cheffins, 2012, p.1). Another view that is relevant to family businesses is Ireland's (2008). He argued that the need for corporate governance came with the introduction of limited liability companies and the separation between the ‘Owners’ and ‘the firm’ or/and the management. This arose as a consequence of business owners or rentier investors
wishing to protect their belongings from creditors, and hence ring-fencing the business. However, this undermined the classical family businesses’ reliance on their reputation and personal wealth to facilitate credit and grow business ties.

Naturally, the interest in corporate governance tends to be fuelled by economic crises (e.g., in Russia, Asia, and Brazil) as researchers seek to understand the reasons and politicians want to claim possible remedies. Corporate governance scandals in the United States and Europe have triggered some of the largest insolvencies in history (e.g., Enron). Moreover, the most recent financial crisis has seen its share of corporate governance failures in financial institutions and corporations (Claessens and Yurtoglu, 2012). Erturk et al., (2004, p.697):

If the bull market had encouraged complacency about governance and reward systems in the 1990s, the transition to bear market against a background of increasing product market uncertainty exposed problems of governance and strategy and raised questions about the relationship between behaviours and reward.

Ireland (2008, p.853) provides an insight into the matter: ‘The corporate legal form as presently constituted is not an economic necessity, but a political construct developed to further the interests of particular groups.’ His view is that, classically, businesses satisfied their financing needs by partnerships, supported by their profits. The partners had their capital and their wealth at stake. He adds that the impact of the separation of the liability of the firm from the liability of the owners is meant to satisfy the interest of ‘the rentier investor’. These rentier investors became dissatisfied with rates of return and bonds yields and desired equity ownership, but without exposing the rest of their wealth to the liability of the firm. Knowing their limited ability to influence decision making in firms, especially in large organisations with a few dominant owners, they established limited liability companies and Joint Stock Companies (JSC). This
encouraged the rentier investors and led to a boom in the formation of limited liability companies which today has become the de facto form of establishment. Ireland (2008, p.854) hence states that:

The no-obligation, no-responsibility, no-liability nature of corporate shares permits their owners—or their institutional representatives—to enjoy income rights without needing to worry about how the dividends are generated. They are not legally responsible for corporate malfeasance, and in the event of failure, only their initial investments are at risk.

As Glassbeek (2002)\(^3\) puts it, investors ‘have little financial incentive to ensure that the managers involved behaving legally, ethically, or decently . . . [because] in law, [they] are personally untouchable’ (Glassbeek, 2002, cited in Ireland, 2008, p.845). This is believed to have contributed considerably to the emergence of corporate governance as a means to minimise the negative impact of such an economic approach. Questions naturally arise about the ability of boards of directors to take proper responsible decisions on behalf of shareholders and in the interests of all stakeholders, and the ability of the firm managers to take decisions that are consistent with the directors’ objectives and with stakeholders’ interests.

### 2.7.2 Definition of corporate governance

The definitions of corporate governance in academic texts are diverse, and there is no general agreement on a single definition (Brickley and Zimmerman, 2010). The differences in definitions arise mainly from the various angles from which corporate governance has been addressed and the areas on which respective author(s) or journal(s) focus. However, the majority are concerned with seeing that the rights of stakeholders

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of a firm are protected while simultaneously maximising returns. If the definition of corporate governance covers all stakeholders, then the definition of stakeholders is also significant. Many authors start their discussion with a definition of ‘the Firm’, given the variety of corporate governance definitions and hence the necessity of defining their understanding of ‘the Firm.’ To Brickley and Zimmerman (2010), the firm consists of a mesh of contracts that are jointly designed and change through time. Corporate governance hence is largely defined by these various contracts. However, they don’t believe that there exists a well-developed theory that encompasses the multidimensional nature of the contract design problem. They highlight that many authors emphasise the relationship between their findings and certain models and assumptions or indices of corporate governance, most of which could be consistent with alternative explanations. Meanwhile, Fama (2012, p.289) viewed the firm as ‘a set of contracts among factors of production, with each factor motivated by its self-interest’. Setting aside any meaningful sense of corporation ownership, he argues that the ‘separation of security ownership and control can be explained as an efficient form of economic organization within the "set of contracts" perspective’ (Fama, 2012, p.289).

Randall, Morck, and Steier (2005) looked at it from the perspective of an individual country’s economic structure. They stated that different countries’ economies are structured differently and so, likewise, their corporate governance. This is based on their definition of corporate governance as the ‘decisions about how capital is allocated, both across and within firms’ where it is entrusted to very different sorts of people and constrained by very different institutions (Randall, Morck, and Steier, 2005, p.2). Ertürk (2003, p.189) observes that ‘mainstream corporate governance literature is essentially concerned about the Anglo-Saxon economies of the United States and the
United Kingdom.’ This is due to the relatively higher standards of living, economic prosperity, and academic curiosity. This is examined further in the discussion regarding business systems. As highlighted above, available definitions and theories concern specific limited issues based on many simplifying assumptions. This is not to say that they are of no value, but that they should be considered as giving an insight rather than understanding the overall problem. An approach that attempted to cover a wide range of stakeholders is Claessens and Yurtoglu’s (2012) definition of corporate governance, as the relationship between shareholders, creditors, and corporations; between financial markets, institutions, and corporations; between employees and corporations; and pertaining to corporate social responsibility, the relationship between the corporation, society and the environment.

It is common to find that many accounting, finance, and banking researchers are more focused on financers’ returns and hence are more focused on managers and board of directors. An example is Vishny and Shleifer's (1997) definition of corporate governance; as a means to assure that corporations provide returns to the suppliers of finance; and similarly, Armstrong, Guay and Weber’s (2010, p.7) definition as the ‘subset of a firm's contracts that help align the actions and choices of managers with the interests of shareholders’. Larcker et al. (2007, p.1) define the term more generally as ‘’the set of mechanisms that influence the decisions made by managers when there is a separation of ownership and control’. The World Bank President added, ‘fairness, transparency, and accountability’ as qualities that corporate governance also needed to
have (J. Wolfensohn, President, World Bank). Hakim (2002, p.558) explains corporate governance as follows:

In the practical sense, corporate governance involves the nuts and bolts of how corporations should fulfil their responsibilities to their shareholders and other stakeholders. Corporate governance is the mechanism by which agency problems of corporation stakeholders, including the shareholders, creditors, management, employees, consumers and the public at large are framed and sought to be resolved. Transparency, accountability and adequate disclosure are three essential ingredients in corporate governance.2

The choice of definitions as well as the legal framework are important because they can influence the focus, structure, and interpretation of the subsequent analysis. Although being a supporter of the view that corporate governance scope is wider and more complex than any of the available definitions, especially considering the purpose of its existence and the proof of its value, this research adopts Claessens and Yurtoglu's (2012) definition, as it is the widest in its coverage of stakeholders, though adding to it the element of the purpose of the firm’s establishment.

2.8 Common subjects in corporate governance

The subjects commonly researched in this area are shareholding, board structures, executives (commonly known as the agency problem), comparative corporate governance, cross-border investment, and corporate social responsibility. The following sections examine some of these.

2.8.1 Shareholders

There is an ongoing debate about the role that shareholders should play in corporate governance. Some conclude that their involvement is beneficial to the firm, as they help with networking, monitoring, and access to financing (Ireland, 2008; Yafeh and Yosha, 2002). Others conclude that their interests are often not consistent with the interests of the firm, as with the free-rider problem (Crane et al., 2013). Ireland (2008) believes that new forms, such as Limited Liability Companies (LLC), in which the shareholders are less liable and their involvement intentionally limited, are the cause of many of the irresponsible decisions taken by major corporations. Yafeh and Yosha (2002, p.128) claim that ‘evidence is accumulating, and it is apparent that large shareholders play an important role in monitoring firm management’. They go on to claim that concentrated ownership would naturally lead to fewer expenses.

2.8.2 Boards of directors

Boards are market-induced functions that monitor the set of contracts referred to as firms. Their role is to qualify the highest decision making within a firm (Fama, 2012). Most decision-making rights in a firm are assigned to the board of directors through corporate law, regulation, and chartering documents (Brickley and Zimmerman 2010). The directors’ interests might not necessarily be aligned with the shareholders, though (Bebchuk and Weisbach 2010). The role of a board is commonly viewed as to advise senior management and monitor them (Armstrong, Guay and Weber, 2010). Brickley and Zimmerman (2010) argue that there is a lack of clarity in terms of properly identifying how to recruit new directors to the board, the time allocation of the board, and their role. They suggest that the main responsibility of the board is to act as an agent for the shareholders and make, ratify, and further monitor important decisions.
Bebchuk and Weisbach (2010) state that firms do focus on getting the ‘right mix’ of board members, regarding experience, age, training, and geography. Fama (2012, p.293) maintains that ‘a board dominated by security holders does not seem optimal or endowed with good survival properties’. Claessens and Yurtoglu's (2012) view is that boards of directors are an important governance mechanism and that there is a strong connection between board composition and market valuations of emerging market companies. They also find that companies with boards comprised of a higher fraction of outsider/independent directors usually have a higher valuation. However, Bebchuk and Weisbach (2010) find that initial work on the subject has failed to find a link between board independence and higher firm value. Brickley and Zimmerman (2010) claim that outside directors, who typically own few shares in the firm, have their own agendas and incentives, and that a CEO would be more concerned with maximising stock price than an outside director, due to stock options/ownership, incentive compensation, and reputation. They note that ‘adding an outsider to a board does not necessarily imply an increase in the amount of managerial monitoring or produce better decisions, since all outside directors are given the same basic reading material and attend many of the same meetings’ (Brickley and Zimmerman, 2010, p.12).

2.8.3 Executives (the agency problem)

There is considerable debate in the field of corporate governance regarding executives, much of which concerns executive compensation, powers, and monitoring. Referring to Fama's (2012, p.290) argument, the firm is ‘the set of contracts covering the way inputs are joined to create outputs, and the way receipts from outputs are shared among inputs’. Hence management is ‘a type of labour but with a special role-coordinating the
activities of inputs and carrying out the contracts agreed among inputs, all of which can be characterized as “decision making”’ (Fama, 2012, p.290). Therefore, the role of executives is to supervise the contracts among factors and to ensure the viability of the firm. Ross (1973, p.134) states that ‘an agency relationship has arisen between two (or more) parties when one, designated as the agent, acts for, on behalf of, or as a representative of the other, designated the principal, in a particular domain of decision problems’. Eisenhardt (2012, p.58) argues that ‘agency theory is directed at the ubiquitous agency relationship, in which one party (the principal) delegates work to another (the agent), who performs that work’. The agency theory is closely linked to the so-called agency problem that occurs when cooperating parties have different goals. In the corporate sense, it applies to the relationship between the shareholder or their representatives (i.e., the board) and the executive management. Eisenhardt (2012) further argues that two inherent issues may arise in relation to any single agent-principal relationship. The first is described as when the objectives or the ‘desires or goals’ of the principal and agent conflict, an idea that goes against the concept of corporate governance which assumes that all parties that fall under its remit wish to move in the same direction towards the same outcome. The second follows on naturally in the sense that it is ‘difficult or expensive’ for the principal to oversee the actual activity of the agent in question. The two problems are interlinked: essentially, it is difficult to scrutinise the behaviour of the agent as a whole, which in turn leads to difficulty in identifying any difference in overall objectives. Therein lies the agency problem.

2.8.4 Corporate social responsibility

Recent years have shown a growing interest in corporate social responsibility (CSR), both from academia (Margolis and Walsh, 2003; McWilliams and Siegel, 2001;
Orlitzky et al., 2003) and from businesses (Accenture 2010\textsuperscript{6}). This greater emphasis placed by firms on CSR activities can be interpreted as a shift in the interaction between firms, their institutional environment and, furthermore, their important stakeholders, such as communities, employees, suppliers, national governments, and broader societal issues (Ioannou and Serafeim, 2010). Whether participation in social issues also correlates with good firm performance is less clear. Naturally, the involvement with social issues carries costs that the firm itself must bear. These can be direct, as when charitable donations or expenditures for environmental protection increase, and the lack of financial reward of such a cost allocation will inevitably reduce profits. Costs can also be indirect, for example when the firm becomes less flexible and operates at lower efficiency, and these may be difficult to quantify. However, the general argument has been that many of these forms of corporate social responsibility can still pay: that is, they can be good business for all involved, going hand in hand with good corporate governance, signalling the value of products to buyers, and being seen as good citizens. The general empirical findings either show mixed evidence or no direct correlation between corporate social responsibility and financial performance. Empirically, it is extremely difficult to find satisfactory proxies of corporate social performance (Claessens and Yurtoglu, 2012).

2.8.5 International comparisons

Until the mid-1990s, most of the academic literature on corporate governance focused on US firms. Erturk et al., (2004, p.678) state: ‘By the late 1990s, proselytizing World

\textsuperscript{6}A New Era of Sustainability. UN Global Compact-Accenture CEO Study 2010.
Bank and IMF reports implied that the whole world could be a better place if others adopted the techniques of Anglo-American corporate governance.’ Currently, there is a growing amount of research on international comparisons, much of which has focused on differences between countries' legal systems and how they relate to differences in how economies and capital markets perform. Much of the work as yet has sought to develop and employ a single global governance standard for making either country-level or firm-level comparisons around the world (Bebchuk and Weisbach, 2010). Erturk et al. (2004, p.679) argue that ‘disappointment is inevitable because the evidence from the UK and US suggests that rules about how the show is run do not easily control the self-serving behavior of social and political elites inside and outside management’.

Many researchers attempt to characterise countries of certain economic development stages (e.g., developed, developing, and emerging) with certain corporate governance characteristics (Randall et al., 2005; Cheffins, 2012). Many of these studies attempt to link market performance (e.g., stock price, mergers and acquisition rates, and foreign direct investment) to certain corporate governance variables. Examples of these issues are the concentration of economic and political power in the hands of a few families, and protectionism against foreign direct investment (FDI). Some recent studies attempt to investigate the difference in perceptions of corporate governance in different countries. An example is Robertson, Diyab, and Al-Kahtani’s (2012) article, A cross-national analysis of perceptions of corporate governance principles. In it, they examined potential differences in perceptions of OECD governance principles between the US and Saudi Arabia business executives. However, Bebchuk and Weisbach (2010) argue that there is a wide range of firm-level differences within an economy, let alone between different economies, and therefore, the literature should focus on looking
beyond cross-country differences and incorporate into the investigation firm-level differences. Family businesses or business groups occupy a sizable chunk of the literature concerned and will be considered in more detail in a dedicated section in this report.

The volume of literature and the variety of cross-countries corporate governance variables investigated are vast. Claessens and Yurtoglu (2012) suggest that in countries where there is better corporate governance, operational performance tends to be higher. They also suggest that advanced economies have deeper financial systems, with ratios more than double those of emerging markets and more for those of transition economies. They add that ‘enforcement is twice as high in advanced countries than in emerging markets and transition economies’ (Claessens and Yurtoglu, 2012, p.7). In a cross-country study, Claessens and Laeven (2003) reported that, at a sectoral level in weaker legal environments, firms obtained less financing and invested less than optimally in intangible assets. It seems to boil down to the concept of risk. If a country has more safeguards in place, then money will be perceived as being safer. Claessens and Yurtoglu (2012, p.13) state that ‘literature has shown that better creditor and shareholder rights are associated with deeper and more developed financial markets.’ They go on to say that ‘this relationship holds across countries and over time, in that countries that improved their creditor rights saw an increase in financial development.’ Having said that, it is natural to assume that a potential creditor would feel safer investing in a region that provides it with increased protection against loss. There seems to be a fine balance between protecting the investor without hampering the existing business in the economy in question (Djankov et al., 2008). Chen et al. (2009, 2011) found that firm-level corporate governance significantly lowered the cost of equity
capital in 17 emerging markets. The cost and supply of financing available is higher in countries with better property rights (Rajan and Zingales, 1998). Consequently, firms in these economies invest more and can grow faster. Many countries in emerging markets have attempted to develop or reform their corporate governance systems, some as a response to the 2008 financial crises (Black et al., 2011). Many corporations who rode the pre-crisis wave would claim that their actions were governed in accordance with the law. Thus, in this case, the fault was not in individual corporate governance, but the fact that such corporate governance was aimed towards one thing: profit. The 2008 financial crises have exposed fallibility within a system thought to be mature. This suggests a potential flaw in the concept of corporate governance in general. A further notable part of the literature on international comparisons concerns cross-border investing, that is the movement of firms and capital across borders. Some have suggested that firms commit themselves to good governance by incorporating in another country or by listing on a foreign exchange (Bebchuk and Weisbach, 2010). Licht (2003) challenged this argument, by showing that firms are more likely to choose cross-border destinations that are less strict on self-dealing or exhibit higher block premiums relative to the origin country. Naturally, given a choice, a firm acting across borders would choose a jurisdiction more favourable to its activities.

2.8.6 Politics

Brickley and Zimmerman (2010) emphasise the importance of the legal/regulatory system, as well as corporate policies, in analysing how corporations are governed. They emphasise that corporate governance is in part a product of legal systems. Culture and ideology, or the religion of a country’s population, influence legal systems and corporate governance. Ireland (2008) has reflected on the emergence of joint ownership
and limited liability firm structures. He highlighted the vulnerability of such structures leading to the need for corporate governance as a measure to overcome the weaknesses of common legal structures. Shleifer and Vishny (1997) stated that corporate governance tools are economic and legal institutions that can be modified through the political process. Erturk et al. (2004, p.679) argued that ‘most of the existing literature on corporate governance is both uninformative and naive because it fails to consider the political, economic and social context around governance’. He also adds that the ‘best of both worlds' is to develop a constitution for the market creating a form of capitalism that combines the economic dynamism of competitive profit-seeking behaviour with a degree of social responsibility (Erturk et al., 2004). As the literature review evolves, the work of the likes of Richard Whitley (1999), Fainshmidt et al. (2016), Mohammad Rana (2018) and others in the field of business systems theory offers a different angle, whereby the complementarity of approaches could be leveraged to systemise cross-border or cross-context comparability studies (inclusive of culture/politics) and implications for governance.

2.9 Good and bad corporate governance

Brickley and Zimmerman (2010) stated that ‘we still have very limited ability to explain or predict the specific organisational design of any given firm, let alone categorise whether a specific firm has “good” or “bad” governance’ (Brickley and Zimmerman, 2010, p.14). They believe that the definition of such variables as good or bad is highly problematic for at least three reasons:

1. A firm’s entire governance system is internal, leading to difficulty in determining the driving forces behind any observed associations.
2. Knowledge has not yet arrived at the level whereby we could meaningfully classify a governance feature as either good or bad.

3. It is very difficult to give a variable a meaningful weight.

Practitioners and researchers often extract what they refer to as ‘good corporate governance’ practices of a firm from a peer group, such as referring to the most successful firms in the economy or industry. Brickley and Zimmerman (2010) do not argue that all bench markings of governance practices are useful. They rather wish to highlight that benchmarking can be highly misleading and can lead to incorrect inferences. In fact, to them, ‘The basic problem in deducing “best practices” from benchmarking exercises arises from using an inappropriate peer group’ (Brickley and Zimmerman, 2010, p.14). While it might be difficult, finding a good matching firm that has similar agency problems and corporate structures might offer more meaningful comparisons. Focusing on researchers that identify ‘good’ practices, Claessens and Yurtoglu (2012) suggested that ‘good’ corporate governance would:

1. Increase access to external sources of financing, therefore potentially leading to greater investment, growth, and employment.

2. Lower the cost of capital and increase firm valuations.

3. Improve management and allocation of resources, therefore improving operational performance.

4. Decrease the possibility and impact of financial crises.

5. Improve relationships with stakeholders, inclusive of corporate social responsibility.

Better corporate governance can lead to better investor protection as Rossi and Volpin (2004) indicated: the volume of mergers and acquisitions activity and the premiums
paid were significantly larger in countries with better investor protection. However, the thought that the more firms apply corporate governance, the more solid an economy will be, is not universally shared. As Erturk et al. (2004, p.678) commented: ‘in the present economic context corporate governance must inevitably disappoint.’ Their view is that economic bubbles clearly ‘expose the limited power of governance.’

2.10 Corporate governance codes
Despite the argument surrounding corporate governance, this has not stopped the evolution of corporate governance codes, models, and guidelines, which seem to suggest sets of variables that should be considered in embedding ‘good’ governance and avoiding ‘bad’ governance in the firm. So, in addition to academic literature, there are supra-national organisations such as the Organisation for Economic Co-operation and Development (OECD) that have played a role in the development of corporate governance related policies. A well-known example is the G20/OECD Principles of Corporate Governance\(^7\). These are non-binding and do not go into detailed prescriptions. Rather, they seek to identify objectives and suggest ways to achieve them. Their purpose is to serve as a reference point to:

1. Ensure the basis for an effective corporate governance framework.
2. Set the rights and ensure the equitable treatment of shareholders and key ownership functions.

3. Provide sound incentives for institutional investors, stock markets, and other intermediaries to perform in such a way as to contribute to good corporate governance.

4. Set the role of stakeholders in corporate governance.

5. Ensure disclosure and transparency.

6. Set the responsibilities of the board.

In addition, many countries have produced their own corporate governance codes, such as the Sarbanes–Oxley Act of 2002 in the USA, and the Cadbury Report in the UK. The OECD has recently also developed a corporate governance framework for the Middle East and North Africa (OECD, 2019). An example will be given in the following chapters.

2.11 Corporate governance for family businesses

As discussed, governance has an impact on the success and failure of all organising activities. Introducing the element of the family into governance, broadly explained as ‘the mechanisms used to ensure that the actions of organizational stakeholders are consistent with the goals of the dominant coalition’ (Steier, Chrisman and Chua 2015, p.1266), adds a unique dimension. Governance, as a topic in family business research, has been recognised as an important subject for some time. However, various dimensions of it remain understudied (Berrone, Cruz, and Gomez-Mejia, 2012). Family businesses are important and dominant in many economies. Sustainable and successful family businesses could enhance the economies they reside in and provide financial security to the family members. These families, in turn, provide necessary resources for their businesses and their communities (Olson et al., 2003). The topic of family business governance is as wide and as controversial as corporate governance. In fact, it provides
additional variables that go beyond the classical variables corporate governance attempts to tackle (e.g., family relations, decision making, succession planning, and the social context). This is, as Steier, Chrisman, and Chua (2015) put it, due to their different evolutionary paths, attributed to broader institutional contexts, or adaptability and coexistence with their macro environments. For example, decision making is not, in many cases, driven purely by financial interest (Berrone, Cruz and Gomez-Mejia, 2012). Sharma (2004, p.21) suggests that; to identify how a family business makes decisions and governs itself, it is important to ‘incorporate the role of family beliefs and culture’. Therefore, it is important, when addressing a family business, to address its context. Warde (2000) advocated the use of comparative studies in family business due to the importance of their context. Unfortunately, understanding of family business behaviours across contexts remains in its infancy (Samara, 2020).

There has been a plethora of research on the topic of governance and performance of family firms over recent decades. However, empirical evidence suggests that the results have been inconclusive (Dupuis, Spraggon, and Bodolica, 2017). Family business research started separating itself from conventional family versus non-family firm comparisons, so as to research more deeply into the particular causes and concerns of behavioural disparities among family firms and gauge whether differences in performance are mainly due to the diversity of corporate governance structures amongst family firms (Memili and Dibrell, 2018; Ponomareva et al., 2018). Bodolica, Dupuis, and Spraggon (2020) performed a systematic literature review of the relationship between governance and performance of family firms. Although many of the findings are not conclusive, they summarised their findings under three main headings:
2.11.1 Management and leadership

Bodolica, Dupuis, and Spraggon (2020) found that leadership in families is differentiated between the next generation and the founding family CEO. Their research indicated that the family firms perform well when under the influence of the founding family CEO. The examples of this success are prominent when the founding family CEO manages and operates in combination with a large board, CEO duality, and diversified ownership structure (Mishra, Randoy and Jenssen, 2001; Prencipe, Bar-Yosef, Mazzola and Pozza, 2011; Swamy, 2011; Zhou, Tam and Yu, 2013). They also add that, to achieve optimal operational efficiency, it is advised to have an independent board but ensure that the founding members of the family are in the top management team (Randoy, Down and Janssen, 2003). They claim that non-family CEOs can outperform family CEOs, once they are under the supervision of family shareholders (Miller et al., 2014). In their findings, relational governance, in the form of close social networks and interfamilial ties, substantially improves performance (Silva et al., 2006). Having said that, the importance of the role of governance, especially in the case of a CEO and chairman split, is not clear within the context of family businesses. Research in European countries on duality indicates that the combination of family ties and ownership of stock is positively correlated to profit margins (Lausten, 2002), whilst minimising the CEO turnover, especially in the case where CEO and majority shareholders are not the same person (Brunello, Graziano and Parigi, 2003).

2.11.2 Characteristics of the board

Bodolica, Dupuis, and Spraggon (2020) categorised the board in terms of size, independence, composition, and some qualitative characteristics. They highlighted that researchers concluded unanimously that large boards contribute to the stronger
financial performance of family businesses (Huang, 2010; Nowland, 2008; Yasser, Al Mamun and Seamer, 2017). Independent boards also provide a better governance function as noted by agency theory (Bodolica and Spraggon, 2009b). However, this notion is challenged by some contemporary research. Board diversification strategies also contribute to stronger performance for family businesses (Anderson and Reeb, 2004).

2.11.3 Variability of governance effects across performance metrics

Bodolica, Dupuis, and Spraggon (2020) highlighted two theories that provide counter-arguments regarding the variability of governance effects across performance metrics, underlining the positive impact of family participation in both management and control of the family business. On one hand, almost half of the companies in their survey suggest that good corporate governance practices lead to positive financial performance. This is probably due to businesses needing less monitoring due to minimal agency costs. The family bond, incentives related to ethical clarity, and the desire for an untarnished reputation lead to transparent accounting procedures, higher firm valuation, and a subsequent competitive advantage (Carney, 2005). On the other hand, the survey of the literature, in their opinion, reveals that family firms either underachieve compared with their non-family peers, or different corporate governance dimensions fail to mitigate the negative impacts of agency problems (Schulze, Lubatkin and Dino, 2003). These results support the entrenchment approach to agency theory, where the costs associated with lopsided selflessness and resource appropriation dwarf the advantages of affiliated ownership and control (Madison, Holt, Kellermanns and Ranft, 2016).
2.11.4 Family businesses governance codes

The governance codes for family businesses, as opposed to those for publicly listed companies, focus mainly on the governance of family businesses. The codes give guidance regarding the relationship between the family and the business, family charter, governance structure, and councils. In some cases codes may also cover conflict management, the appointment of family members and their employees and, most importantly, succession planning. While these codes were mostly developed in European countries, the focus for this study is on five European countries – the Netherlands, Switzerland, Italy, Spain and Germany - and three Gulf countries. The codes were taken from several family business platforms, networks, and associations including the local chapters of the biggest family business organisations:

- FBNed, the Dutch association of family firms, worked with FBN to produce the guidance for the governance of family firms in the Netherlands.  
  
  o One element that makes Dutch guidance extremely useful is the way in which the recommendations are presented. It is extremely easy for stakeholders to identify the recommendations relevant to their particular role in the system as each recommendation is designated accordingly as appropriate to, for example, family members, executives, board members, or shareholders.
  
  o The guidance is highly schematic and revolves around a tripartite model that includes family, ownership, and business.

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The Dutch guidance gives advice concerning the challenges faced by the several types of family business such as owner-managed, family managed, and family-controlled. The guidance also recognises the differences within the family business sector.

The main highlight of the Dutch governance system is that it gives meticulous details of what constitutes good governance in a family business context. It also is distinctive in usefully differentiating between different levels of advice with the following three categories: recommended, advisable, or to be considered.

- A team of academics from Bocconi University worked with AIDAF, the Italian association of family businesses, to produce the code for family firms in Italy.
  - Principles and guidelines are introduced for enhancing best governance practices and systems. It identifies actions that characterise well-functioning governance systems.
  - The topics covered in the code include the structure of ownership, succession planning, non-family employees, maintenance of balance between the interests of company and family, with particular emphasis entrepreneurial families.
  - Businesses are encouraged to report the adoption and recommendations of the code in the company’s corporate documents such as the annual report.
  - The guidance introduced in the code is mostly conceptual, with a general set of key principles followed by specific practical recommendations.

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The Italian code is organised around twenty principles and ten articles, written in legal style and with the key concepts underpinning the code well defined.

- El Instituto de la Empresa Familiar (IEF) produced the guidance for Spanish family companies.\(^ {10} \)
  - The Spanish code considers the complexity of family firms in the guidance they provide and uses a theoretical approach consistent with systems theory.
  - The main purpose of this code is to help family businesses achieve their business targets and objectives in general. Like the Dutch governance code, Spanish code’s recommendations are also organised around the tripartite family-business-ownership system, with an emphasis on the relationships within the system.
  - The guidance also offers a range of principles that may boost the longevity and long-term feasibility of family businesses irrespective of their size and sector. Furthermore, it provides some practical instruments to assist family businesses to face those challenges that cannot be dealt with otherwise through law.

- The code produced for families and their businesses in Germany was a joint initiative of INTES (the Academy for Family Businesses), FBN, and Die Familienunternehmer (ASU).\(^ {11} \)
  - The German code seeks to provide a reliable framework to help optimise and assess the governance structures for all family businesses and their stakeholders. However, the code clearly states that the guidance provided in the document only fits situations of the particular business and the family involved.
  - The code also has a good, structured flow, beginning with a discussion on the role, rights, and obligations of the family business owners and

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then delving deeply into defining the role of the board, and of all stakeholders including but not limited to management, wealth and ownership, and family governance. The code then concludes by providing a useful glossary with definitions of key terms and concepts.

- Gulf countries include family businesses from Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain, and Oman (produced by the Family Business Council)\textsuperscript{12}:
  - The purpose of the codes for the Gulf countries is to provide best governance practices, with emphasis on providing a platform to support family businesses navigate through their own processes.
  - Gulf countries give a list of questions to consider and focus mainly on providing differences and variations between family businesses. These questions are mostly related to agreements between shareholders, the legal structure of the company, and governing bodies.
  - One factor distinguishing these codes from those of Europe is that in the Gulf countries most of the emphasis is on family governance elements as opposed to corporate governance.
  - There are separate sections that mainly target succession planning, wealth management and governance and public engagements.

- The code for Swiss firms (Code G) was written by a working group namely Continuum AG and Prager Dreifuss, both business advisers and legal experts:
  - The Swiss Code is a set of best practices and is defined as the ‘regulatory framework for governance’.
  - The recommendation for family businesses is meant to help ‘determine the power, management and control structure for the family governance, the company (corporate governance), and their conduct towards external stakeholders (public governance)’.
  - One key differentiating factor of the Swiss Code is that it targets all family firms irrespective of their size and their legal form.

The recommendations of the Swiss code concern three key groups in the family business system: the family, business players, and external stakeholders.

Although all the codes mentioned above cover topics including family and corporate governance, the amount of importance attached to key elements like management, stakeholders, CSR (Corporate Social Responsibility), and ownership varies considerably. For example, the German, Italian, and Swiss codes are geared more for large and medium-sized family businesses, whereas the Netherlands, Spanish, and GCC ones are more general. In one example, the GCC governance code introduced in 2016 covers a number of governance areas that a family business in the GCC should consider. The handbook introduces governance concepts and common policies. In addition to the codes, the document also highlights factors perceived to enhance business success such as next-generation development, communication, succession planning, and other tips for better implementation of best practice in corporate governance. The governance codes cover the following broad aspects which family businesses should consider:

1. Public Engagement:
   a) Philanthropy
      ● Set-up of a family foundation for charitable causes.
      ● Creation of a family philanthropy committee.
      ● Commitment towards philanthropy.
   b) Identity and business reputation
      ● Clear business identity to be maintained.
      ● Coherent business image.
2. Ownership governance
   a) Governing policies
      ● Shareholder agreement that sets the rights and responsibilities of shareholders.
b) Legal structure
   ● A coherent legal structure with necessary firewalls.

c) Governing bodies
   ● Shareholder assembly comprising all shareholders that play a key role in business decision making and which helps the shareholder council.
   ● Shareholder council that comprises small shareholders and represents the shareholder assembly.

3. Corporate governance
   a) Vision:
      ● A vision that outlines key values.
   b) Policies
      ● Clear policies that regulate business matters.
   c) Plan for non-family employees
      ● Fair treatment of non-family employees in terms of appointment, development, and assessment.
   d) Legal structure
      ● Ownership separation from management.
      ● Creation of committees to assist the board.
      ● A clear distinction between the role of the board, shareholders, management, and employees.
   e) The family and the business
      ● The relationship between the business and the family should be properly defined, assessed, and identified.

4. Wealth governance
   a) Family offices
      ● A family office to manage the family’s wealth through a separate operation.
      ● Periodical reporting of broad activities and financial performance.
   b) Wealth management strategy:
      ● A robust strategy that allocates wealth to different fields of investment.

5. Family governance
   a) Vision, values, and goals
      ● Family members to be aligned on vision, mission, and goals.
b) Family communication
   ● Regular family reports and regular meetings.

c) Governing bodies
   ● A family assembly that acts as a forum for communication.
   ● A family council that acts on behalf of the family assembly.

d) Policies
   ● A family charter that enables the family members to understand the main elements of family and the business.
   ● Clear and fair policies that regulate matters of importance.

e) Conflict resolution
   ● A clear conflict resolution policy.

6. Succession planning
   ● A clear and carefully designed succession plan.

2.12 Family business sustainability

The difference between sustainability and governance is vague. The literature does not seem to differentiate between them and often uses the terms interchangeably. However, it appears that sustainability is a wider subject and encompasses a broader set of variables than classical governance literature does and probably with a closer focus on longevity and context. Tur-Porcar, Roig-Tierno and Mestre (2018) suggest a set of sustainability factors in the areas of environment (social awareness, sustainability, and environmental regulations), behaviour (altruism, ethics, cognition, self-regulation, and competitive intelligence), human relations (reputation and leadership), and business dynamics (financial and business management, and access to subsidies). They also add that behavioural and business factors are significant drivers to ensure entrepreneurship sustainability. Ethical principles and values, together with competitive intelligence, are crucial for undertaking actions that lead to sustainability. Oudah, Jabeen, and Dixon (2018) studied a set of sustainability factors that are popular in the literature, seeking
to understand their significance for family businesses. The factors identified were succession planning, strategic planning, corporate governance, leadership, family values, family capital, and family firm advisors. Hence governance appears to be incorporated as part of sustainability. Business sustainability, as defined by the World Commission of Environment and Development (WCED) is ‘meeting the current needs without compromising the next generation’s ability to meet their needs’ (WCED 1987, p.16). The notion that enhancing the survival rates of family businesses could lead to more resilient economies is reasonably supported (Olson et al., 2003). In essence, strengthening family business’ sustainability will enhance economies’ sustainability. Basco, Calabrò, and Campopiano (2019) focus on transgenerational entrepreneurship, a concept which is defined as the ‘processes through which a family uses and develops entrepreneurial mindsets and family influenced capabilities to create new streams of entrepreneurial, financial and social value across generations’ (Habbershon, Nordqvist and Zellweger, 2010, p. 1). They suggest that the success of family firms across generations depends on three key dimensions: 1) firm entrepreneurial orientation; 2) ‘familiness’; 3) cultural contexts, which affect their financial, market, and social performance.

In the relatively short history of this field of research, several models have evolved to explain family businesses. Some of them support a single system approach but most of them suggest dual systems (Whiteside and Herz-Brown, 1991). Some researchers like Hollander and Elman (1988) and Whiteside and Herz-Brown (1991) argue that family businesses must be considered as a single system and the whole as greater than the combination of all its independent parts. Davis and Taguri’s (1989) model present the overlap of systems as a contributing factor resulting in the whole. Danes et.al (1998)
conceptualized family and business systems as one system and used it in the Fundamental Interpersonal Relations Orientation (FIRO) model. Other researchers like Ibrahim and Ellis (1994), Ward (1987), Benson, Crego, and Drucker (1990), argue that family and business are separate from each other and that they must be treated separately. Both fields, the family and the business, independently have a range of theories and models to help our understanding. Family ecology theory (Bubolz and Sontag, 1993), family development theory (Rodgers and White, 1993), family systems theory (Whitchurch and Constantine, 1993), and family resource management theory (Deacon and Firebaugh, 1988) are potential sources of theoretical models for use in analyses of business-owning families. Regarding the firm within the economy, Davidsson’s (1991) model of entrepreneurship growth considers the sum of need, opportunity and ability as the driver of financial growth for small businesses, while Greenberger and Sexton’s (1987) model of venture success focuses on the entrepreneur’s behaviour in the enterprise growth journey. Other models consider macro and micro determinants such as community characteristics or entrepreneur endowments (Davidsson, 1991; Greenberger and Sexton, 1987). However, there is much consensus that families and businesses have interpersonal dynamics and purposes that overlap in family businesses. The Sustainable Family Business (SFB) Model (Stafford et al. 1999) seeks to furnish comparable levels of detail for both family and business, by leveraging the aforementioned theories of both pillars. It gives equal recognition to family and business systems and their interrelation to achieve mutual sustainability. These two social systems transform available resources and constraints via interpersonal and resource transactions into objective or subjective achievements (Olson et al., 2003). Resources can be economic (assets and liabilities), demographic
(number of children, number of families and non-family employees), functional (skills, number of hours worked in the business), or psychosocial (perceptions, attitudes, beliefs). The SFB Model is a dynamic theory that aims to incorporate change as a major premise. It offers flexibility to study family businesses encompassing complex variables such as size, stage of the family and business cycles, mix of family and non-family employees, types of businesses, and ways of legally structuring the business. The model implies that the sustainability of a family business is a function of both business success and family functionality (Stafford et al., 1999), as shown in Figure 2-2 below:

The SFB model and many other models and research papers aim to portray the characteristics and hence the sustainability of a family business at a single point in time.
However, we should not forget that it is also context-specific. Family businesses are not a homogeneous group of firms across contexts (Basco, 2017; Basco, Calabrò and Campopiano, 2019; Wright, Chrisman, Chua and Steier, 2014). These models are not designed to predict the sustainability variables or characteristics of family businesses within a specific context or across different contexts.

2.13 Intersection between Family business, governance, and sustainability

Family businesses fall under the realm of economic organisations and play an important role in the economies they serve. Their sustainability in relation to their ability to survive across generational shifts and maintain wealth growth is seen as contributing to the wellbeing of those families and the resilience of those economies (Olson et al., 2003). Corporate governance is thus a necessity and also a tool to help support the sustainability of family businesses and all the more so if it attends to the family and the businesses, as those two social systems transform available resources and constraints via interpersonal and resource transactions into objectives or subjective achievements (Olson et al., 2003). Other aspects of sustainability in the areas of the environment (i.e., social awareness, sustainability, and environmental regulations); behaviour (altruism, ethics, cognition, self-regulation, and competitive intelligence); human relations (reputation and leadership); business dynamics (financial and business management plus access to subsidies); and context (role of government, financial capital, human capital, and social capital) are also important. The more informed we are of the different variables, the more meaningful and efficient the corporate governance practices, laws, and rules and regulations will be in supporting the sustainability of those family businesses in their respective economies. Such knowledge would optimise the
theoretical models geared to systematically enhance the academic approach towards researching the intersection of these fields and hence inform a more comprehensive set of variables that affect family businesses, sustainability, and governance independently and collectively. This would also guide policies and practices for family businesses towards more informed governance practices for sustainability and growth as well as assist governments with formulating laws, rules, regulations and numerous other initiatives to support this massive economic contributor and enhance its resilience as an economy.

2.14 Emirati family business

Family businesses in the MENA region are more dominant than in other regions (Al Awadi and Koster, 2017). They constitute up to 90 percent of all companies, employ 80 percent of the workforce, and contribute up to 60 percent of the region’s GDP (PWC report, 2016). It is ‘characterized by a combination of institutional peculiarities, such as collectivism (Samara and Berbegal-Mirabent, 2018), patriarchy (Al-Dajani and Marlow, 2010), strong religiosity of the population (Jamali and Sdiani, 2013), Islam being the dominant, but not the only, religion (Basco, 2017), and deep institutional voids (Mclellan and Moustafa, 2013), which can have distinctive ramifications on family business behavior and outcomes’ (Samara, 2020, p.1). Eulaiwi et al. (2016) claimed that the Gulf Cooperation Council (GCC) countries have distinctive political and economic realities that distinguish them from the other MENA countries, necessitating a differentiated investigation of their family business activity dynamics. Family businesses generate more than 70 percent of the employment in the Gulf Cooperation Council (GCC). They constitute 90 percent of the private sector and
account for 80 percent of non-oil and gas GDP, indicating how crucial they are to the GCC economy (Alfahim, 2011; Oudah, Jabeen and Dixon, 2018). The region is characterised by significant oil reserves, powerful families, high political stability, a good standard of living, tax-free economies, sizable reliance on an expatriate workforce, relatively small stock markets, weaker protection of minority shareholders, high ownership concentration, wider regulatory gaps, and constantly evolving institutional frameworks and corporate governance infrastructures (Dupuis, Spraggon and Bodolica, 2017: Spraggon and Bodolica, 2014).

According to the 2019 Global Competitiveness Report (GCR) (Schwab, 2019), which benchmarks 141 economies, the UAE is ranked 25th in the Global Competitiveness Index. It is considered one of the wealthiest nations in the world (Tlaiss, 2013). The Emirati population has a high standard of living, good education and healthcare, and job opportunities. The Emiratis or Emirati people (Arabic: الإماراطيون) (are the native population and citizens of the United Arab Emirates) (Rettab, Abu Fakhr and Morada, 2005). The UAE is readying itself to celebrate the 50th anniversary of its formation in 1971. Many Emirati families have experienced sudden wealth in the last five decades (Bristol-Rhys, 2009). The UAE is no different to the GCC with family businesses accounting for 90 percent of the private sector. Emirati family business

Table 2.1. The sequential stages of family business development (adapted from Gersick et al., 1997 p. 61).

<table>
<thead>
<tr>
<th>Phase</th>
<th>Older Generation</th>
<th>Younger Generation</th>
<th>Approximate Business Age</th>
<th>Generation Leading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Young Family Business</td>
<td>&gt;40 years old</td>
<td>If present &lt;18 years old</td>
<td>&lt;15 years</td>
<td>First Generation</td>
</tr>
<tr>
<td>Independence of younger generation entering the family business</td>
<td>33 to 55 years old</td>
<td>13 to 29 years old</td>
<td>&lt;30 years</td>
<td>First Generation</td>
</tr>
<tr>
<td>Working Together</td>
<td>50 to 65 years</td>
<td>20 to 45 years</td>
<td>&lt;45 years</td>
<td>First and Second Generation leading</td>
</tr>
<tr>
<td>Passing the baton</td>
<td>Older than 60 years old</td>
<td>&gt;45 years</td>
<td>2nd Generation leading</td>
<td>Second Generation leading</td>
</tr>
</tbody>
</table>
survival rates are low, as in the rest of the world. Many such businesses are going through a critical decade as they are being co-led by the first and the second generation or have recently been taken over by the second generation as per the work of Gersick et al. (1997) cited in Oudah, Jabeen and Dixon (2018) in Table 2-1:

This means that a substantial amount of wealth will be exchanging hands in the next decade in the UAE (Augustine, 2015). Despite all the support that the UAE government is extending to its Emirati family businesses through the rapid growth of the country and facilities to encourage their development, only a fraction of those family businesses will survive generational transitions (Rettab, Abu Fakhr and Morada, 2005). It is estimated that only 30 percent of family businesses transition to the second generation. Only 10-15 percent survive to the third generation and a mere 2-3 percent survive to the fourth generation (Hammadeh, 2018; Oudah, Jabeen and Dixon, 2018). Many of these family businesses are facing challenges and potential issues threatening their continuity and sustainability (Abdella, 2010; Alfahim, 2011; Obay, 2009; Succession Planning for GCC Family Businesses 2015). Such challenges are driven by internal or external factors. External challenges include geopolitical issues, the economy, cultural constructs, and changing laws and regulations (Abdella, 2010; Bodolica, Spraggon and Zaidi, 2015; Succession Planning for GCC Family Businesses 2015). Internal challenges include governance, financial and legal structuring, succession planning, values and belief systems, social position, risk appetite, and family relations.

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(Bodolica, Spraggon and Zaidi, 2015; Sharma, 2004). The total number of papers covering family businesses in all the Arab countries in the Middle East since the year 2000 has barely exceeded 100 (Goel et al., 2012; Hammadeh, 2018; Oudah, Jabeen and Dixon, 2018; Samara, 2020; Steier et al., 2015). Emirati family businesses are generally private, with shares being held by a few family members and restrictions on transferability. These businesses hold key positions in various private industries. They are often characterised as conservative, resistant to change, and introverted, which makes it difficult to gather data from them. Their conservatism is probably a result of the concentration of wealth in the family firm deeming it burdensome to fail in investments and face the family (Al Awadi and Koster, 2017). In general, family businesses in the UAE face a wide array of challenges, of which corporate governance, sustainability, and succession planning seem to be the most critical. The UAE government had to step in and resolve a number of high-profile conflicts in prominent family businesses in order to stabilise their businesses, given their substantial economic effects (Al Awadi and Koster, 2017).

2.14.1 The definition of Emirati family businesses

As previously highlighted, the definition of a family business is a wide and controversial topic. At present, the available literature on family businesses in the UAE and Dubai is limited to a few reports. Rettab, Abu Fakhr and Morada (2005) sought to define family businesses within the UAE (Emirati family businesses), but it has proved a complex task, as the country adopts a mandatory agency configuration to trade within its borders. Agency agreements are the only method to enter into large sections of the UAE market. These businesses are legally owned by Emiratis, but not controlled. The control and ultimate ownership lie with foreigners (Alfahim, 2011). This means that an
expatriate needs a local partner with 51% equity ownership to perform the majority of trading activities in the UAE. It is, therefore, challenging to recognize the firms that have actual family management or dynamics, as opposed to those who seem to have majority ownership in a company but are however silent local partners.

As previously highlighted, the definition of family business adopted in this study is that of Chua et al. (1999, p.25), namely a ‘business governed and/or managed with the intention to shape and pursue the vision of the business held by the dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families’. Samara (2020) claims that in the Arabic culture, the extended family still plays a relatively more central role in society than perhaps in many other countries. Thus, the extended family still falls within the definition of the family firm in behavioural terms. As Davis et al. (2000, p.1) observe, ‘a person’s primary social and economic support comes from his or her nuclear and extended families.... There is a strong cultural preference that business opportunities should be pursued.... within the family.’ Samara’s (2020) review of the literature on family business in the Middle East reveals that almost half of the papers had no clear definition of a family business. Almost one third used an essential approach to the definition, followed by a quarter using a demographic approach. Samara (2020, p.3) also notes that ‘...given the prevalence of monarchy in Gulf countries, powerful family elites that have political power and/or occupy government seats have held equity ownership in semi-private firms, which have also been considered as family businesses’, which represent almost 8 percent of the sample. Sharma’s (2004) strict definition states that: a business is family run if there is direct family involvement in the day-to-day operations of the firm and subject to two
conditions: (1) the family retains majority voting control of the business at board level and higher, and (2) multiple generations of the family are actively involved in the everyday running of the business. Adapting these definitions to the context of the UAE and Dubai, the definition of Emirati family businesses is as Rettab, Abu Fakhr, and Morada (2005, p.13) described:

An Emirati Family Business is a business in which: At least 51 percent of the shares are owned by one single UAE family, and at least one member of the management team is drawn from the family that owns the business… ‘family’ includes the household (HH), which consists of the husband (head of HH), his wife and their siblings; the HH parents; his brothers and sisters and their siblings.

Emirati family businesses are not legally obliged to disclose information on turnover, profits, assets, employment, investment, or any other performance measure which might be used as a metric, rendering it difficult to adopt a meaningful classification (Alfahim, 2011). Therefore, the classification of UAE enterprises as per the Abu Dhabi Statistics Centre (2015) classification is adopted, segmenting them into micro, small, medium, and large, based on the number of employees, as listed in Table 2-2. For example, if a company has more than 50 employees, it would be classified as large. It is estimated that 50% or more of commercial activities in Dubai (excluding free zones) are controlled by Emirati family businesses. As of 2004, there were 56,374 active firms in Dubai, of which 30,769 are Emirati family businesses, and the remaining 25,605

<table>
<thead>
<tr>
<th>Enterprise Category</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>&lt;5</td>
</tr>
<tr>
<td>Small</td>
<td>5–19</td>
</tr>
<tr>
<td>Medium</td>
<td>20–49</td>
</tr>
<tr>
<td>Large</td>
<td>≥50</td>
</tr>
</tbody>
</table>

Table 2-2. UAE enterprise categories (Source: Abu Dhabi Statistics Centre, 2015, p. 11).
were non-family businesses (Rettab, Abu Fakhr and Morada, 2005). Dupuis, Spraggon, and Bodolica (2017) found that most Emirati family businesses are young conglomerates (<45 years old) with risk diversified across many sectors such as real estate, banking, construction, retail, manufacturing, and transport. Their age indicates that most were formed since the UAE’s formation. Almost two-thirds of their business activities run exclusively in the UAE market. As indicated earlier, their young age suggests that these family businesses are run by the founders and/or the second generation. Less than five percent has a third generation involved. The vast majority of these firms are owned by members of the same family and closely held. They have clearly resisted non-family ownership and control over their strategy. The average size of the board of Emirati family businesses in Dupuis, Spraggon, and Bodolica’s (2017) sample was 3.7 members, with less than twelve percent having female members. The average size of the management team was five members, where the CEO was either the founder or the son. The older the family businesses are, the more prone they are to appoint non-family CEOs, in many cases from other cultures such as Indians, Palestinians, Lebanese, Pakistanis, and British. Older firms were found to have more family members involved in the business, larger boards, bigger management teams, more female directors, and better adoption of corporate governance best practices.

2.14.2 Emirati family businesses in Dubai

The state of Dubai has witnessed tremendous economic growth since the discovery of oil back in the sixties and has managed to diversify its income towards trade and tourism (Matly and Dillon, 2007; Spraggon and Bodolica, 2014). Dubai is a state/emirate in the United Arab Emirates (Bristol-Rhys, 2009) and is seen today as the de-facto business capital of the United Arab Emirates (UAE), the Gulf Corporation Council countries
(GCC), and the wider region of the Middle East. It is seen as a role model of what an Arab, Middle-Eastern, and Muslim nation should or could be. It has grown rapidly in the last five decades both economically and in terms of population (Abdella, 2014; Heard-Bey, 2013; Obay, 2009). Its rapid economic growth, pro-business, and multicultural policies have attracted many entrepreneurs and workers to find a decent living and future. Despite being multicultural, Emirati families share family, cultural, and belief systems with the wider middle-eastern region which has distinctive traits. As in many parts of the world, Emirati family businesses are a major contributor to the Dubai economy. It is estimated that 50% or more of the commercial activities in Dubai (excluding free zones) are controlled by Emirati family businesses (Rettab, Abu Fakhr and Morada, 2005). The rapid growth of Dubai’s economy and population and the sudden relative wealth of its families have resulted in many challenges and potential issues that threaten the sustainability of Emirati family businesses and cause their low survival rate, in turn threatening Dubai’s economic resilience too.

2.14.3 Corporate governance and Emirati family businesses in Dubai

According to Al Awadi and Koster (2017), the governance of family businesses and their success are linked to several factors such as the country’s laws, the structure of governance and succession. The performance of companies is positively impacted by ‘good’ corporate governance. Rettab, Abu Fakhr, and Morada (2005, p.5) conclude in their report on family businesses in Dubai that ‘there is a need for a set of rules to streamline ownership transfer, management and regulations; as well as, for an effective monitoring mechanism of transitions’. Obay (2009) has conducted a survey on corporate governance and business ethics in Dubai with high-ranking executives. The responses revealed a high level of involvement with charitable organisations, mostly
the Red Crescent and Ramadan based charities. She also found that the majority of the surveyed companies had boards and highly ethical systems. An interesting observation by Obay (2009, p. 30) is that:

Neither firms nor banks within this relationship-based system, as opposed to a market-based system, feel the need to develop corporate governance mechanisms, since the former can rely on banks for continued financing and the latter feel relatively comfortable under explicit or implicit government guarantees.

Obay (2009) highlights the fact that the UAE is a tax-haven, and although the law mandates reporting, there is, as yet, no effective mechanism in place, except for listed companies. She believes that no serious corporate governance and ethical codes have been imposed. The UAE, according to the World Bank MENA governance report, has ‘very satisfactory protection and enforcement of private property rights, contracts are effectively enforced by the court system, and expropriations are very unlikely’14. Obay (2009) also describes the effect of Sharia law and the emergence of Anglo-Saxon laws into the region and country. A report produced by Dubai International Financial Center in conjunction with Thunderbird School of Global Management’s Center for Global Family Enterprise titled *Differing Perceptions and Challenges Facing UAE Family Businesses: Implications for practices* attempted to perform a study comparing family businesses in the UAE and the USA (Shalhoub, 2009). Many of the findings in the UAE were mirrored in the US data, though suggesting a stronger family influence in business. CEOs in both countries perceived the practices, cultures, and succession processes more favourably than other family members. Business planning and succession planning are growth orientated, and communication processes are

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influenced by family ownership and are positively related to some features of firm and family. The report made recommendations to UAE CEOs and family members, such as:

1. Writing a family constitution that spells out the employment requirements of family members and promotes a vision of professional management of the enterprise.

2. Developing clear standards and processes for both managerial and ownership succession.

3. Adopting a strategic planning approach that reinvigorates the opportunity-seeking orientation of the entrepreneurial stage.

4. Using a board of directors with a minimum of two independent outsiders (‘independent’ defined as being non-family and deriving no economic benefit from the company through employment or professional service contracts).

5. Employing key non-family management in positions of significant responsibility to ensure the professionalisation of the business.

6. Assuring frequent family meetings (more formal family council) to educate and communicate with family members and family shareholders and act as the family’s board.

The UAE issued Ministerial Resolution No. (518) of 2009 Concerning Governance Rules and Corporate Discipline Standards, superseding the UAE Commercial Companies Law 1984 (the ‘Commercial Companies Law’). The ‘New Code’ applies to all companies and institutions whose securities have been listed on a securities market in the UAE. It emphasises oversight of the management and functions of the board of directors by appointing more independent members and non-executive directors, forming committees, and having an external auditor who is neutral and independent of the companies’ activities. It requires companies to have a code of conduct along with
other internal policies and principles. It requires the board to establish internal control systems to assess risk management and ensure the implementation of governance rules. It also addresses the issue of the directors’ remuneration and encourages the development of environmental and social policies requiring greater corporate social responsibility.

The Mohammed Bin Rashid Establishment for SME Development (Dubai SME) has also produced a code: the Corporate Governance Code for Small and Medium Enterprises. Although this code is voluntary, it lays out the general pillars of ‘good’ corporate governance and sets out a number of steps companies should consider when constituting their corporate governance framework. It covers:

- Corporate governance policies and procedures
- Transparency and shareholder relations
- Board of directors
- Control environment (internal controls, audit and risk management)
- Stakeholder relations
- Family governance

A unique and instrumental article is *Succession Issues among Family Entrepreneurs in Countries of the Gulf* (Palliam, Cader and Chiemeke, 2011). It investigated the transferability of Western theoretical constructs to family succession in countries of the Gulf Cooperation Council (GCC). Palliam, Cader, and Chiemeke (2011) built on the lack of research into the GCC demographic by asking relevant questions developed by the related Western literature, and seeking to develop theories to relate specifically to families conducting business in the GCC. The article notes several differences, such as
the patriarchal character of Arab societies, and more importantly the propensity of the incumbent to step down, and finally the identification of a competent potential successor. It attempts to provide a platform for understanding the different influences on succession management in the region. They also asserted that culture has an obvious influence on differences between Western and Middle Eastern practices, as Muslims in Arab societies submit to the guidance of Islam in all aspects of life, including the laws of succession which state that each eligible inheritor will receive their due share.

His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE, in his capacity as Ruler of Dubai, issued Law No (9) of 2020 Dubai, which defines the terms of the family ownership contract, and the powers and obligations of its manager. The law that was announced in August 2020 seeks to ‘protect families' wealth, enhance the contribution of their businesses to economic and social development and foster the growth of family businesses’. Existing or new family firms could opt to adopt it. For a family ownership contract to be legally endorsable, all relevant parties must be family members and have aligned interests. The Law aspires to organise family ownership contracts, business structure and governance, and board and management powers (Dubai Law No. (9) of 2020, 2020).

Oudah, Jabeen, and Dixon (2018) conducted a study to identify and prioritise various success factors linked to the sustainability of large- and medium-sized family businesses in the UAE. They listed the known factors in the literature and investigated current UAE-based family businesses’ views of their importance. Meanwhile, Al Awadi and Koster (2017) believe that in the UAE, the corporate governance guidelines for family businesses should be aimed at:
• Incorporating the strengths of the business and family members.

• Enhancing relations of shareholders via effective communication and conflict management.

• Systemising channels of distributing wealth.

• Supporting development and diversification of the business.

• Managing leadership and ownership changes.

• Preparing and developing the succeeding generation of family members, managers, and shareholders.

• Enhancing trustworthiness.

• Drawing equity capital and lower-cost debt.

Al Awadi and Koster (2017, p.3) noted that adopting suitable formal corporate governance frameworks can be a complicated exercise, given the culture and nature of Emirati family businesses. They state that some of the frameworks are ‘too challenging, too premature, too costly, too complex or too westernized’. However, they went on to suggest a few mechanisms that could help those businesses. They advocated starting with a family charter highlighting the importance of corporate governance, and succession planning, and covering aspects of the principles, vision, and mission of the family business, and the roles and functions of governing bodies such as the board and management. Dupuis, Spraggon, and Bodolica (2017) found within the UAE context that founders commonly assume the role of CEO, whereby, the high concentration of ownership typically found in Emirati family businesses could be attributed to the slow progress in the development of institutional and regulatory frameworks in the UAE. They also seem to suggest that Emirati family businesses that adopt best practices and have larger boards leverage from a more ‘diverse representation in terms of experience,
knowledge and points of view’ (Dupuis et al., 2017, p.3). However, they could not identify a significant association between board independence and corporate performance in the Emirati business sample studied. This is probably explained by the fact that external monitoring is performed by the family members’ board representatives themselves.

Oudah, Jabeen, and Dixon (2018) studied a set of sustainability factors that recur in the literature to understand their significance for a sample of twelve Emirati family businesses. The factors identified are succession planning, strategic planning, corporate governance, leadership, family values and capital, and family firm advisors. They argued that the timely use of these success factors would establish trust and loyalty among family members across generations and secure continuing progress. They found that Emirati family businesses are aware of succession failures and have long-term planning for their future generations. Yet they are required to emphasise family values and family capital. On the other hand, medium-sized families are less aware, have limited planning, and focus on short-term gains. Looking at each factor independently, they found that large Emirati family businesses take succession planning seriously and implement it with great care, recognizing it as one of their highest priorities. The same does not apply to medium-sized families, and hence the risk is higher. The most important factor amongst big families is strategic planning implying that the leaders are continuously pushing for growth, whereas medium-sized families tend to plan less and are short-term in perspective. Corporate governance is seen as the third most significant factor, which probably indicates the lack of focus or awareness of Emirati family businesses regarding the importance of corporate governance for their success and sustainability. This could be attributed to the nature of such businesses, whereby
monitoring is performed by the family by virtue of their involvement and the role that reputation and family brand, as well as trust, plays in the dynamic of the family business’ performance. Leadership is the fourth factor. According to their research, there is a level of cooperation amongst family members within the business in decision making and cooperation which contributes to better governance. However, it is ranked first for medium-sized businesses indicating how dependent they are on the leaders which imposes a risk of continuity. The fifth most significant factor is family values implying that these are not properly defined and probably weak, perhaps causing conflicts between family and business. Family capital comes sixth, suggesting that business resources and the social network are already well established, inclusive of human, social, and financial capital. However, the families need to keep cultivating family capital, and indeed this factor sits higher with medium-sized businesses, as they are younger and still growing their network and resources. The last factor in significance for medium-sized businesses is family firms’ advisors indicating that they hardly use them. For big businesses, however, it sits in third place which, in the view of the authors, could imply that those families use advisors and consultants to some extent on aspects of both the family and the business.

2.15 Chapter conclusion

The prevalence and importance of Emirati family businesses in Dubai is apparent, just as family businesses assume an important role in many parts of the world, contributing substantially to the economy and employing a sizeable portion of the workforce. Emirati family business are generally characterised as being relatively young and generally private in their disposition, with shares being held by relatively few family
members with implicit or explicit restrictions on their transferability. They are generally conservative, resistant to change, and introverted, which makes it difficult to gather data from them as they are not legally obliged to disclose information on turnover, profits, assets, employment, investment, or any other performance measure. They may enjoy sudden wealth with a high standard of living, a good education and healthcare system or assume a substantial share of the private sector through holding key positions across various private industries with their risk diversified across many sectors such as real estate, banking, construction, retail, manufacturing, and transport. With the patriarch or second-generation still in power, who are religious in nature, they enjoy a highly politically stable environment with very low taxes and a relatively cheap expatriate workforce available. However, they face both internal and external challenges in relation to regional economies, cultural changes, changing laws and regulations, financial and legal structuring, succession planning, values and belief systems, social position, risk appetite, and family relations.

It is reasonable to assume that the sustainability of such businesses would contribute to the sustainability of the economies in which they function. Adopting governance codes and sustainability practices are portrayed by many as means to enhance the resilience of these family firms (Oudah, Jabeen and Dixon, 2018). This is not unreasonable and many supports the same view. However, the challenge with best practice is that it disregards the context and the particularities of geography, economy, politics, culture, and many other variables that are specific to the environment that hosts the family and the business, hence limiting applicability and effectiveness. There have been and continue to be efforts to address the many variables and their effects on family business sustainability, such as the iconic work of Ward (1997) on the Sustainable Family
Business (SFB) Model. The model considers both the family and the business and their interaction for the sustainability of the family business in times of stability and of change. However, these studies and models do not promise comparability nor interoperability of best practices across different contexts, not even across businesses within the same context, which is perfectly understandable. The variables are many and differ considerably across contexts. Understanding the effect of context on the sustainability of family businesses could enable a more comprehensive view of the influencing variables. It could better guide families in their business ambitions in the economies in which they function and in the ones they potentially wish to explore. Therefore, it is important to enable comparability across contexts. This could also help policy makers to improve policies and regulations so as to satisfy their agendas regarding sustaining family businesses. Current literature needs further development to arrive at such an objective. This is where the field of international business (IB) and more specifically business systems (BS) becomes interesting. The context of interest in this research thesis is Dubai, recognising that Emirati family businesses are an important element in its economy, and that their survival is crucial. Given the gap in the literature pertaining to the external challenges to family business sustainability in Dubai, understanding Emirati family businesses and governance challenges in this context is a subject worthy of research.
Chapter 3. Literature review – Dubai’s business system

Context as defined by John (2006) “as situational opportunities and constraints that affect the occurrence and meaning of organisational behaviour as well as functional relationships between variables”. And according to Cappelli and Sherer (1991, p.56) context is “the surroundings associated with phenomena which help to illuminate that [sic] phenomena, typically factors associated with units of analysis above those expressly under investigation”. Hence, context has the potential of being translated to a group of factors leading to more interpretable patterns and potentially more interesting ones than independent variables (Rousseau and Fried, 2011). Context can extend all the way to the physical working environment and space design influencing productivity and company performance (Ayoko, Ashkanasy & Jehn, 2014). The scope of this study though is in relation to the business environment and more specifically business systems. Business Systems represent a growing sub-field of international business studies, focusing predominantly on enhancing the researcher’s ability to compare contexts in the social sciences sphere. As a field of research, Business Systems Theory (BST) ‘draws on institutionalism and organizational theory, to argue that the interactions between humans, firms, and the institutional characteristics of a certain context shape human capabilities, rationales, firm strategies, and competencies’ (Rana and Allen, 2018, p.2). BST can potentially provide a deeper understanding of family businesses and their governance and sustainability. It could perhaps help in explaining why and how some family businesses thrive in certain institutional contexts and not in others; how and why the operations and behaviour of family businesses differ between countries and even between cities within a country; and how family business capabilities vary due to differences in formal institutional conditions, culture, history,
geography, and belief systems (Rana and Allen, 2018). There have been and continue to be efforts to address the many variables that impact family business sustainability and its effects. For example, the work of Stafford et al. (1999) on the Sustainable Family Business (SFB) Model addresses both the family and the business and their interaction for the sustainability of the family business in times of stability and of change. However, these studies and models promise neither comparability nor interoperability of best practices across different contexts, not even across businesses within the same context.

In order to progress towards a better understanding of the interoperability of family business sustainability and governance practices within and across different contexts, it is important to recognise that family businesses are basically a form of economic organisation. How and why forms of economic organisation diverge, and the factors involved in different contexts are questions that are not addressed by such models. Therefore, in order to explore how family businesses vary within or between different contexts, requires an understanding of the relevant contexts and their comparability. However, the variables concerned are many and differ considerably across contexts. This is where the field of international business (IB) and more specifically Business Systems (BS) becomes of interest. This literature review chapter considers Business Systems in general, covering a number of popular models, and establishing an understanding of the most common categorisations and the main variables in those models. The chapter also touches on GCC and UAE business systems, and focuses on the Dubai business system from the perspective of Emirati family businesses.
3.1 Business systems

In the last two centuries, distinctive forms of capitalism have emerged and continue to evolve distinctive systems of economic organisation. The differences are clear in the prevailing patterns of ownership and control of major companies, the extent of their vertical and horizontal integration within and across economic sectors, the coordination, and control of inter-firm relationships, and levels of intra-organisational integration and commitment (Whitley, 1992, 1999). These differences reflect major variations in: (a) the organisation and policies of the state during industrialisation in each country; (b) the nature of the financial system; and (c) the institutions governing labour markets and authority and trust relationships. For example, the economies of post-war Japan, South Korea, and Taiwan differ considerably from each other and all the more so from the USA and UK (Orru et al., 1997; Wade, 1990; Whitley, 1992a).

For as long as the international economy is not integrated, societies with different institutional arrangements will continue to evolve different systems of economic organisation with varying economic and social capabilities, and unique ways of structuring economic activities to serve their specific strategies. This also involves the ‘rules of the game’ according to which individuals and organisations make ‘rational’ decisions about investments and compete. Since quite diverse forms of economic coordination exist, it is crucial to understand the processes behind such divergence, including how different forms of industrialisation have evolved different institutional contexts and led to contrasting institutional arrangements governing economic processes. This in turn has resulted in practices and structures of state agencies, financial organisation, and labour markets diverging and evolving distinctively (Hollingsworth, 1997; Hollingsworth and Streeck, 1994; Kristensen, 1997; Sorge,
Combining the social, legal, cultural, and economic variables of a nation is essential in understanding international context (Cheng, 1994, p. 165).

A considerable amount of research has emerged in the last three decades to enhance our understanding of business systems, much of which is inspired by the work of Hall and Soskice’s (2001) Varieties of Capitalism (VOC) and Whitley’s (1999) Divergent Capitalism’s National Business Systems (NBS), which have mainly focused on OECD countries (Witt et al., 2018). The more recent Varieties of Institutional Systems (VIS) by Fainshmidt et al. (2016) has focused on Asian, Eastern European, African, Middle Eastern, and Latin American countries. A good number of researchers have covered different geographies such as Africa (e.g. Amaeshi and Amao, 2009; Fainshmidt et al., 2018; Witt et al., 2018; Wood and Frynas, 2006), Asia (e.g. Boyer et al., 2012; Fainshmidt et al., 2018; Kalinowski, 2013; Kim, 2010; Witt and Redding, 2013; Witt et al., 2018; Zhang and Whitley, 2013), Eastern Europe (e.g. Bohle and Greskovits, 2012; Fainshmidt et al., 2018; Nolke and Vliegenthart, 2009; Witt et al., 2018), South America (e.g. Fainshmidt et al., 2018; Musacchio and Lazzarini, 2014; Schneider, 2009, 2013; Witt et al., 2018), and the Middle East (Fainshmidt et al., 2018; Witt et al., 2018). The VOC typology distinguishes some advanced economies based on the allocative mechanism of resources, profits, and risk. The NBS typology focuses on ‘distinctive ways of structuring economic activities with different kinds of actors following contrasting priorities and logics’ (Whitley, 1998, p. 449) and encompasses institutions pertaining to the state, financial markets, human capital, and social capital. While both typologies have paved the way and proven useful in explaining the nature and consequences of systemic variation, especially in developed economies (e.g., Hotho, 2014; Schneider and Paunescu, 2012; Witt and Redding, 2013), they are often
Rana and Morgan (2019) have performed a review of ninety-six articles in the NBS literature. They have identified four main themes of Business Systems research: 1- comparative business systems; 2- internationalisation and organisation in multinational corporations; 3- the role of internationalisation in the development of organisational capabilities and innovation: and 4- the emergence of transnational communities in and across firms and societies. This has enhanced our understanding of institutional structures in different geographies. However, we are still distant from a consolidated overview of the overall landscape of business systems in the world economy to achieve a solid foundation for theorising about them and understanding the implications of their varieties for economic and political outcomes such as wealth generation and distribution or comparative advantages (Witt et al., 2018).


The work on business systems was primarily introduced by the British sociologist Richard Whitley (1992a). In the fields of management studies, sociology, and economics, the concept of business systems is one of many recent manifestations which focuses on the idea that corporate governance, economic organisation and markets hold strong national features and that different national institutions in combination with past incidents help explain the systematic nature of business systems. As Whitley (1999, p.15) explains, the aim of business systems models is to provide ‘...a framework for comparing and contrasting the different ways of organizing economic activities which have become established in different institutional contexts and to suggest how some
key characteristics are interrelated in particular kinds of business systems’. Whitley developed this comparative framework by examining several case studies. In one study, Whitley (1992a) demonstrates how some East Asian countries manifested different configurations of firm and market formations and how they have been developed over the years and finally shaped by the pre-industrial institutions emerging from these societies. Whitley (1992, p.10) explained business systems as:

…particular arrangements of hierarchy-market relations which become institutionalized and relatively successful in particular contexts. They combine preferences for particular kinds of activities and skills to be coordinated authoritatively with variations in the degree of discretion exercised by managers from property rights holders and in the ways in which activities are coordinated. They also exhibit differences in extent and manner in which activities are coordinated between economic actors. Thus, the nature of firms as quasi-autonomous economic actors, their internal structures and their interdependencies are all interrelated and differ significantly between institutional contexts.

Business systems can be characterised by the following features:

1. Separation or the degree of separation between control and ownership. In other words, corporate governance.

2. The many ways of coordinating and organising transactions which are different in different settings across different systems combined with market organised transactions and hierarchical structures.

3. Distinct skills and specialisation and the preference of some specific skills and activities.

4. The principles that organise firms’ practices and resources through their influence on authority and organisational structures.

Furthermore, it is critical to note that business systems are deeply rooted in an institutional context that is particular to different nations and regions. With this in mind, Whitley (1994) introduced a comparison between trust, norms, and culture which he
tagged ‘background institutions’ and the state which he tagged as ‘proximate institutions’. Institutional embeddedness is the main driver behind business systems’ diversity. The interaction between the business system and the institutional context of its national host is a co-evolutionary process that is strongly path dependent, driven by ‘... the mutually reinforcing nature of many business systems’. The business system typology is mainly concerned with ‘distinctive ways of structuring economic activities with different kinds of actors following contrasting priorities and logics’ (Whitley, 1998, p.449) while encompassing institutions like financial markets, human and social capital, and the state. Although NBS typology has been pertinent to developing economies (HoTho, 2014; Schneider and Paunescu, 2012; Witt and Redding, 2013), it is not necessarily appropriate to the global range of financial frameworks where various types of state and family enterprises have emerged (Lane, 2008; Musacchio, Lazzarini and Aguilera, 2015; Tsui-Auch and Lee, 2003). Researchers are now taking keen interest in finance in Africa, the Middle East, and Latin America. Fainshmidt et al. (2016, p.313) state that ‘although our understanding of emerging and developing countries is growing, archival data tends to be incomplete, unreliable, or simply unavailable to analyze a vast array of countries’.

3.1.2 Varieties of Institutional Systems (VIS)

In Varieties of institutional systems: A contextual taxonomy of understudied countries Fainshmidt et al. (2016) introduced a newer theoretical framework to capture the diverse and unique institutional contexts of understudied economies in Africa, the Middle East, Eastern Europe, Latin America, and Asia. The framework encompasses the state, financial markets, human and social capital, and corporate governance institutions operating in these regions. Using qualitative data from experts to compile
the institutional profiles of 68 economies, the researchers identified seven types of institutional system. They sought to offer a more detailed and up-to-date and systematic classification of national institutional contexts as opposed to NBS, and named it ‘Varieties of Institutional Systems (VIS)’. To properly understand an institutional context, it is important to combine a nation's cultural, social, legal, and economic variables (Cheng, 1994). Furthermore, while considering there are several differences in nations (Walker, Brewster and Wodd 2014), the researchers have created a system for understanding cross-national differences for those organizations embedded in diverse types of institutional systems (Li, Cui and Lu, 2014; Martin, 2014; Whitley, 1998). Older typologies can become outdated as the institutional profile of nation-states shifts over time (Hall and Gingerich, 2009; Hotho, 2014). Table 3-1 shows how Whitley’s business systems comprise four main dimensions: the role of the state; the presence of informal norms pertaining to social capital; the nature of the education system and labour market; and the type of financial market (Whitley, 1999). He identified six different types of national business system (see Table 1 in Whitley, 2000). For example, high direct control and low cooperation among firms are characteristic of fragmented business systems where trust is low and financial capital is scarce (Whitley, 1999). As a result, firms are usually smaller and opportunistic (Whitley, 1994). Some researchers argue that Whitley does not provide a complete representation of the global economy, which raises concerns about whether the business systems identified comprehensively capture patterns of economic organisation throughout the world, particularly as he never provides a systematic empirical test of his typology (Hotho, 2014). It is also argued that the NBS typology fails to distinguish between various types
of state capitalism, where the state may not necessarily organise labour but might still
direct resource allocation decisions (Frye and Shleifer, 1996; Musacchio et al., 2015).

Table 3-1. A comparison of NBS and VIS (Adapted from Fainshmidt et al. (2016, p.309)).

<table>
<thead>
<tr>
<th>Institutional Dimension</th>
<th>NBS</th>
<th>VIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role of the state</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct state dominance</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Indirect intervention in private sector</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Type of state</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Role of financial markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity market</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Credit market</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Family wealth</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>State-provided capital</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Role of human capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coordination with labour</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Knowledge capital</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Role of social capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generalised trust</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Role of corporate governance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ownership concentration</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Family ownership</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Family intervention in management</td>
<td>NO</td>
<td>YES</td>
</tr>
</tbody>
</table>

The VIS framework is an integration and an extension to business system typology with
a particular focus on the role of the state and powerful families. Fainshmidt et al. (2016)
included five institutional dimensions:

3.1.2.1 The role of the state
This refers to the government of the country and more specifically the executive branch.
States commonly influence their economies by: the extent of involvement in creation
of economic activity with major or minor initiatives; the level of intervention in
provisioning of capital, nepotism, and/or participation in governance of the business;
the overall posture regarding economic life. Carney and Witt (2012) and Whitley
(2003) have described four types of states:
a. Developmental states: concerned with long-term national interests and engaged in the development of the economy.

b. Welfare states: concerned with the ‘protection and promotion of the economic and social well-being of its citizens, primarily through the redistribution of wealth by the state’ (Carney and Witt, 2012, p.10). The key features of this sort of state are collaborative and coordinated political relations and employment stability (Esping-Anderson, 2004).

c. Regulatory states: concerned with the enforcement of the rules of the game. This type of state does not usually participate in economic activities (Rosecrance, 1996).

d. Predatory states: these governments are controlled by the ‘elites who monopolize power through the use of opaque decision-making procedures, weak institutions, and a lack of market competition’ (Carney and Witt, 2012, p.11).

3.1.2.2 The role of the financial markets

Financial markets are the main part of the economy where capital is developed and circulated (Davis and Marquis, 2005). However, in many instances, the state is the provider of capital, especially in cases where states are owners of financial institutions and factors of production (Lazzarini, Musacchio, Bandeirade-Mello and Marcon, 2015). In some instances, the state and powerful families assume the role of capital-provider. They substitute for financial markets and can impede their development (Schneider, 2009).

3.1.2.3 The role of human capital

In a national context, it is important to understand the level of knowledge capital and how organisations engage with employees. For example, a lack of human or knowledge capital can hamper investments in particular sectors (Schneider, 2013). The relationship with labour is key to understanding how human capital is used and discerning whether
or not businesses have included their labour force in their strategic endeavours (Hall and Soskice, 2001). Witt and Redding (2013) include coordination with labour as an important aspect of human capital.

### 3.1.2.4 The role of social capital

This refers to the level of trust amongst members of society and in society at large (Inglehart, 1999; Putnam, 1993), the extent to which economic actors trust each other and institutions. It is an organising principle underpinning the behaviour of and coordination among firms (McEvily, Perrone and Zaheer, 2003). When there is a lack of trust, there is an over-reliance on informal networks (Kong, 2015; Wood and Frynas, 2006). In countries where there is a high level of corruption, low levels of trust emerge (Kong, 2015). Countries that foster economic equality tend to have a high level of trust, irrespective of the overall level of economic development (Uslaner, 2008).

### 3.1.2.5 The role of corporate governance

This refers to how companies are controlled and managed. It encompasses three elements:

a. Ownership structure: this shapes how management, owners, and labour interact (Aguilera and Jackson, 2003). For example, in countries where there are weak institutions and financial markets, ownership is highly concentrated (Khanna and Palepu, 1997; La Porta, Lopez-de-Silanes, Shleifer and Vishny, 2000).

b. Family dominance: this is extremely important in the Middle East where a handful of families control a large part of the corporate sector. In some cases, formal institutions may have clan-based systems. Gómez-Mejía et al., (2007, p.106) observe that ‘owners of family firms are concerned not only with financial returns but also with... non-financial aspects of the firm that meet the family's affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty.’
c. Extended families: these play a unifying role to overcome institutional voids according to Steier, Chua, and Chrisman (2009). Professional management is not the primary choice for founding families as they prefer to participate in the businesses directly (Peng and Jiang, 2010). Most importantly Fainshmidt et al (2016, p.7) note that ‘management is often related to the holding family, and in fact, the state is sometimes an extension of dominant families as is the case in some Middle Eastern countries’ according to the expert panel of their study.

Fainshmidt et al. (2016) in their article distinguished separate variables for each of the four-state types mentioned above. The output comprising a matrix for sixty-eight economies and thirteen institutional qualities are depicted in the following seven configurations:

- Configuration 1 - State-Led: the state participates actively in economic affairs which with political networks shaping a system that helps in coordination of economic activity.

- Configuration 2 – Fragmented with Fragile State: this is distinguished from configuration 1 by a relatively weak federal government. Corporates under this configuration are organised in silos mainly by using internal accumulated wealth and without coordination with the labour force.

- Configuration 3 – Family Led: as the name suggests, this configuration consists of wealthy and powerful families. They are the central agents of economic activity and coordination and play an extremely critical role in the ownership, resource allocation, and management of the economy.

- Configuration 4 – Centralised Tribe: this comprises six relatively wealthy Middle Eastern economies (Bahrain, Iran, Kuwait, Qatar, Saudi Arabia, and the
UAE). There are some differentiating factors in these economies, such as their welfare nature, the predominance of the ‘Wasta’ social organisation principle, and the overarching tribal structure whereby powerful families tend to guard key resources in a paternalistic manner and provide a safety net to lower levels of society. ‘The family is the state’ in these economies, and hence the vagueness of boundaries. The key factor that is most prominently visible is that none of the NBS or VOC types resemble this configuration mainly because none of this research was conducted in this region (Fainshmidt et al., 2016).

- **Configuration 5 – Emergent liberal market economies**: this configuration is of economies that are increasingly market oriented. The state though still plays a role in setting the regulatory environment and occasionally participate in the economy.

- **Configuration 6 – Collaborative Agglomerations**: under this configuration, banks are the main source of capital while the state enacts policies that encourage growth and investment in industrial sectors. Hence, they are generally referred to as developmental economies. Ownership is not highly concentrated. However, coordination with the labour force is essential.

- **Configuration 7 – Hierarchically Coordinated**: the state assumes an active role in this configuration yet with a low level of trust and families are instrumental in corporate governance

### 3.1.3 A Taxonomy by Witt et al. (2018)

Another recent paper that has also covered the Middle East and the UAE is the article by Witt et al. (2018), focused on analysing the institutional structures of 61 major
countries. It builds on Whitley’s (1999) work on NBS, and presents a ‘geographically encompassing taxonomy of the world’s business systems’, which identifies nine types/configurations of business systems:

A. **Coordinated Economies**

The only difference between this cluster and the liberal economies cluster is the presence of Japan. Otherwise, both the clusters, as presented by Hall and Soskice (2001), are identical. A common example used for this cluster is Germany. The characteristics are as follows:

a) Bank-led financial systems and internally generated funds  
b) Bank controlled firms and business entities  
c) High industrial policy  
d) Employment is long term and based on relationships  
e) High level of protection for employees  
f) Incremental innovation mostly in manufacturing  
g) State role dominant in terms of ensuring public rights  
h) Education skills are vocational and industry specific  
i) Strong industrial unions  
j) Market principles are based on negotiation  
k) High level of rule of law  
l) Large state ownership  
m) High state effectiveness  
n) Important role of families

3.1.3.1 **Liberal Economies**

This cluster was introduced in the VOC model and the key characteristics are:

a) A financial system based on markets  
b) Focus on equities as opposed to debt  
c) High voice and accountability
d) Deregulated labour market

e) Employee tenure is short, and compensation is based on stock

f) Weak unions and no social democracy

g) Emphasis on general education

h) State’s role limited in terms of ensuring public rights

i) Low firm relations across sectors

j) Radical innovation in technology

k) Education in general skills

l) Average to low role of families

### 3.1.3.2 Highly Coordinated Economies

This cluster is named after the original research by Whitley (1999), who singled out Japan as a cluster by itself as an example of a highly coordinated economy. The following are the characteristics:

a) High state coordination

b) Bank-led financial system based on credit

c) Moderate to high level of emphasis on education

d) Union strength low to medium in specific industries

e) Moderate trust in institutions

f) Allied hierarchy as the dominant firm structure

g) Strong family ownership

h) Highly skilled in vocational training and manufacturing products

i) Employment tenure high

j) Medium to high education

k) Medium to high government effectiveness

l) Top down state governance

### 3.1.3.3 European Peripheral Economies

The European peripheral economies cluster comprises two sub-clusters of central European economies and southern European economies. Some of the common features of this cluster include:
a) A financial system led by the banks  
b) Important role of families  
c) Few state owned firms  
d) Medium to high rule of law  
e) Top-down political governance  
f) High government effectiveness  
g) High level of investor protection  
h) Top-down decision making within firms and moderate delegation in decision making  
i) Industrial unions  
j) High level of education  
k) More than 10 years of average employment tenure

3.1.3.4 Advanced Emerging Economies  
With an average to high level of per capita GDP, this cluster reflects a heterogeneous group of emerging economies. The features of this cluster include:

a) Bank-led financial systems  
b) Market criteria in terms of allocation of funds  
c) Top-down decision making inside firms  
d) Top-down state governance  
e) Average level of institutionalised trust  
f) Average state effectiveness  
g) Above average developmental state policies  
h) Strong role of family ownership  
i) Strong investor protection  
j) Decent education  
k) Medium level of employment tenure

3.1.3.5 Advanced Cities Economies  
The advanced cities economies comprise Hong Kong and Singapore. These are both trade-related hub economies with ample economic freedom to attract foreign
investment, and they have a high level of per capita GDP. Common features of this cluster include:

a) Bank-led financial system  
b) High level of inward FDI  
c) Funds allocated on market criteria  
d) Top-down decision making within firms with restricted delegation  
e) Promotion in employment based on performance and relationships  
f) Strong family ownership  
g) High investor protection  
h) Top-down state ownership  
i) High government effectiveness  
j) Good general education  
k) Employment tenure is short term  
l) Private skill acquisition  
m) Industrial unions

3.1.3.6 Arab Oil-Based Economies
Kuwait, UAE, Qatar, and Saudi Arabia form this cluster. The main feature is the dominance of oil production and export. The major challenge for this cluster is what is called the ‘attendant resource curse’ and efforts to diversify to other industries. The main characteristics of this cluster are:

a) Bank-led financial systems  
b) Low stock of FDI and market-based allocation of funds  
c) Top-down decision making within firms with limited delegation  
d) Employee promotions based on relationships and performance  
e) Important role of families in the economy and state ownership  
f) Below-average/average investment protection  
g) Above average rule of law  
h) State posture a combination of predatory, developmental, and welfare
i) Top-down decision making with poor accountability
j) Average government effectiveness in the case of Kuwait and Saudi and good government effectiveness otherwise
k) Weak but improving education
l) Employment tenures short term
m) Weak labour and industrial unions

3.1.3.7 Emerging economies
The largest of the nine clusters, this cluster contains geographically heterogeneous economies with low levels of GDP. Russia is the only country within the cluster that is considered an outlier, based on its dependency on oil in terms of the overall revenue. There are some sub-clusters within this cluster based on their geographical proximity. However, overall, there is a significant level of consistency. The main features of this cluster are as follows:

a) Bank-led financial system based on state guidance and relationships
b) Top-down decision making inside firms
c) Low levels of delegation
d) Employment promotion based on relationships
e) Family and state ownership
f) Low levels of investor protection
g) With the exception of Malaysia, there is weak rule of law
h) Predatory to developmental state policies
i) Top-down state decision making
j) Apart from Malaysia, low levels of state effectiveness
k) Weak education
l) Short term job tenure
m) Private skills acquisition
n) Suppressed unions
3.1.3.8 Socialist Economies
The last cluster, comprising Cuba and Venezuela, represents socialist economies. The structural features are as follows:

a) Bank-led financial systems
b) Low inward FDI and state allocation of funds
c) Top-down decision making within firms
d) Low delegation inside firms
e) Employment promotion is based on the level of seniority
f) State ownership and control of firms
g) Weak investor protection
h) Weak rule of law
i) Predatory state
j) Top down state decision making
k) Poor state effectiveness
l) Weak education
m) Weak industrial unions

Both the works of Witt et al. (2018) and Fainshmidt et al. (2016) and many others demonstrate the need to go beyond the VOC and NBS frameworks. There is a need to identify sub-types of larger clusters to enhance practical use. It is also apparent that institutional diversity may increase with development levels.

3.2 Family businesses and business systems
As addressed in previous chapters, the research field of family businesses is significant, recognising that family businesses have been a distinguishing factor in many economies. They have featured in the vast majority of key business systems studies (Fainshmidt et al., 2016; Whitley, 1999; Witt et al., 2018), and in the work of Witt et al. (2018), they are a key differentiator in the identified configurations. In the Advanced
City Economies and Arab Oil-Based Economies, family businesses are the core of those countries’ business systems. In Fainshmidt et al.’s (2016) work, the same importance of family businesses applies. In two economic configurations ‘Family-Led’ and ‘Centralized Tribes’, there is a focus on family businesses. In one, wealthy and dominant families take centre stage in ownership, resource allocation, and management, and in the other, ‘the family is the state’.

The roles of family wealth and state-provided capital need to be considered if we are to have a more complete picture of the national institutional context, especially in developing economies (Fainshmidt et al., 2016). Moreover, the importance of the dominant wealthy families in most parts of the world extends to the sphere of corporate governance as well. Family ownership of large corporations is a defining characteristic of many economies in the Middle East, Latin America, Northern Africa, and to some extent Asia, according to Fogel (2006, p.603). Management is often related to the holding family, and in fact, the state is sometimes an extension of dominant families, as in some Middle Eastern countries (Fainshmidt et al., 2016). However, understanding family businesses’ behaviour across contexts is still limited (Samara, 2020). Addressing family business’ sustainability and governance using the lens of business system theory (BST) could be complementary to the field of family businesses research. Rana and Allen (2018) focus on entrepreneurship, utilizing BST as a tool to address how institutional characteristics, including social networks, influence entrepreneurship development in different societies. The same could arguably apply to family business studies.
Following Rana (2014, 2015), we can also apply BST, as it draws on organisational theory and institutionalism, ‘to argue that the interactions between humans, firms, and the institutional characteristics of a certain context shape human capabilities, rationales, firm strategies, and competencies’ (Rana and Allen, 2018, p.2). BST could help in providing new answers to many common questions in family business studies. It can perhaps answer why and how family businesses flourish in certain institutional contexts and not in others. It could also help in identifying the decision-making process and risk-taking characteristics of family businesses across different contexts, shedding light on why capabilities differ according to history, culture, ethnic background, and formal institutional conditions.

The core dimensions of BST are: 1- institutional conditions (such as culture, norms, and regulations) shape strategies, structures, and firms’ entrepreneurial dynamics; 2- firms or groups of firms (inclusive of family firms) shape institutional power through their strategies and power; 3- firms and family firms are imbedded in institutional systems across national, regional, global and sectoral levels; 4- the continuous interaction between firms and institutional features (Rana and Allen, 2018). BST could help in showing how over time the interaction between family businesses and institutions could give rise to a particular system of doing business. Essentially, there is a systematic logic that helps determine family business behaviour. As Whitley (1992, 1999) highlighted, all business systems have systems of institutions that, as they interact with different forms of firms (inclusive of family business), will impact the nature of those firms, the dynamics of the management, and the networks of firms and institutions. Ownership and governance are the key influencers of the characteristics of a firm. A key advantage of BST is its ability to provide a more holistic and systematic
framework for comparative research across countries and regions (Allen, 2013; Allen and Whitley, 2012; Witt and Redding, 2013; Witt and Jackson, 2016). The causal and logical explanations that derive from the business systems perspective consider both endogenous and exogenous factors (Whitley, 2007). BST incorporates phenomena, processes, and change from a wider and deeper perspective. An advantage of BST is that it is not necessarily methodologically ‘nationalist’. It concentrates on how firms are shaped by national institutions, while recognizing that there may be regional differences within a nation related to administrative, historical, ethnic and cultural differences. It supports deep case studies of family businesses at the firm, region, and national levels with a longitudinal focus on change and process. The view that actors, including family businesses or firms, and institutions mutually constitute one another means that any comprehensive analysis should incorporate how institutions shape family business’ identities and interests and the effects on the behaviour of their owners (Rana and Allen, 2018).

For example, relationships between family businesses within an industry or across different ones is influenced by the structure of the market and the nature of societal institutions. Firms within some societies have cost and price as the overarching concern characterising their relationship. In other business systems, higher value creation (through specialisation in products or processes), is the driver behind mutual dependency (Whitley, 1999). These business systems also assist in explaining how family businesses operate and grow. There are key variables such as management styles, governance, and networks that influence such growth. An example is the delegation of authority and decentralisation of power to help the diversification of firms.
into new industries and location. Family businesses and business systems characteristics can therefore be explained by institutional dimensions.

In most research papers and models on family businesses, such as the Family Businesses Sustainability Model (Stanford et al., 1999), the subject is addressed from the inside out. They reflect on the reactions of the family and/or the business to internal and external variables and accordingly assess their sustainability. Business systems theory, on the other hand, considers the context in which businesses perform to establish grounds for comparability. Models such as Stanford’s (1999) can characterise a family business’s sustainability and Whitley’s (1999) NBS or Fainshmidt et al.’s (2016) VIS can more comprehensively capture institutional context and facilitate comparability. In combination they could arguably provide a more accurate account of the variables influencing the sustainability of family businesses.

### 3.3 The UAE business system

The United Arab Emirates (UAE) is a rich country mainly due to its relatively small population and sizable oil reservoir. It shares a distinguished socioeconomic feature with the rest of the Gulf countries in that State and family-owned businesses assume a significant role in its economy. The UAE depends heavily on expatriate labour. It has invested substantially in infrastructure projects to position itself as a regional trade and logistics hub. According to Banco Espirito Santo’s (2012) research, 75 percent of UAE bank assets are controlled directly by state or families-owned entities, and they own 65 percent of the country’s deposits. The UAE’s business system has been addressed by a limited number of research papers. It was categorised by Witt et al. (2018) as an ‘Arab Oil Based Economy’, similar to Kuwait, Qatar, and Saudi Arabia and characterized as
being oil export dependent; with bank-led financial system; having a low stock of FDI and a market based allocation of funds; having top down decision making within firms with limited delegation; having employee promotions based on relationships and performance; families having an important role in the economy and state ownership; having below average to average investment protection and above average rule of law; the state posture being a combination of predatory, developmental and welfare; having top down decision making with poor accountability; having good government and weak but improving education; having short term employment tenures; and weak labour and industrial unions.

Table 3-2. Results of 13 institutional elements pertaining to the UAE.

<table>
<thead>
<tr>
<th>#</th>
<th>Country</th>
<th>United Arab Emirates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The State</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>State Dominance</td>
<td>Yes</td>
</tr>
<tr>
<td>2</td>
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</tr>
<tr>
<td>3</td>
<td>Type of State</td>
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<td></td>
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<tr>
<td>4</td>
<td>Coordination with labour</td>
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</tr>
<tr>
<td>5</td>
<td>Knowledge capital</td>
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<tr>
<td></td>
<td>Generalised Trust</td>
<td></td>
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<tr>
<td>6</td>
<td>Generalised trust</td>
<td>Low</td>
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<tr>
<td></td>
<td>Corporate Governance</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Ownership concentration</td>
<td>Yes</td>
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<tr>
<td>8</td>
<td>Family ownership</td>
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</tr>
<tr>
<td>9</td>
<td>Family intervention in</td>
<td>High</td>
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<td>11</td>
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<tr>
<td>12</td>
<td>Family wealth</td>
<td>Yes</td>
</tr>
<tr>
<td>13</td>
<td>State provided capital</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Fainshmidt et al. (2016) categorised the UAE as a ‘Centralized Tribe’ along with Bahrain, Iran, Kuwait, Qatar, and Saudi Arabia. As highlighted earlier, a key feature of most economies in this configuration is their emphasis on public welfare. They adhere to the ‘Wasta’ social organising principle, where powerful families in these societies are guardians of key resources but are also expected to provide a safety net for the lower
levels of society. This is a very paternalistic institutional system where ‘the family is the state’. Many of these societies are still quite tribal in nature and tend to take care of their own within the extended clan. Table 3-2 reflects their findings regarding the characteristics of the UAE:

Interestingly, Youssef and Moustafa’s (2015) paper touched on the UAE business system but from the perspective of management control systems (MCS). Using a questionnaire, they surveyed a sample of 1300 professional accounting officials in the UAE and analysed 216 replies. In their analysis, they identified the following variables based on Whitley’s (1999) model:

- Trust in formal rules and procedures
- Authority relations
- Businesses’ dependence on the state
- Strength of formal regulations
- Strength of public training systems
- Strength of labour unions

They found that, contrary to expectations, such as the ones reflected in the results of Fainshmidt et al. (2016), the UAE has a high level of trust in formal institutions. This suggests that the UAE is mimicking Western environments in using formal procedures to deal with business partners. Surprisingly, they also found that paternalist authority relations are weak, contrary to many studies (Witt et al., 2018; Fainshmidt et al., 2016). Apparently, despite the UAE being part of the GCC and the general Arab region that is characterised by a wide power distance, business relations seem to imitate Western and Japanese societies in leaving the details of task performance to the discretion of individuals. This could be attributable to the multicultural environment within UAE
organisations. Amongst their findings, they discovered that the public training system is weak. Despite Emiratisation and substantial investments in the education system, most businesses attract external labour which is cheaper and more qualified. In line with other studies, they found that there is a high business dependence on the state, which is clearly apparent in the UAE government’s extensive involvement in directing investments, and there are strong formal regulations, which is reflected in the non-existence of labour unions. Based on these findings, the authors advocated classifying the UAE as a ‘dominant developmental state’ as described by Whitley (2003).

### 3.4 Dubai’s business system

Dubai is a state/emirate in the United Arab Emirates (Bristol-Rhys, 2009). UAE adopts a federal governance approach where each of the seven emirates (Abu Dhabi, Dubai, Sharjah, Ras Al Khaimah, Ajman, Umm al-Quwain, and Fujairah) are governed autonomously by their respective rulers (Festing and Haak-Saheem, 2018). It has grown rapidly in the last five decades both economically and in terms of population (Abdella, 2014; Heard-Bey, 2013; Obay, 2009). Its rapid economic growth, and pro-business and multicultural policies have attracted many entrepreneurs and workers looking for a decent living and future. Although they are multicultural, Emirati families share family, cultural, and belief systems with the wider Middle-Eastern region, which has distinctive traits. Emirati family businesses are estimated to account for 50% or more of commercial activities in Dubai (excluding free zones) (Rettab, Abu Fakhr and Morada, 2005). Some might argue that Dubai should mimic the UAE’s business system as described by Witt et al. (2018), Fainshmidt et al. (2016), or Youssef and Moustafa (2015). However, many argue that the development approach that Dubai has adopted
is materially different from neighbouring states in the UAE and plays a unique role in the Middle East (Hvidt, 2007). As Hvidt (2009) states ‘Dubai must be considered a “deviant case” from a methodological point of view’. BST recognises the possibility of regional differences within a nation/country due to cultural differences, historical or administrative developments (Rana and Allen, 2018). Even when looking at research into the UAE’s business system, different studies had different conclusions. So, what is Dubai’s business system?

At the time of this literature review, very few studies touched on Dubai’s business system. Although Dubai’s authorities are enhancing their reporting and sharing of data, there is still a need for more reporting on economic, social, and political issues. Hvidt’s (2009) paper touched on a number of aspects pertaining Dubai’s development and evolution. He classified Dubai as a ‘developmental state’, characterised by government intervention focusing on institutional and political bases. In his view, Dubai has a strong developmental vision and uses its resources to meet its development agenda with a high level of intervention in the economy. He also claims that Dubai is neo-patrimonialist: ‘the regime is organised around the ruler as an individual, maintaining other members of the elite in a relationship of personal dependence on his grace and good favour’ (Hvidt, 2009, p.400). Contrary to the rest of the GCC, Dubai is not considered part of the ‘rentier pact’ where politicians/rulers’ popularity is raised by distributing oil returns to important families and loyal supporters through free land, subsiding utilities, healthcare, housing, and education, and highly paid governmental jobs (Hvidt, 2009). It is seen as a state that has invested oil money in developing infrastructure, roads, airports, ports, free zones, and other economic tools while keeping taxes low to strengthen its economic advantage. Hvidt (2009a) adds that Dubai, like Singapore and
Hong Kong, is a small city–state and entrepot. These three city-states have followed a similar and special development path and share many characteristics. In that sense, Dubai should be categorised as an Advanced City Economy (Witt et al., 2018) vis-a-vis the UAE which is grouped as an Arab Oil-Based Economy. Hvidt (2009) identified nine key parameters of Dubai’s development path:

- Government-led development (ruler-led)
- Fast decision making and ‘fast track’ development
- Flexible labour force
- Creation of a service economy and bypassing industrialisation
- Internationalisation of service provision
- Creation of investment opportunities
- Supply-generated demand (‘first mover’)
- Market positioning via branding
- Development in cooperation with international partners

A recent study by Haak-Saheem and Festing (2018) *Human Resource Management in Dubai-A National Business System Perspective* addressed HRM in Dubai from an NBS lens. The authors relied on Whitley’s (1994) model and considered three key characteristics of BST in the context of Dubai, but particularly with an HRM focus. The three characteristics are:

1- Centralisation, co-ordination, and control systems: this focuses on which resources and activities are usually controlled and coordinated. They claim that Dubai’s government assumes an authoritarian role; it has a strong developmental agenda, an efficient state apparatus, actively intervenes in the market, and has a pragmatic approach to social and economic development (Hvidt, 2009).

2- Segmentation and specialisation of tasks, roles, skills, and authority matters, with a focus on the division of labour responsibility between individuals.
Dubai’s population and its workforce are dominated by expatriates. It is estimated that Emiratis represent less than fifteen percent of the workforce. From a developmental perspective, the large proportion of expatriates is favourable in terms of human capital, in that whilst other countries struggle to educate, qualify or re-educate their population, Dubai ‘purchases’ its workforce and their qualifications from the international labour market, not deeming human resources training as a critical priority (Harry, 2007; Hvidt, 2009a; Siddique, 2007).

3- The nature of employment relations: it influences businesses through its structural features. Dubai’s lack of unions, the predominance of expatriates in the workforce, and the nature of sponsorships and visa rules place Dubai in a segment distinct from many other contexts (Festing and Haak-Saheem, 2018).

3.4.1 Economy

Dubai is a monarchy. Power is concentrated in a single person (Matly and Dillon, 2007). Sheikh Maktoum bin Hasher Al-Maktoum, Dubai's leader from 1894-1906, was a progressive business leader who wanted to transform the pearl diving village into a trading hub. Through tax incentives, he relocated merchants from the Persian city of Lingah, which was one of the Gulf's major hubs for imports, exports, trading, and the pearling industry aiming to replicate it. The cooperation between the merchants and the rulers of Dubai continued to be strong through social venues named ‘Majlis’, where both gathered, exchanged ideas, and cooperated to develop the city (Azizi, 2008). In 1971, Dubai joined the United Arab Emirates, a country of seven states in a federal system. Each state has a high level of economic and legislative independence. The city of Dubai is in the state of Dubai which in-turn is a state/emirate in the United Arab Emirates (Bristol-Rhys, 2009). According to the 2013–2014 Global Competitiveness Report (GCR), which benchmarks 148 economies, the UAE is considered one of the
wealthiest nations in the world (Tlaiss, 2013). Small and medium-sized enterprises (SMEs) represent 94% of all economic entities in the country and employ almost 84% of the labour force. They contribute almost 60% to the UAE’s GDP (Global Federation of Competitiveness Councils, 2013; Spraggon and Bodolica, 2014).

Sheikh Rashid Al-Maktoum, the ruler of Dubai from 1979 to 1990, left key marks in its history by developing Jabal Ali Port and Dubai International Airport. Dubai had a limited supply of oil (1/20th of the reserves of Abu Dhabi). A famous quote by Sheikh Rashid: ‘my grandfather rode a camel, my father rode a camel, I drive a Mercedes, my son drives a Land Rover, his son will drive a Land Rover, but his son will ride a camel.’ This statement drove his actions towards diversification of income and the sustainable use of oil revenue. The city of Dubai has since witnessed tremendous economic growth and has managed to diversify through trade and tourism (Matly and Dillon, 2007; Spraggon and Bodolica 2014). Dubai is now the largest re-exporting centre in the Middle East and a regional hub for a wide range of businesses and industries, with an estimated GDP of USD 86 billion in 2012\(^\text{15}\) (Abdella, 2010). Dubai, in its effort to attract foreign direct investment (FDI), has grown geographically bounded free zones which allow 100% foreign ownership structures. They became very successful and there are now more than 22 zones, currently occupying almost one-third of the city’s geographical area. Many foreign corporations have succeeded in establishing their subsidiaries in the country, and several local entrepreneurs have entered into franchising agreements with major international brands. This is to satisfy the needs of the culturally diverse resident community (Bodolica et al., 2012). Fifty years ago, Dubai

\(^{15}\) Dubai Statistics Centre (http://www.dsc.gov.ae/Reports/Constant\%20Prices\%202012.pdf)
was an insignificant settlement of 50,000. Today it is a city–state of 2.1 million people\textsuperscript{16}. Currently, almost 12\% of the population are UAE nationals (Emirati). With the current growth in immigrants, some estimate that Emiratis in Dubai will constitute 1\% of its population by 2025 (Abdella, 2010). Dubai is currently administered by a Sheikhdom system of government. Such a system has advantages and disadvantages. The advantages reside in the ‘can-do’ spirit and fast decision-making. The disadvantage is the lack of democracy, which is a concern for investors and limits nationals’ participation (Abdella, 2010). Sheikh Mohammed Bin Rashid Al-Maktoom, Dubai’s leader since 2006, has become notorious for his scheduling demands. According to Matly and Dillon (2007, p.6), ‘he has taken projects away from prominent families because of delays’. Hvidt (2009, p.401) states: ‘Government, not the private sector, takes the lead in the development of Dubai. Although financially strong, Dubai's private entrepreneurs are politically weak’. The rapid growth of Dubai's economy brings with it challenges such as inflation, devaluation of the currency, a talent drain, increasing inequality, the clash of cultures, transparency, expatriate community integration, allocation of resources, leadership, and bubbles (Matly and Dillon, 2007). High inflation and the increased cost of living make it relatively less attractive. The UAE Dirham is pegged to the US dollar and appears to be under-valued. Global terrorism is an increasing concern. Dubai is surrounded by political instability. The so-called ‘Arab Spring’ has triggered prolonged turbulence in the Middle East, and while this has pushed many businesses towards Dubai, due to its proximity, it remains a great threat (Matly and Dillon, 2007).

According to the 2013–2014 Global Competitiveness Report (GCR), businesses in the UAE are currently facing a number of problematic factors: for example, restrictive labour regulations, limited access to financing, an inadequately educated workforce, and high levels of inflation. SMEs in the UAE are also facing challenges such as limited access to sources of financing (Spraggon and Bodolica, 2014). Emiratis are soon to face employment challenges as the market for public sector jobs has reached saturation (Al-Waqfi and Forstenlechner, 2014). The 2013–2014 Global Competitiveness Report (GCR) places the UAE in 107th position when it comes to investor protection. Within the context of emerging markets, building higher levels of investor confidence is essential. This can be achieved by guiding companies to adopt and implement international standards of information transparency and disclosure (Adawi and Rwegasira, 2011b; Spraggon and Bodolica, 2014). Banks are used primarily as a source of debt financing to individuals and businesses. There are two stock exchanges in the UAE and several financial markets in Dubai, namely:

- **Abu Dhabi Securities Exchange**: established in the year 2000. The main role of this exchange was to provide funds and investment opportunities to businesses and individuals for the benefit of the national economy. The exchange deals with bonds, funds, and equities. The total market capitalisation of ADX is approximately AED 675 billion as of September 2020.

- **Dubai Financial Markets**: DFM became the first company to introduce Shariah laws after it became a joint-stock company in 2005. The DFM allows the public to trade debt instruments, equities, and exchange-traded funds facilitating borrowing and lending. The total market capitalisation is approximately AED 294 billion.

- **Nasdaq Dubai**: This is a platform to provide publicly traded companies in Dubai with international exposure to raise funds from international investors and provide them with international visibility.
- **Dubai Gold and Commodities exchange:** DGCX provides an electronic platform to trade commodities and currency derivatives. It was established in 2005.

- **Dubai International Financial Centre:** DIFC was established as a free zone in 2002 to help businesses' physical, market, and financial infrastructure to set up the commodities marketplace. Several multinational banks, law firms, and others have offices in the DIFC.

In addition to the financial markets above, there are others such as the Dubai Mercantile Exchange, the Dubai Pearl Exchange, and the Dubai Diamond Exchange.

The Dubai expatriate population is disproportionate relative to other countries (Forstenlechner and Mellahi, 2011; Harry, 2007; Hvidt, 2009a, 2009b; Rees, Mamman and Bin Braik, 2007). Approximately 99% of private sector employees are expatriates according to Al-Waqfi and Forstenlechner (2014): in effect Dubai buys its human capital from other parts of the world (Harry, 2007; Hvidt, 2009a; Siddique, 2007). Harry (2007) is of the view that most countries focus on the education their younger population so that they can later contribute to the labour force, whereas education systems in GCC countries focus more on building national identity. Human capital development through a developed education system has not been a priority due to its financial capacity to import labour and knowledge. The education system has been an area of concern for Dubai and even after significant investment within the sector, it remains underdeveloped relative to other countries. This has changed in recent years as education has started to improve, but substantial investment is still necessary to match the rest of the developed world. Many universities have opened in recent years, but the significance of education has remained limited (Marmenout and Lirio, 2014). In addition to this, there is a certain disparity in rewards and performance, as the main
reason for a higher pay scale is citizenship which remains the key separating factor among workers (Forstenlechner and Rutledge, 2011; Kapiszewski, 2001). University level expertise in a particular subject has nothing to do with appointments to government posts or promotion to a particular job, consequently demotivating students to work harder (Al-Dosary and Rahman, 2005). According to Kapiszewski (2001), within the Gulf States the education system is not able to cultivate the level of skills required by developed countries.

3.4.2 Legal system

The United Arab Emirates is a constitutional federation of absolute hereditary monarchies. It is governed by a Federal Supreme Council composed of the seven rulers of the Emirates. The ruler/amir of Abu Dhabi holds the presidency and his counterpart in Dubai holds the vice-presidency and the position of prime minister (Spraggon and Bodolica, 2014). The Provisional Constitution of 1971 and revised permanent version of 2011 secures internal autonomy. It specifies in Article 148 of the Constitution that all existing local laws of each Emirate shall remain in force unless repealed or amended by Federal laws. In the event of a conflict between local laws and Federal laws, the latter takes precedence. The Federal Supreme Court should be submitted to in the event of a disagreement over decisions. The Supreme Court, the Federal Law, and other laws in force at the different Emirates levels should conform to the Islamic Shari'a. Ahmed Al-Suwaid (1993, p.293) which states that: ‘…it shall apply those rules of custom and those principles of natural and comparative laws which do not conflict with the principle of the Shari'a’. In Dubai, the Law of 1970 constituting the courts and Law No. 2/1979 and Law No. 1/1988 establishing the Supreme Court jurisdiction should comply with Shari'a in all but a few specific matters. For example, banking and financial
transactions and the legality of interest have been granted, by Decree, to the civil courts (Ballantyne, 1985). Dubai is a tax haven, but the mandatory agency configuration inland, leads to the spread of the concept of the ‘silent partner’, whereby the Emirati will own 51% and the expatriate 49%, on paper. However, in reality, a ‘side-letter’ will state that the expatriate is the beneficial owner, and the local is a service provider who obtains annual fees. Under these arrangements, the expatriate owner is unable to legally insure his business investments against actions taken by the ‘silent partner.’ This becomes especially problematic knowing how lengthy legal proceedings are in the UAE court system (Bodolica, Spraggon and Zaidi, 2015). The UAE government on 23rd November 2020, prior to the submission of this report, abolished the mandate requiring a local sponsor. This has not, as yet, been implemented and the implications remain unclear.

Dubai, in its effort to attract foreign direct investments (FDI) and overcome the mandatory agency restriction, has grown geographically bounded free zones that allow 100% foreign ownership. However, free zone companies have limited abilities to sell directly to individuals in the market. They also do not benefit from treaties (such as double-taxation treaties) shared between UAE and other countries. Therefore, they are disadvantaged compared with ‘in-land’ companies. In 2009 the UAE issued the ‘Personal Status Law’; a statute that dealt directly with inheritance17, and further states that such rules shall apply to Emiratis18. The way in which the Personal Status Law is applied depends heavily on the facts of the individual case, including for example, the religion of the deceased national, the nationality and religion of the inheritor, and finally

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17 Inheritance is dealt with directly in Chapter 2 of the Personal Status Law 2009
18 Article 1 of Federal Law 28 of 2009 (Personal Status Law)
the location of all the assets in question, whether they be personal property or real estate. Further considerations concern the dual nationality of any individual involved in a particular scenario. Sharia Law heavily influences inheritance law within both Dubai and the United Arab Emirates (UAE) as a whole. There are numerous rules and caveats for example, relating to the nationality and religion of both the deceased and the beneficiaries of inheritance. Sharia Law, however, transcends all inheritance cases and has a high probability of influencing or prevailing in most, if not all situations.

3.4.3 Society and culture

The UAE is located on the Arabian Gulf and is part of the Gulf Cooperation Council and the broader Middle East and North Africa (MENA) region. The sizable growth of the UAE’s economy has attracted many expatriate workers, contributing to the formation of a multicultural demographic society. Emiratis currently account for only 12 percent of the estimated population of 10 million in the UAE. The vast majority are expatriates (Forstenlechner et al., 2012; Spraggon and Bodolica, 2014). The official language of the UAE is Arabic, but English is largely used as the language of business. The official religion of the UAE is Islam which governs the relationships among different constituencies. The location and progressive business expansion of UAE has attracted expatriates from heavily populated countries nearby, such as India, Iran, Pakistan, and Bangladesh, as well as the rest of the Middle-East region (Obaid, 2009). In addition, some Emirates, starting with Dubai have allowed expatriates to own property, offering them the opportunity to build a long-term plan in the country and

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19 This also includes shares in a company, by virtue of Article 274 of Federal Law 28 of 2009 (Personal Status Law), which states that an estate comprises all available property (‘Amwal’) and future rights (‘Huquq’).
hence a multicultural society has developed, hosting almost 230 nationalities (Barhem, Younies and Smith, 2011). According to the CIA Factbook 2010, the UAE has the highest migration rate in the world (Cerimagic, 2010). The UAE Ministry of Information and Culture reports that the average stay of a resident expatriate is over eleven years. Obaid (2009, p.21) notes that ‘the United Arab Emirates in general and Dubai, in particular, has become religiously, ethnically and linguistically much more diverse’.

Dubai’s economic transformation in recent decades has been accompanied by major changes in its population composition and pattern of urban development. This has caused a debate regarding ‘contemporary urban growth by demonstrating the dialectic relationship between the forces of globalization, (economic, political and cultural), and localization (e.g. environment, demography, history and ideology), in the production of the urban environment which represent a major challenge on Emiratis’ (Pacione, 2005, p.9). Gelfand, Imai and Fehr (2008) argue that individuals seeking to master more than one national culture lose their original culture. On the other hand, going global requires ‘global literacy’ (Søderberg and Holden, 2002). A comprehensive study of multiculturalism in the UAE *Multiculturalism in the United Arab Emirates: a case study of multiculturalism in Dubai* (Obaid, 2009), finds that the majority of Emiratis do appreciate the positive impact of the influx of expatriates in enhancing their economy and services levels. However, some feel pressured on how to maintain their identity and culture. Salih (2015, p.4) argues that ‘this challenge does not only impact UAE nationals’ values and beliefs but also social life, habits, and fashions among other factors’. Salih (2015) also reveals additional concerns. A significant percentage of Emiratis believe that expatriates have caused an increase in unemployment rates among
Emiratis in the UAE, an increase in crime rates, and the introduction of new habits to the Emirati culture, mainly amongst the young. Some Emiratis also believe that expatriates have disrespected their culture, caused an imbalanced demography, increased traffic, raised the cost of living, brought prostitution, created stereotyping against Emiratis, and threatened their identity (Obaid, 2009). Spraggon and Bodolica (2014, p.5) observe: ‘Family principles such as brotherhood, respect for elderly family members, and family trust and loyalty are highly valued by the local Emirati population’. Inter-generational interactions within the same family are very hierarchical. The eldest male typically has the final say and plays the most decisive role in decision-making in the family. Parental authority regarding a daughter’s marriage or life after divorce is very high, as reported in the 2013 Global Gender Gap Report (World Economic Forum, 2013b). However, male dominance is changing rapidly in the UAE, with Emirati women pursuing higher education and playing important leadership roles in both the private and public sectors (Spraggon and Bodolica, 2014).

3.5 Chapter summary and conclusions

International business (IB) studies and more specifically business systems studies continue to evolve a viable approach to analyse and compare contexts. While it is not comprehensive, given the range of relevant variables, it is a step in the right direction. The current different taxonomies have fortunately addressed family businesses from many angles, endorsing their importance. There is, therefore, an opportunity to use business systems to explore the sustainability of family businesses, addressing the present gaps in terms of comparative contextual analysis.
Varieties of Institutional Systems (Fainshmidt et al., 2016) and Witt’s Taxonomy (Witt et al., 2018) consider developing countries including the GCC and the UAE. Dubai, however, has not been addressed by any of the major models or taxonomies. Few researchers have attempted to classify it, and when they have only with limited consistency. None have addressed Dubai’s business system from the perspective of Emirati family business. As economies and nations develop, their business systems evolve. It is important to understand the characteristics of Dubai’s business system in the current era, from the perspectives of Emirati family businesses. Having such an understanding could shed light on similarities and dissimilarities between the UAE’s and Dubai’s business systems. Clarifying whether they are consistent or not would guide researchers in approaching Dubai as a context, and facilitate comparisons with other contexts. Understanding the views of Emirati family businesses could reveal significant variables pertaining to business systems that have not classically been recognised: hence, the importance of characterising Dubai’s business system from the perspective of Emirati family businesses.

3.6 Author’s note
The literature review of family businesses, governance, sustainability, and business systems reveals the vastness of the subject. As a practitioner attending to the literature review to identify academic gaps, the term ‘family businesses’ appears to be a very broad use of terminology that necessarily assumes that such entities comprise the majority of global GDP. For a practitioner to relate to the literature, it is crucial to start early enough in the process with identifying a definition and a categorisation which is meaningful in the context of the economy in which the practitioner serves. The many
governance and sustainability practices and models would only be partially useful once the specific variables that characterise the family business are identified. Before embarking on such an exercise, business families need to understand and consciously decide on the purpose of their ventures into business. Probably one of the most recognised differentiators of family businesses from other businesses is emotional decision making and its involvement in the social context in which they perform. Hence family business operations are not purely financially driven. Many family businesses take their business model or culture for granted and thus miss out on comprehending their purpose and, accordingly, are unable to orchestrate their future or to effectively manage their sustainability. A series of questions need to be asked of all family businesses. Has the business family clarified their purposes, such as those that essentially characterise the businesses within the contexts they serve and, if so, then whether sustainability practices are inclusive of governance practices should be considered? The reality of the matter is that there are no easy solutions in these contexts. Being able to relate a family business to a categorisation that considers key variables which are inclusive of context would ease the process and that is the main purpose of this study. This is though not a comprehensive solution, although it is a step in the right direction for business sustainability and effective governance.
Chapter 4. Research questions and methodology

This chapter focuses on the method of data collection used to explore the external challenges confronting Emirati family businesses’ sustainability and governance in Dubai, and to characterise Dubai’s business system from the perspective of Emirati family businesses. It justifies the method and design for the study, and identifies and explains the setting, population, and sample selection. It outlines the instruments and materials used and the procedures followed for data collection and analysis. This chapter focuses on the research question derived from the literature review in the previous chapters. It also covers the epistemological background, methodology, and method used in this research. It discusses the appropriateness of the exploratory city-based case study method, and the heavy reliance in this research on elite and expert interviews. Lastly, the validity and consistency of the research, its limitations, and also ethical considerations are addressed.

4.1 Research questions

What are the external challenges to Emirati family businesses’ sustainability and governance in Dubai?

The literature review provided essential background on family businesses’ governance and sustainability and on Dubai as a context. It explained the important role family businesses play within most economies and why their governance and sustainability are of economic importance. It discussed the many governance and sustainability concepts and practices that are thought to enhance their growth and continuity, inclusive of global governance codes, sustainability models, and best practices. It also addressed the sustainability and governance practices of Emirati family business in the UAE in
general and in Dubai in particular. The findings were limited to a few studies that tested Western concepts, and almost none considered Dubai. Hence the question:

**RQ 1:** What are the external challenges to Emirati family businesses’ sustainability and governance in the context of Dubai?

This question is explored by examining the following sub-questions:

- **A**- What are the corporate governance and sustainability practices that Emirati family businesses follow?
- **B**- What are the challenges Emirati family businesses face in attempting to adopt corporate governance practices?
- **C**- What are the challenges imposed by the context of Dubai on Emirati family businesses?
  
  a. What are the challenges imposed by Dubai’s economy?
  b. What are the challenges imposed by Dubai’s legal system?
  c. What are the challenges imposed by Dubai’s culture?

The use of semi-structured interview methodology, especially in the initial sampling phase, helped the researcher to add questions during the interview to derive additional data regarding the study objective. Some elements of the BST model were used to gather the initial data. However, the answers from the interviewees were interesting in that it affords a different dimension to the research. This in turn enabled the researcher to delve deeply into the BST model in the literature review and explore further contextual dimensions across the rest of the interviews. The literature investigated the potential use of business system theory (BST) as a tool to enable a more structured approach to analysing contexts within family businesses studies and hopefully enable comparability in the field. Amongst the many BST models that have evolved since Whitley’s (1992) National Business System (NBS), Varieties of Institutional Systems
(VIS) by Fainshmidt et al. (2016) has offered a more detailed and up-to-date classification of national institutional contexts operating throughout the global economy, as opposed to the more limited version of NBS. The extension and difference in characteristics can be seen in Table 3-1. Two key advantages of VIS for this study are its coverage of family wealth, and of the Gulf Countries inclusive of the UAE. Hence the question:

**RQ 2: What is Dubai’s business system?**

This question is explored from the perspective of Emirati family businesses using the Varieties of Institutional Systems (VIS) classification approach by Fainshmidt et al. (2016). The aim is to identify the part of the state, financial markets, human capital, social capital, and corporate governance in Dubai.

A- Role of the state:
   1- What is the role of Dubai’s government in the economy?
   2- What is the level of government ownership?

B- Role of financial markets:
   3- What are the main sources of capital? (state/family/banks/equity market)
   4- What is the role of Emirati family businesses in Dubai’s financial market?

C- Role of human capital:
   5- What is the availability of specialised skills?
   6- What is the role of organised labour?

D- Role of Social Capital:
   7- What is the level of trust between society and government?

E- Role of corporate governance:
   8- What is the prevailing ownership structure of key organisations in Dubai?
   9- What is the general structure of ownership in Emirati family companies?
   10- What is the part of non-family executives in Emirati family businesses?
The objective is to characterise Dubai’s business system from the perspective of Emirati family businesses, to add to the field of knowledge of family businesses and business systems, and to offer guidance to practitioners and legislators.

4.2 Research approach

The objective of the research project was the generation of ideas and hypotheses relating to Emirati family businesses’ governance and sustainability and Dubai’s business system. The outcome of such a study could generate insights that could become hypotheses to test at a later stage. The majority of studies of governance have used quantitative methodologies and mainly aimed to examine how effective contractual governance arrangements are (e.g., monitoring of boards of directors). Most are based on large samples of publicly listed family-controlled enterprises (Chen and Nowland, 2010). A recent study by Samara (2020) focusing on papers about family businesses published in peer-reviewed journals in the Arab Middle East up to 2018 reached a similar conclusion. Almost two-thirds of the studies were quantitative in nature, one-quarter qualitative, and about 10% used mixed-methods. Family businesses vary widely and for many reasons. Therefore, researchers such as Navarro and Ansón (2009) argue that family businesses’ governance structures should reflect their distinctive characteristics. In the case of Emirati family businesses based in Dubai, it was important to examine various context-dependent issues that could influence their corporate governance practices (Chen and Nowland, 2010). Sundaramurthy and Kreiner (2008) advocate in-depth qualitative investigations to uncover success factors in family enterprises. Bodolica and Spraggon (2010) recommend the use of qualitative methods to identify combinations of governance forms that might have a positive
impact on family business performance. This is relevant to this study which specifically concerns Emirati family businesses in Dubai. Recognising that the majority of studies on family businesses take their samples from the West, studies in other national settings would be valuable (Bodolica, Spraggon and Zaidi, 2015). Adawi and Rwegasira (2011a) demonstrate that the regulatory and cultural context of Dubai, the UAE and the wider Middle East region has unique features. Moreover, there is very limited knowledge of family businesses in this region with hardly any publicly available data (Bodolica, Spraggon and Zaidi, 2015; Samara, 2020).

Focusing on international business studies and more specifically business systems, Bakhtiar, Rana and Glenn’s (2015) study covered more than a hundred articles and books published between 1992 and 2016. They found that almost 40 percent of the papers were conceptual in nature, and 60 percent empirical, of which 48 percent were qualitative approaches with an emphasis on case studies. Only 11.5 percent of the studies used measurable approaches. In this field, predominantly qualitative research methodologies are used. Researchers using business system theory focus their attention on institutions and firms across countries, regions, and globally. The use of quantitative surveys would best be used for static comparisons of factors, although authors like Judge et al. (2014), Ioannou and Serafeim (2012), and Walker et al. (2014) have also used them. However, that is not the purpose of this study. Here, we are interested in understanding family business’ governance and sustainability challenges in relation to Dubai. These can be addressed on the basis of grounded theory (Glaser and Strauss, 1967) and from a qualitative interpretive position, exploring possible explanations and building understanding. Over the past five decades, Glaser and Strauss have developed the grounded theory in various directions to a stage where it has become one of the
most used theories in social science research. (Glaser and Strauss, 1967). This has generated multiple debates and grounded theory methods (Charmaz, 2000). Glaser’s works (1978, 1992) have come to be known as classic grounded-theory research, whereas Strauss’s approach (Corbin and Strauss, 2008; Strauss, 1978) has taken the name ‘Straussian’. The reason behind selecting Straussian grounded theory is Strauss’s willingness to consider using a literature review. The importance of considering literature review is that: Firstly, a new researcher in the field can have a proper understanding of the field and may afford a fresh insight if there is pre-existing knowledge. In addition to this, the Straussian version takes a systematic approach with regards to the organisation and analysis of the data leading to a solid coding technique for data analysis. Secondly, since conceptualisation cannot be complete until and only when the data has been collected via a grounded theory approach, conceptualisation comes to the forefront later in the process relative to other research methods. This approach has compelled grounded theorists to delay the justification of the hypothesis although it does not preclude the researcher from hypothesising prior to data collection (Strauss and Corbin, 1990). Third, the process of theoretical sampling allows the researcher to simultaneously collect, code, and analyse the data and then embark on finding and collecting the next set of data. In a nutshell, the researcher discovers the codes and attempts to saturate them by the means of theoretical sampling until such a point arises where further requirement(s) emerge (also known as emerging theory) in relation to: (a) what variables need to be sampled, and, (b) where to collect such data (Strauss & Corbin, 1990; 1998). Fourth, the coding process in grounded theory can be subcategorised into three stages according to Strauss and Corbin (1990, 1998), namely open, axial, and selective coding. These three stages give the researcher direction,
especially in relation to theoretical sampling before the researcher becomes focused and 
selective towards a particular problem. The open coding stage includes the process of 
constant comparison which requires the researcher to explore the coding process and 
confirm whether the application is consistent with that for previous data (Strauss & 
Corbin, 1990; 1998). Axial coding locates the connections arising between categories 
and subcategories of data which in turn help in answering a question on a particular 
phenomenon for a given researcher, including what, where, how, why, and what 
(Strauss & Corbin, 1998; Douglas, 2003). The main purpose of the selective coding 
process provides a revision of the categories at the level of dimensions with the primary 
aim of establishing a theory and substantiating the links between concepts whilst 
distinguishing categories that need improvement. Various categories must be 
assimilated to develop a suitable theoretical framework and, as such, categories 
recognised during the open and axial coding processes are a mere representation of data 
and not the theoretical framework per se (Strauss & Corbin, 1998). 

The main justification in selecting a grounded theory is the fact that it frees the 
researcher to use his or her common sense and, as a result, not to become entangled in 
following meticulous guidelines. Furthermore, this affords flexibility across nearly all 
facets of the research. Straus and Corbin (1988) expound that, “Sometimes, one has to 
use common sense and not get caught up in worrying about what is the right and wrong 
way. The important thing is to trust oneself and the process. Students should stay within 
the general guidelines… and use the procedures and techniques flexibly according to 
their abilities and the realities of their studies” (Strauss and Corbin, 1998 p. 295). The 
benefits of selecting the Straussian method are as follows:

119
• Since interviews are an important element in data collection, the researcher learns the process of coding the raw data and of subsequently categorising them using the method of constant comparison leading to the emergence of categories and associated subcategories which snowball to solidify a theme which explains the social positioning.

• The theoretical sampling aids the researcher in uncovering a theory.

• The Straussian version recommends the adaptation of a review of the literature in the revision of data. The Straussian version also presents certain examples of a grounded theory which have been used before in social positioning. Numerous beneficial examples from the author's work acknowledge the benefits of using a grounded theory framework (Strauss and Corbin, 1998).

The classic grounded theory approach led to an argument against the consideration of professional literature in the area of study until categories have begun to emerge. This was in the fear that researchers might identify theories and concepts and be somehow forced to fit data into ideas set in the literature. As Walker and Myrick (2006) highlighted, researchers should not be biased by prior beliefs, but stay open to derive theory strictly from the data. Breckenridge and Jones (2009, pp. 119-120) explain the approach precisely: ‘Pre-existing knowledge can guide the researcher in identifying a starting point for data collection, but this knowledge should be awarded no relevance until validated or dismissed by the formulation of the emerging theory.’ The research is explanatory and not generalisable other than possibly to a ‘local’ context. The scarcity of previous studies relating to Dubai and the nature of the study involving complex individual relations under city-specific economic, legal, and social constructs, were valid reasons to choose a qualitative interpretative methodology as opposed to a positivist position (Bodolica, Spraggon and Zaidi 2015).
Interpretivism maintains that reality is complex, socially constructed, and ever-changing. This approach uses the researcher as an instrument whereby he/she interacts with the language and thoughts of the wider society in his/her social context, to conduct the study. This analysis is then scrutinised for patterns, which results in a hypothesis and theory (Glesne, 2011). Academics like Dentchev (2004), Palliam et al. (2011), and Vilaseca (2002) have used the interpretivist method for analysing family business issues which has led to noteworthy hypotheses and theories. An in-depth and descriptive analysis is crucial in understanding the complex nature of a family business and the environment in which it exists. New definitions and meanings must be created and approved, to allow us to build on existing knowledge and make the concept easier for all to comprehend (Stake, 1995). In order to clarify research design and be able to conduct a research study, it is crucial to recognise the philosophical assumptions underpinning the research (Easterby-Smith et al., 2002). This establishes a path towards answering a research question by developing methods to gather information and interpret evidence. It is also equally important to identify the limitations of the different research approaches and formulate appropriate research design.

As this study focuses on the external challenges of Emirati family businesses sustainability in Dubai and the characteristics of Dubai’s business system, it clearly falls within the discipline of social sciences. There are two prevailing philosophical traditions within the social sciences: positivism and interpretivism. Positivism views human experience as the reflection of independent reality and objective human behaviour. Empirical observations are generated through organised methods that complement the deductive logic of the theory, which in turn assists in the development of hypotheses and forecasting patterns in human actions (Love et al., 2002; Payne and
Payne, 2004). This school of thought commonly uses quantitative research whereby statistical measures are used to compare large samples of observations in order to generalise to a larger population (Mitchell and Bernauer, 1998). On the other hand, interpretivism or social constructionism focuses on people’s perceptions and experiences and the reasons behind them. It is classically associated with inductive approaches whereby an understanding of how people create and maintain their social world is comprehended by observing and interacting with them (Love et al., 2002). Therefore, an interpretivist believes that social reality is socially constructed, not objectively determined. Qualitative research is common in social constructionism as it uses a handful of cases in order to analyse a problem, most commonly through comparing an extensive range of texts (Mitchell and Bernauer, 1998).

Researchers assumptions about reality determine the suitability of the methods and methodology they use and are a major driver of inquiry (Crotty, 2003; Hitchcock and Hughes, 1989). A variety of assumptions may be presented by different researchers of a specific phenomenon (Cohen et al., 2011). This depends on the various ways of constructing reality (ontology) which leads to developing various forms of knowledge of that particular reality (epistemology) and hence affects the researchers’ assumptions. Consequently, researchers are able to develop specific ways of assessing that reality (methodology) to support exploring, discovering, and explaining their enquiry (Denzin and Lincoln, 1998). The fundamental principle that researchers follow can be categorised into paradigms and each paradigm consists of three essential parts: ontological, epistemological, and methodological questions (Guba and Lincoln, 2014). Guba and Lincoln (2014), recognised four paradigms that are used as basic assumptions in a variety of qualitative research methodologies. The first is the positivist paradigm
stating that any phenomena can either be accepted or rejected by introducing multiple or single hypotheses that are later tested using formal tools in an empirical setting to either accept or reject the hypotheses, as opposed to applying conventional inductive methods (Glesne, 2011). Throughout the research process, researchers separate their biases and try to analyse objectively. The second is the post-positivist paradigm which is an extension of the positivist paradigm and answers the criticism raised against the positivist paradigm. These two paradigms are commonly linked with quantitative research. In the initial period of qualitative research, researchers use the practices of these two paradigms with ‘less rigorous methods and procedures’ (Denzin and Lincoln, 1994, p. 5). The third paradigm is constructivist in which researchers study and analyse patterns descriptively by providing discussions ultimately resulting in theory and hypotheses (Glesne, 2011). The constructivist paradigm perceives reality as constantly changing, dynamic, socially structured, and convoluted. By using qualitative techniques and using the researcher as the tool to conduct the study, the researcher can link the existing body of knowledge by making it more intelligible, whilst identifying new meanings (Stake, 1995). The critical theory paradigm as explained by Guba and Lincoln (2014), deals with reality in a sequence of constructs that are articulated as actual by socio-political, economic, cultural, and demographical factors for specific periods in history. Critical theory researchers hypothesise their research as part of an effort to attain a better world and restrict themselves to social justice issues (Kincheloe and McLaren, 1994). The key element of this paradigm is that it involves conversations between the researcher and the subjects of the research.
4.3 Characteristics of qualitative research

Strauss & Corbin (2015: 5) offer key explanations and reasons for qualitative enquiry, tacitly supporting the choice of this study in adopting a grounded theory approach:

- To explore the inner experiences of participants.
- To explore how meanings are formed and transformed.
- To explore areas not yet thoroughly researched.
- To discover relevant variables that later can be tested through quantitative forms of research.
- Take a holistic and comprehensive approach to the study of phenomena.

Given the above, in order to address the gap in the literature, the focus must be two-fold. Firstly, we are investigating a topic in a relatively understudied area. Secondly, we are addressing the topic via an exploratory investigation through qualitative (grounded theory) means. Grounded theory is an appropriate choice of qualitative methodology as it was created to study behaviour (Lynch and Egan, 2013). Additionally Goulding (2001) has highlighted the observation that the field of consumer behaviour has seen increased attention in relation to grounded theory methods owing to the importance placed on theory development.

According to Morrison (2002) and Bogdan and Biklen (2007), there are four characteristics of qualitative research, namely (1) Naturalistic: human behaviour is influenced by the context (Bogdan and Biklen, 2007) (2) Inductive: whereby theory emerges from the bottom up, starting with some sensitising concepts or a conceptual
framework (Morrison, 2002; Gall et al., 2007) (3) Intersubjective: the researcher empathises with the subjects and understands the phenomena from within and construes the information through the viewpoint of the subjects (Bogdan and Biklen, 2007; Morrison, 2002; Miles and Huberman, 1994) (4) Descriptive: everything including words or pictures can be interpreted to assist in comprehending the phenomenon and nothing is trivial (Bogdan and Biklen, 2007). Since the research is qualitative and revolves around understanding the external challenges of family businesses sustainability in Dubai, as well as characterising Dubai’s business system, which involves family executives, experts, and government officials, the researcher finds these characteristics related to this study.

The inductive environment of the research offered elasticity to explore a wide range of variables. This study was performed without preconceived hypotheses. Leveraging a bottom-up approach, the researcher’s observations led to the identification of pressing issues and gaps after a thorough review of related literature. This led to the formulation of questions that were explored and the study was completed with general conclusions and theory (Mayring, 2007). It is evident that this research is descriptive in nature as it explored a wide variety of variables affecting Emirati family businesses’ governance and sustainability and reflected by Dubai’s context. The objective was to explore thoroughly the complexities of the opinions and views of the subjects involved, in order to understand the varied effects of Dubai’s context on Emirati family businesses’ governance and sustainability.

The best course of action for this research was to pursue qualitative research with a social constructionist epistemological approach to obtain the relevant data and draw
meaningful conclusions. The state of Emirati family businesses in Dubai, and Dubai’s business system, are continuously changing as reflected in previous chapters. As they coexist, testing how far the relationship between the two phenomena can be explained could be of importance.

4.4 Research method

A case study method was used due to the shortage of empirical evidence on the subject. This was to grasp contextual details that were beyond the reach of quantitative techniques (Woodside, 2010). The research proposal was based on a Dubai city case study (e.g., Aronoff, 2004). Yin (2009, p. 19) defines a case study as ‘an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when boundaries between phenomenon and context are not evident’. The explanatory and exploratory nature of case studies allows them to answer the ‘how’ and ‘why’ questions, analysing phenomena within their real-life context, and revealing operational linkages between the processes underlying the investigated phenomena that need to be tracked over time (Chetty, 1996). The explanatory case study design was ideal, as the intention was to observe various aspects with regards to both subjects (the Emirati family businesses’ governance and sustainability challenges in Dubai, and Dubai’s business system) and it assisted in revealing complex dynamics from different perspectives and clarifying how they dynamically create reality (Yin, 2009). To understand both subjects and produce a comprehensive and systematic framework, it was necessary to understand the dynamics of these Emirati family businesses within their context (Bodolica, Spraggon and Zaidi, 2015). A single case study approach was chosen (rather than multiple approaches), which is Dubai as a city-based case study,
entailing extensive description and analysis of context-dependent factors and rich data (Dubois and Gadde, 2014). Attending to the subject from a city angle revealed rich views of different stakeholders and the impact of the city dynamics on the views of those individuals. Initially, it did not require statistical generalisation but rather theoretical ones based on observations on multiple instances. The case study used an embedded unit of analysis (Yin, 2003) which is the city of Dubai as a whole, where the views of individuals and stakeholders were obtained. Table 4-1 below presents samples of studies that are constructed on the case study method on the subjects of family businesses, corporate systems, and Dubai.

Table 4-1. Sample studies based on the case study method

<table>
<thead>
<tr>
<th>Business Systems</th>
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<tbody>
<tr>
<td>Ahmadjian (2014); Allen (2014); Andrews et al. (2016); Bachmann and Inkpen (2011); Boussebaa et al. (2012); Carney (2016); Carney and Witt (2014); Clark and Almond (2006); Conte et. al (2020); Deeg (2005); Edwards et al. (2006); Edwards and Ferner (2004); Ferner and Tempel (2006); Ferner and Quintanilla (1998); Geppert et al. (2003); Giroud (2014); Haak-Saheem and Festing (2018; 2020); Hassel et al. (2003); Hotho and Saka-Helmhout (2016); Ioannou and Serafeim (2012); Liu and Tylecote (2016); Morgan (2007); Morgan and Kubo (2016); Ni et al. (2015); Rana (2015); Rana and Morgan (2019); Redding et al. (2014); Schaumburg-Muller (1992b); Whitley (1998; 2005; 2007; 2010b; 2012; 2014; 2016); Whitley and Czaban (1998); Whitley et al. (2003); Whitley and Morgan (2012); Witt and Redding (2009); Witt and Stahl (2016); Young (2016); Zattoni (2017).</td>
</tr>
<tr>
<td>Family Business</td>
</tr>
<tr>
<td>Cadieux (2007); Carsrud and Kocak (2014); Cater and Justis (2009); Cater and Schwab (2008); Chirico (2008); Chirico and Nordqvist (2010); Cruz, Howorth, and Hamilton (2013); Denoble, Ehrlich, and Singh (2007); Dyer and Mortensen (2005); Era and Dean (2005); Giovannoni, Maraghini, and Riccaboni (2011); Haberman and Danes (2007); Hamilton (2006); Karra, Tracey, and Phillips (2006); Knapp et al. (2013); Kontinen and Ojala (2011; 2012); Lambrecht (2006); Lambrecht and Lievens (2008); Marchisio et al. (2010); Mazzola, Marchisio, and Astrachan (2008); Michael-Tsabari et al. (2014); Nordqvist (2012); Pagliarussi and Rapozo (2011); Parmentier (2011); Porfírio, Felício and Carrihlo (2020); Pham et. al. (2018); Parada and Dawson (2017); Salvato, Sharma, and Chirico (2010); Su and Dou (2013); Watson (2009); Zellweger and Sieger (2012).</td>
</tr>
<tr>
<td>Dubai</td>
</tr>
<tr>
<td>Aboulnaga (2013); Al-Ansari, Pervan and Xu (2013); Alawadi and Alameri (2020); Alkutich (2015); Al-Kutich and Abukari (2018); Breslow (2020); Bishr (2019); Biygauteane and Al-Yahya (2011); Haak-Saheem and Darwish (2014); Hasan (2010); Jönsson (2011); KHAitbaeva, Al-Subaiey and Enyinda (2014); Khan et al. (2017); Mathias et al. (2019); Pagès-El Karoui and Yeoh (2020); Partington (2015); Randall and Samimi (2010); Salem (2016); Saxena (2011); Seba, Rowley and Delbridge (2012); Sigler (2013); While, Marvin and Kovacic (2020); Zaidan (2016).</td>
</tr>
</tbody>
</table>
4.5 Research design

The research design is the outline for achieving the research objectives. It supports a logic that links data to the research questions while controlling the variables (Mohamed, 2004). It is essentially a sequence of rational decision-making choices by the researcher addressing the research question, the study setting, the time-line, and the selected unit of analysis considering the sample type, the data collection method, the variables measurement, and the method of analysis (Cavana et al., 2001).

Figure 4-1 illustrates the activities of the researcher in pursuit of the research objectives. The process started with a thorough examination of the literature on family businesses, their governance and sustainability, and specifically Emirati family businesses in Dubai, resulting in the identification of a knowledge gap and a research question. As an outcome, the literature review expanded into business systems with a focus on Dubai’s business system, whereupon additional research questions appeared. A city case study was initiated, and interview questions were developed. Following this, data analysis was conducted resulting in themes that were addressed qualitatively to develop the findings. Theoretical categories emerged that assisted in suggesting a theoretical model that could help identify family businesses’ contextual governance and sustainability challenges. Such a model could be tested and investigated in future studies using both quantitative and qualitative methodologies. The final outcomes and conclusions fulfilled the research objectives by attempting to advance current knowledge of family businesses and business systems, with practical implications for family business principles, government officials, and practitioners seeking more sustainable family businesses. At the end of this chapter, the study’s boundaries are
acknowledged, and recommendations for future research to enhance and extend the current study are outlined.

4.6 Case study development

This research adopted an exploratory city-based case study method or, as Peters (1998) classified it, ‘single country comparative studies’. Hvidt (2009) argues that Dubai should be considered as a ‘deviant case’ from a methodology perspective as it has a unique development record. He claims that ‘this abnormality makes it an acute case to study’ and that understanding Dubai’s advanced track could enhance the understanding

Figure 4-1. Research design
of the way the cultural and political realm of the Arab world could develop (Hvidt, 2009). This method was used qualitatively to understand two main subjects: (1) the Dubai business system, and (2) the external challenges faced by Emirati family businesses that threaten their sustainability. This study conducted a single city-wide case study to explore the phenomena from multiple angles and develop a wide understanding of the variables. Emirati family businesses were represented from the perspectives of family principles, and government agencies represented by prominent government figures, and experts’ views. Reports and news were also used so as to develop a more complete understanding of the context.

The sample selection supported the objectives of the research. Large Emirati family businesses established in Dubai were selected as a sample. The government representatives were selected from those with a certain exposure to the policies and strategies of Dubai and the UAE government. Experts was chosen from those with expertise in Emirati family businesses’ practices and/or government policies and strategies.

4.7 Data collection methods

To understand the issues under investigation in qualitative interpretive studies, it is crucial to collect adequate and rich data. It is essential to combine numerous data collection approaches for a case study, including interviews, documentation, observations, records, and physical artefacts for validation purposes (Yin, 2003). This study relied predominantly on interviews and documentation to give a basic overview of Emirati family businesses, business systems, and Dubai’s context. It includes the
interviewees’ sampling frame, the transcripts, and documents used to obtain additional information on the case.

4.7.1 Interviews

Due to the lack of public data on Emirati family businesses and sparsity of literature on both family businesses and business systems in Dubai, data collection relied on interviews and reference to some economic reports and legal texts. To obtain verifiable data, multiple interviews were necessary with Emirati business families, government officials, and relevant experts. The use of interviews was also more culturally suitable in the Arab world, given the preference for talk rather than filling questionnaires. Many researchers advocated the use of interviews in the Arab culture as a more successful method of data collection, particularly when answers are lengthy and detailed (Al-Bahussain, 2000; Alfahim, 2011; Al-Rasheed, 1996; Zamzam, 2011).

The research strategy was purely qualitative and exploratory. It was based on semi-structured in-person interviews, in part inspired by phenomenology. The interviewer provided general guidelines to support the unfolding of the conversation by offering the interviewees the opportunity to express their perspectives naturally and not to be affected by the interviewer’s bias (Bodolica, Spraggon and Zaidi, 2015). Semi-structured interviews should be able to strike a balance between unstructured interviews (open-ended) and structured interviews. The former is prone to deviation from the purpose of the study and require in-depth post-interview analyses, while the latter (which are more suited to the quantitative approach) are rigid and probably restrictive in revealing new aspects and themes. It needs to be as Kvale (1996) puts it, ‘a conversation with a purpose’. According to Sarantakos (2005), the selection of
interview types depends on the study objectives and aims. Hesse–Biber and Leavy (2011) note that the type of interview impacts the role of the researcher in the interview process and they suggest that, the greater the structure in the interview question, the more control that can be exercised by the researcher to properly form a direction during the process. Figure 4-2 inset depicts the relationship between interview structure and control:

The use of a semi-structured interview methodology, especially in the initial sampling phase, has helped the researcher to add questions during the interview phase to get additional data regarding the study objective.

The in-person interviews were based on the assumption that what is important is how people perceive reality, and that we can gain a greater understanding of a concept or phenomenon by understanding the thoughts and views of those directly involved in it (Kvale and Brinkmann, 2008). It allows for the exploration of how actors interpret their everyday life (Woodside, 2010).
The interview approach was one-to-one which offered a comfortable setting and allowed the individual to express their views freely. The other option was group interviews which can save time and reveal differences in views yet are often dominated by few strongly opinionated participants. Since the majority of the research sample were family business leaders and government officials, elite interview dynamics prevailed. In elite interviews, interviewees hold greater control over the interviewers. This is because elites exercise power and are accustomed to being treated with respect (Odendahl and Shaw, 2002). The participants in these interviews were elites who had sizable businesses and government officials with relatively high positions and status. For the researcher, gaining access to these elites has been hard. Moreover, the business structures under research are often so complexly organised that understanding the operations of the firm is next to impossible for an external researcher. Odendahl and Shaw (2002) note that researchers may experience lengthy waits for an interview, or the interview timeslot may be curtailed. The relevant literature recommends researchers to be flexible in scheduling these interviews and to accommodate times and venues chosen by the subjects to ensure they are suitable and easy for them. Expert interviews were also conducted and, in these instances, experts, as Flick (2009, p.165) observes, ‘are of less interest as a (whole) person than their capacities as experts for a certain field of activity’. The targeted experts were practitioners in the field of family business, some of whom were experienced in restructuring Emirati family businesses and were acquainted with their sustainability challenges. Some were lawyers involved in family businesses structuring and governance. Hence, they were able to support the exploration of the phenomenon and the context and contribute in generating themes and general hypotheses (Bogner and Menz, 2002). The questions that were asked were a
rewording of the research questions adjusted to be suitable for the scope of the interview. The knowledge derived from the interviews emerged from interpretation of the dialogue between the interviewer and the interviewee (Kvale and Brinkmann, 2008). The involvement of the author was as a visitor.

4.7.2 Instruments for data collection
The main form of data collection was through audio recordings of semi-structured interviews in which the interviewer asked high-level questions and allowed the interviewee to elaborate, and hence the need to collect feedback for further analysis at a later stage. A minimum dependence was put on interview notes, as with elites in the Dubai local context, attention is a sign of respect. Capturing the interview data post-interview was also extremely important for accuracy. Audio recordings were highly useful given the difficulty of taking notes in a timely manner and the risk of inaccurate or unfair recollections of arguments or views expressed by the interviewee (Silverman, 2001). The interview data captured through audio recordings was then transcribed and the transcripts used for data analysis. The interviews were scheduled in English when possible. Interviews scheduled in Arabic were interpreted into English by means of qualified interpreters to ensure accuracy.

4.8 Population Sample
The sample size of a qualitative method depends on the purpose of the research and the questions to be addressed to add to the usefulness and the credibility of the research while taking into account the time and resource constraints (Glesne, 2011). There is no rule of thumb. A purposive sampling technique was adopted to achieve what Glesne (2011) terms an in-depth and information-rich case study. There are three identified
groups of people to be interviewed: family business members, legislators and government authorities, and business/legal consultants. With regard to family businesses, the sample needed to be primarily homogeneous; similar cases were selected because these similarities are of particular interest for the purpose of the research. Rettab, Abu Fakhr, and Morada (2005, p.5) define a family business in Dubai as ‘a business in which: one single UAE family owns at least 51 percent of the shares, and at least one member of the management team is drawn from the family that owns the business’. The family includes ‘the household (HH), which consists of the husband (head of HH), his wife and their siblings; the HH parents; his brothers and sisters and their siblings’ (Rettab, Abu Fakhr and Morada, 2005, p.11). Random sampling would be at odds with the purpose and logic of the design.

When it comes to classification, Emirati family businesses are not legally obliged to disclose information about their income, returns, resources, occupation, speculation or any other performance metric, rendering it difficult to adopt a meaningful classification (Alfahim, 2011). Therefore, the classification of UAE enterprises follows the Abu Dhabi Statistics Centre (2015) as described in Table 2-2. The following were the criteria for family businesses sample selection:

- Firm:
  - Dubai-based company with a minimum of 51% local ownership.
  - A minimum of one family member involved in the management of the business.

- Interviewee:
  - Founder(s) of the firm.
  - A sibling of the founder who is involved in the firm and is aware of the firm structure and governance and challenges.
A member of the firm’s executive management team who is aware of the firm structure and governance and challenges.

A snowball sampling technique was used as the members of this research sample were difficult to locate due to the secretive nature of family businesses. The participants were asked to recommend new participants who might lead to useful information on the subject. These techniques were a good fit for the purpose of this project which is ‘exploratory’ and ‘specific’ in nature and does not aim to generalise findings to a large population. The selection of government officials and experts was based on purposive sampling (Flick, 2009). The government officials were primarily associated with agencies concerned with economic or legal activities in Dubai and the UAE. The experts’ fields of knowledge were related to family businesses’ sustainability and governance and some were from a legal background.

The study adopted hypothetical sampling as described by Glaser and Strauss (1967, p.45): ‘Theoretical sampling is the method of collecting data for creating theory where the researcher gathers together, programs, and examines his facts and chooses what data to gather further and where to find them, in order to progress his theory as it develops. This procedure of data gathering is measured by the developing theory.’ Using this approach, the sampling choices happened at the level of groups or specific persons, and was therefore not based on statistical quantitative sampling techniques. Neither random sampling nor stratification is needed to construct a sample. Rather, the selection needs to be based on the next sample that is necessary for the data collection process and the theoretical objective (Flick, 2009). Regarding the sample size, Glaser and Strauss (1967) suggest stopping sampling at ‘theoretical saturation’ when no additional data is extracted that can be useful to generate properties of the categories in
the research. In this study, the sample included members of eleven prominent Emirati families based in Dubai, three Dubai/UAE government representatives, and six experts based in Dubai.

Research experts, mainly on the qualitative side, claim that there is no simple way to address the question of suitable sample size in qualitative research and that the sample size selected is dependent on several factors related to methodological, epistemological, and other issues (Baker and Edwards, 2012). The sample was difficult to locate due to the secretive nature of family businesses and hence the snowball sampling technique was employed, whereby the participants were asked to recommend new participants who in turn led to further useful elucidations on the subject. Under the snowball sampling technique, referrals were used from the existing pool of subjects to recruit additional candidates for the study. This technique was a good match for this project which is both ‘exploratory’ and ‘specific’ in nature and does not aim to generalise findings to a large population. The selection of government officials and experts was based on purposive sampling (Flick, 2009).

4.9 Data analysis method

Data analysis is about interpreting or making sense of data (Goodson and Sikes, 2001). Data interpretation is crucial in the analysis of any case study. Gall et al. (2007) described interpretational study as the procedure of diligently inspecting case study information to identify themes, patterns, and constructs to be utilized for describing and explaining the phenomenon under study. In the case in hand, and since it is a single city-based case study, the analysis starts with a detailed case write-up. Data is then gathered from interviews which is then coded into categories. The study used the
content analysis technique for coding (Zhang and Wildemuth, 2009). Hsieh and Shannon (2005, p. 1278) explained content study as ‘a study for the subjective analysis of the content of text information through the methodical organization procedure of coding and recognizing themes or patterns’. It is a commonly used form of analysis in qualitative research. Such definitions help clarify text, speech and context and are integrated to examine meanings, patterns, and themes within texts. Researchers use content analysis to comprehend social reality subjectively yet portrayed according to social sciences principles. It is inductive in nature as categories and themes emerge from data via thorough examination by the researcher (Zhang and Wildemuth, 2009).

According to Hsieh and Shannon (2005), there are three methods for content examination: (1) conventional qualitative content examination which is primarily used for grounded theory development, and which extracts coding categories from the raw data, and hence is relevant to this study; (2) direct content analysis which uses theory or research findings to develop initial coding; and (3) summative content analysis which investigates the use of words to identify themes and meanings and which uses inductive reasoning and could seem quantitative as it counts words and evolves analysis to include themes and meanings. The interview analysis focused on meanings. It found patterns and insightful observations. The analysis was semi-structured, derived from the questions and the interaction between the interviewee and the interviewer. Qualitative software NVivo was used to group similar ideas into broader categories, allocate codes to different items of data, and recognise developing patterns among them. The results of individual assessments were compared to each other to ensure a satisfactory level of consistency to generate reliable conclusions.
4.10 Ethical considerations

Qualitative methods are characterised as being more disturbing than quantitative approaches (Patton, 2002). The chance of inflicting harm on the participants is higher due to the personal involvement of the researcher where they tend to share personal information and experiences, and hence the need to be aware of the informant rights and the ethical principle of not doing harm (Goodson and Sikes, 2001; Tisdale, 2004). The nature of the subject and the sensitivities of family businesses and family issues demands a high level of ethical awareness, ranging from the preservation of the reputation of families and interviewees to an accurate reflection of their statements, and the confidentiality of information. Kvale and Brinkmann (2008) state that ‘ethical issues could arise in research based on interviews due to the asymmetrical power relation between interviewer and respondent’. Consequently, an ethical protocol covering informed consent, confidentiality, consequences, and the researcher role was developed. Ethical considerations were addressed as the owners, government officials, and experts were informed about the research goals and objectives, and their permission was obtained orally to record the interviews. They were informed about the confidentiality of the recordings and transcripts and about the ways in which they were to be used. They were also informed that their identities or any referencing to their businesses would be anonymised. They were told that they could refrain from any question that they did not feel comfortable in answering or even withdraw from the interview if they wished at any time.

Prior to the fieldwork, consent forms were submitted to each participant to obtain permission (Annex 1). On the consent form, a brief description of the research was provided, including information about the aim of the research, the time needed to
conduct each interview, the confidentiality and anonymity of the case and the interviewees, and finally, the importance of their participation to improve the understanding of the field of Emirati family businesses and Dubai’s business system. However, the principals in family businesses and government officials shy away from signing documents, in the Arab context, as understood by the author who is also the principal of a family business and the CEO of another. In order to overcome this issue, the key points of the consent forms were repeated at the beginning of each interview, as reflected in the audio files and transcripts.

### 4.11 Reporting

Kvale and Brinkmann (2008) emphasise that there is no specific format for presenting the results of interview studies. In this instance the Emirati family business issues and the characteristics of Dubai’s business systems are presented as informed by the interviewees. This is followed by a discussion of the key points and observations from the interviews to find trends and items of interest for further study.

### 4.12 Verification

As Pedersen and Emblemsvag (2000) observe, verification of the method is achieved by firstly establishing how it is constructed, secondly by ensuring internal consistency, and thirdly by determining how effectively the method has performed. It is crucial to establish validity when performing qualitative research. The main criteria for evaluating research in the positivist tradition are internal validity, external validity, and reliability (Guba and Lincoln, 1994). An effective qualitative study should assist us to ‘understand a situation that would otherwise be enigmatic or confusing’ (Eisner, 1991, p. 58). Moreover, generating understanding and supporting with data is the essence of
reliability (Stenbacka, 2001). Some researchers believe that the idea of consistency is inappropriate in qualitative study due to the difference in purpose between quantitative and qualitative research (Stenbacka, 2001). Others believe validity and reliability need to be considered in qualitative research by judging the research according to its paradigm (Healy and Perry, 2000; Patton, 2001). One of the most popular procedures for ensuring validity in qualitative and case studies is the use of triangulation. This is the use of numerous foundations, investigators, data collection approaches, and theoretical perspectives to improve the quality of study (Glesne, 1999). Data, investigator, theory, and methodological triangulation are four distinct kinds of triangulation (Flick, 2009). Data triangulation uses multiple sources of data. Investigators triangulation uses multiple interviews or observations to reduce the bias of individuals. Theory triangulation approaches data through multiple hypotheses and perspectives, while in methodological triangulation, different ways of collecting data are employed. As Flick (2009) hinted, triangulation can be used for further grounding of knowledge rather than pure validation. It can enhance the depth, the scope, and the consistency of the methodological outcomes. A number of triangulation procedures were employed in this research, namely data and theory triangulation. Content and sequential narrative analysis was undertaken for each interview. Different sources of data were used such as interviews and reports. In addition, two phenomena were considered, namely family businesses and business systems with the same sample. Three different types of interviewees were sampled in addressing the same phenomena: family business principals, government officials, and experts. The sources of the data were compared to gauge the level of complementarity and support to each other. Background checks on the case study using document analysis were employed to
enhance understanding. Finally, cross-sample analysis and data correlation were used to enhance the validity of the data obtained.

4.13 The interview process

The research strategy was purely qualitative and exploratory. It was based on semi-structured, in-person interviews which were, in part, inspired by phenomenology. The use of a semi-structured interview process ensures that the data is reliable firstly by allowing the researcher to explore sensitive issues (Nay-Brock, 1984) and to take complete information (as suggested by Austin & Grant, 1981). This supports the researcher in searching for inconsistencies within the answers of the participants (Grant et al, 1992) and empowers the researcher in terms of clarification on appropriate and interesting issues as raised by the interviewees (Hutchinson et al., 1992). It was ensured by the researcher that the interview was conducted in a private setting to avoid any interruptions. Further, the interviews were conducted in a controlled environment within a private and confidential setting to avoid any interruptions during the interview process. Face-to-face interviews also helped in making sure that the interviewees were clear about the nature and the intentions of the research. It also aided in building trust with the interviewees, as the duration of interviews, in some instances, exceeded an hour. The transcripts, when prepared, were shared with the interviewees to confirm the accuracy of their responses.

Other techniques were used to ensure the reliability and validity of the data. For coding reliability, an external coder with extensive experience was hired to ensure that the coding processes were consistent. The coding process used grounded theory with open, axial, and selective coding processes that enabled the researcher to interact with the
data in a cyclical loop comparing and applying data reductions that ensured both reliability and validity.

The different approaches to grounded theory each have their own mechanisms to test the validity and reliability of grounded theory. For this study, the researcher used Corbin and Strauss’s approach to grounded theory which includes validity, reliability, credibility, and truthfulness (Strauss & Corbin, 2015).

4.14 Reliability and validity

Strauss and Corbin (2015) have proposed using the work of (Hammersley, 1987, p.67) to infer that the work is valid “if it represents accurately those features of the phenomena that it is intended to describe, explain, or theorise”. Strauss and Corbin have used Silverman (2009) to:

- Engage in the “refuting principle” by refuting assumptions against the data as the researcher proceeds through the research.

- Using the “constant comparative method” by comparing one case against another.

- Performing “comprehensive data treatment” by incorporating all cases into the analysis.

- “Searching for deviant cases” by including and discussing cases that don’t fit the pattern.

(Silverman, 2009, p.209-226)

All the aforementioned criteria were followed through the data analysis process.
4.15 Credibility and truthfulness

Using Creswell’s (2007) procedure for establishing credibility, the researcher did the following:

- Triangulation was used for theoretical sampling so as to direct the second phase of data collection.
- To better understand the coding process an NVivo expert was hired during the early stage of the encoding process.
- Adoption of reflexive writing and memos during the entire process of the research.
- Description of several categories using diagrams was applied.
Chapter 5. Interview results

This chapter focuses on developing, performing, and presenting the city-based case study. Data from the semi-structured interviews’ transcripts are interpreted and analysed to identify, describe, and explore the relationship between the theories of Emirati family businesses’ sustainability and Dubai business system. The author interviewed three sets of interviewees: eleven principals of Emirati family businesses, three government officials, and six business experts. The outcomes of the interviews are presented in this chapter.

5.1 Preparing for the interviews

Good preparation was crucial to be able to conduct successful interviews and extract useful data. As the author is also a leader of two family businesses and often speaks at family businesses events, he was able to access and arrange interviews with prominent principals of family businesses, government officers, and field experts. They are by nature busy and hard to access, but the author was also able establish credibility and trust in the eyes of the interviewees, which enabled the sharing of honest opinions. The author performed all the interviews personally, with the understanding that having more than one session would be difficult. Most of the interviews were performed at the offices of the interviewees. A few were performed over the phone and over video conferencing tools due to social distancing restrictions amid the COVID19 pandemic lockdown. The interview questions used are presented in Annex 2. The following are few examples of questions addressed to the principals of family businesses:

- What is the role of Dubai’s government in the economy?
- What is the level of government ownership in Dubai’s economy?
What are the main sources of capital in Dubai (state/family/banks/equity market)?

What is the role of Emirati family businesses in Dubai’s financial market?

What is the level of specialised skills available in Dubai?

What is the role of organised labour in Dubai?

What is the level of trust between Dubai’s society and government?

What is the prevalent ownership structure of key organisations in Dubai? Are they dispersed (shareholders’ ownership of 20-50%), or concentrated (more than 50%)?

What are the challenges facing Emirati family businesses (e.g. economy, culture, legal)?

What is your opinion regarding the government's stance on providing a level playing field in the UAE?

What is the government’s stance in terms of supporting Emirati family businesses?

What are the grants and incentives designed to meet influential family businesses’ specific needs to grow domestically and internationally?

To what extent does the UAE government encourage innovation that enables Emirati family businesses to investigate new business models?

Do you believe that there are sufficient specialised bodies that focus on safeguarding the interests and sustainability of Emirati family businesses?

Given the semi-structured nature of the interviews and the elite and expert nature of the participants, the interview questions served more as a guideline rather than a rigid list of questions, thus maintaining the grounded nature of the research.
5.2 Interview questions

The literature review in chapters 2 and 3 led to the development of the interview questions and the author’s own experience played a role in forming the questions in a fashion suitable to elites and experts. The questions were meant to elicit discussion in a semi-structured manner rather than obtain precise pieces of information. The questions have undergone adjustments for the different sets of interviewees. However, care was taken not to compromise the subject of discussion. The flow and style of questioning were enhanced as the process of interviewing evolved. Annex 2 presents the key discussion points in bold and supplementary questions in italics that were used to help the discussion flow when required. The topics are consistent with the research questions presented in Chapter 4 as summarised below:

- Emirati family businesses’ sustainability and governance challenges in relation to Dubai.
  - Corporate governance and sustainability practices of Emirati family businesses.
  - Challenges faced by Emirati family businesses in the adoption of corporate governance practices.
  - Challenges imposed by the context of Dubai on Emirati family businesses.
    - Challenges imposed by the economy.
    - Challenges imposed by the legal system.
    - Challenges imposed by the culture.
- Dubai’s business system.
  - Role of the state.
  - Role of financial markets.
  - Role of human capital.
  - Role of social capital.
  - Role of corporate governance.
5.3 Selecting interviewees

Dubai has a unique population structure which must be taken into consideration when selecting an appropriate sampling approach. In terms of the sampling approach, given that the target sample for this research would come from the Emirate of Dubai, a purposive sampling approach was used in which the researcher generally knows his or her subjects so as to add the most value in providing the most relevant data. “The advantage of purposive sampling is to allow the researcher to home in on people or events in which there are good grounds for believing that they will be critical for research” (Denscombe, 2007, p.17).

For this research, interviews were collected both before and during the COVID-19 period although the analysis of data occurred at different stages during the research and was combined with and guided the schedule of the interview. In the initial phases of the research, the researcher used purposive sampling and selected several Dubai-based Emirati family businesses, government officials, and relevant experts. The selected sample was based on the level of influence each target sample had within their respective field or business which would serve the purpose of the research.

In the initial phase of the sampling process, the researcher faced several issues while collecting the data, as the participants in these interviews were drawn from elites with sizeable businesses as well as government officials occupying relatively high-status positions. Gaining access to these elites has been difficult. To resolve this issue, the researcher used the snowball sampling method which helped the researcher to identify other elite participants. The first three participants were targeted by the researcher directly within the initial phase and these participants, in turn, were supportive by
recommending other participants. This technique remained immensely rewarding in building the initial study sample and the same sample was used throughout the entirety of the research. During the research, however, the COVID-19 pandemic situation and subsequent lockdowns derailed the interview schedule with some interviews having to be moved online and others postponed altogether, costing valuable opportunities in terms of data collection. Alternative tools such as Zoom, Skype, and direct phone calls helped in completing the remaining interviews, although issues including the difficulty in establishing levels of trust, psychological problems connected with anxiety and depression in times of uncertainty like the COVID-19 pandemic; and the possible low motivation of participants persisted.

Qualitative research generally involves fewer participants as most of the time entails taking part in lengthy interviews (Onwuegbuzie and Collins, 2007). For this research, some twenty interviews were conducted. The point of saturation was reached at the twentieth interview as the researcher was not learning much additional information from each subsequent interview. The final sample was distributed amongst the three primary categories, namely principals, officers, and experts. The principals represented the family business segment of the sample. Officers were drawn from a pool of government officials, while experts were practitioners in the field of family business, some of whom were experienced in restructuring Emirati family businesses and were acquainted with their sustainability challenges. Some were lawyers involved in family business structuring and governance.

The author developed an initial list of potential interviewees from personal connections and lists available on the internet. A list was also developed of potential government
officials that are linked to agencies relevant to the subject of research such as the Dubai
Department of Economic Development (DDED), Dubai International Financial Centre
(DIFC), Dubai Chamber, and the UAE Ministry of Economy (MOE). A third list of
experts including lawyers and businesses consultants was added. The list is available
in Annex 3. The potential interviewee list considered their likely availability, potential
ability to speak authoritatively on the topic of family businesses and the context of
Dubai, and general knowledge of the economy. The potential interviewees were invited
by personal contact, usually by phone calls, to participate in the research. The author
shared the high-level purpose of the research to give them time to contemplate the
subject once they agreed to participate. A total of twenty candidates participated. Table
5-1 lists the anonymised candidates’ participant code name, role and a brief profile.
Most of the participants fell in the age bracket of 40 to 50 years and all of them had an
undergraduate degree.

The process of finding the appropriate sample took approximately three months. As
shown in the table above, the aim was to target family businesses which are
representative of all business sectors in Dubai. Since the researcher himself is an
Emirati National, the initial list of potential interviewees was shortlisted through
personal contacts, the Family Business Forum, and other online sources. The literature
reveals that family business owners and the new generation within the family business
play an important role in decision making within their businesses. Furthermore, it also
suggested that, regardless of the size of the company, senior executives are present at
all levels of the organisation. The owners or senior executives of the business showcase
charisma, authority, and power to make relevant and important changes in the
organisation by infusing the right mix of culture, structure, and strategy (Mahoney, 2000). The criteria for selecting the sample were as follows:
<table>
<thead>
<tr>
<th>Participants’ code name</th>
<th>Participant role</th>
<th>Age Range</th>
<th>Education</th>
<th>Participant Profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>P01(Principal)</td>
<td>Principal</td>
<td>40 - 50</td>
<td>Bachelor’s in business</td>
<td>A leader of a prominent Emirati family business based in Dubai operating in steel contracting, printing, and real estate.</td>
</tr>
<tr>
<td>P02A and B (Officer)</td>
<td>Officer</td>
<td>50 - 60</td>
<td>BS, Masters &amp; PHD</td>
<td>A top official at a federal agency concerned with the business environment and relevant legislation.</td>
</tr>
<tr>
<td>P03 (Expert)</td>
<td>Expert</td>
<td>40 - 50</td>
<td>LLB, LLM &amp; PHD</td>
<td>A prominent lawyer at an international legal firm based in Dubai with vast practical and academic knowledge of family businesses’ sustainability challenges.</td>
</tr>
<tr>
<td>P04 (Officer)</td>
<td>Officer</td>
<td>50 - 60</td>
<td>Master’s in public administration &amp; PHD</td>
<td>A top official at a quasi-government agency based in Dubai and concerned with business governance. The agency provides guidance and training.</td>
</tr>
<tr>
<td>P05 (Expert)</td>
<td>Expert</td>
<td>40 - 50</td>
<td>LLB, LLM</td>
<td>A leader of a private agency based in Dubai and concerned with family businesses’ sustainability and networking. Well known for regular networking events and publications.</td>
</tr>
<tr>
<td>P06 (Expert)</td>
<td>Expert</td>
<td>50 - 60</td>
<td>LLB &amp; LLM</td>
<td>A member of a business consulting firm based in Dubai and an author of a book on the subject of family businesses’ sustainability and governance</td>
</tr>
<tr>
<td>P07 (Expert)</td>
<td>Expert</td>
<td>40 - 50</td>
<td>LLB, Triple LLM &amp; Triple EMBA</td>
<td>A lead lawyer at a prominent Emirati family conglomerate based in Dubai and an author of a popular book on family businesses’ sustainability.</td>
</tr>
<tr>
<td>Code</td>
<td>Title</td>
<td>Age Range</td>
<td>Degree</td>
<td>Description</td>
</tr>
<tr>
<td>-------</td>
<td>--------</td>
<td>-----------</td>
<td>----------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>P08 (Expert)</td>
<td>Expert</td>
<td>40 - 50</td>
<td>BA LLB</td>
<td>A leader of a private agency based in Dubai concerned with family businesses’ sustainability and networking. Well known for regular networking events and publications.</td>
</tr>
<tr>
<td>P09A and B (Principal)</td>
<td>Principal</td>
<td>40 - 50</td>
<td>Bachelor’s in Electrical Engineering and master’s in finance</td>
<td>A board member and division leader of prominent Emirati family conglomerate based in Dubai operating in electrical contracting, construction, electronics retail, and real estate.</td>
</tr>
<tr>
<td>P10 (Principal)</td>
<td>Principal</td>
<td>40 - 50</td>
<td>BSC in Business Management</td>
<td>A key member of an Emirati family business based in Dubai and in charge of investments. The conglomerate operates in the healthcare, education, and FMCG sectors.</td>
</tr>
<tr>
<td>P11 (Principal)</td>
<td>Principal</td>
<td>40 - 50</td>
<td>Bachelor of Commerce</td>
<td>A board member and division leader of prominent Emirati family conglomerate based in Dubai operating in construction, real estate development, financial services, and food.</td>
</tr>
<tr>
<td>P12 (Principal)</td>
<td>Principal</td>
<td>40 - 50</td>
<td>BA in International Business</td>
<td>The successor of a prominent Emirati family business based in Dubai focusing on real estate development.</td>
</tr>
<tr>
<td>P13 (Principal)</td>
<td>Principal</td>
<td>40 - 50</td>
<td>BSC Computer Science &amp; MBA International Business</td>
<td>A second-generation principal of a prominent Emirati family business based in Dubai focusing on furniture manufacturing.</td>
</tr>
<tr>
<td>P14 (Principal)</td>
<td>Principal</td>
<td>40 - 50</td>
<td>Bachelor’s in business administration</td>
<td>A second-generation principal of a prominent Emirati family business based in Dubai focusing on food, manufacturing, legal services, and real estate development.</td>
</tr>
<tr>
<td>P15 (Principal)</td>
<td>Principal</td>
<td>40 - 50</td>
<td>Bachelor’s in business administration</td>
<td>A second-generation principal of a prominent Emirati family business based in Dubai focusing on logistics and food distribution.</td>
</tr>
<tr>
<td>P16 (Principal)</td>
<td>Principal</td>
<td>40 - 50</td>
<td>Graduate</td>
<td>The successor of a prominent Emirati family business based in Dubai focusing on automotive distribution.</td>
</tr>
<tr>
<td>ID</td>
<td>Role</td>
<td>Age Range</td>
<td>Degree/Qualification</td>
<td>Title/Description</td>
</tr>
<tr>
<td>------</td>
<td>----------</td>
<td>-----------</td>
<td>----------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>P17</td>
<td>Principal</td>
<td>40-50</td>
<td>BSBA Finance and Marketing</td>
<td>The successor of a prominent Emirati family business based in Dubai focusing on real estate development and food manufacturing.</td>
</tr>
<tr>
<td>P18</td>
<td>Principal</td>
<td>40-50</td>
<td>Bachelor’s in engineering, CFA</td>
<td>A second-generation principal of a prominent Emirati family business based in Dubai focusing on real estate development and building materials manufacturing.</td>
</tr>
<tr>
<td>P19</td>
<td>Officer</td>
<td>40-50</td>
<td>BBA, MSC in Quality Management</td>
<td>A top official at a Dubai government agency concerned with the business environment and relevant legislation.</td>
</tr>
<tr>
<td>P20</td>
<td>Expert</td>
<td>60-70</td>
<td>Postgraduate</td>
<td>A prominent retired judge and legislator familiar with inheritance law and experienced in family businesses challenges.</td>
</tr>
</tbody>
</table>
Family Business

The research investigated family business in the Emirates of Dubai. The researcher's scope of the pool remained limited to the family business owners to ensure that qualitative data collected remained restricted to the scope of the study.

Firm:

- Dubai-based company with a minimum 51% local ownership.
- A minimum of one family member is involved in the management of the business.

Interviewee:

- Founder(s) of the firm.
- A sibling of the founder who is involved in the firm and is aware of the firm structure and governance and challenges.
- A member of the firm’s executive management team who is aware of the firm structure and governance and challenges.

Position and Authority of the Interviewee

Owners of family businesses in Dubai have great influence in the terms of decision making within the family business and the review of the literature supports such a claim. The researcher hence only targeted those individuals who are owners of the business and have substantial authority and experience within it.

Business Sector

The researcher selected this sample after considering many family businesses in the city of Dubai in which the initial shortlist was sampled leading to the drawing up of a potential list of family business organisations. Due to difficulty in terms of accessing the right participants based on their hectic schedule and considering the COVID-19
pandemic, the researcher’s list in terms of family businesses remained quite restricted. However, at a critical juncture of delineating eleven family businesses, the researcher felt that the current list accurately represented a cross section of family businesses in Dubai. The business sectors targeted included real estate, real estate development, building materials, manufacturing, automotive distribution, F&B, logistics, legal services, furniture and fixtures, construction, financial services, healthcare, education, FMCG, retail, industrial, steel contracting, printing and publishing.

5.4 Conducting the interviews

Most of the interviews were conducted between July 2019 and August 2020 reflecting the difficulty of managing such interviews with elites and experts. Most of them were conducted face-to-face in the interviewee’s offices in Dubai. Some of the interviews were conducted by video conferencing using the tool ‘Zoom’ for social distancing purposes amid the COVID19 pandemic lockdown. Most of the interviews were in English, but a few were in Arabic due to the interviewee’s preference. Most of the interviews included a few Arabic words which is common in the use of the English language in Arabia. At the start of each interview, the author gained permission to record the interview and introduced himself and the purpose of the study. The main points listed in the consensus forms were repeated, such as the right to stop and withdraw at any point, or not answer questions if they wish too, and the fact that the recordings would be transcribed, anonymised and shared with them. They were also informed that the interview would take up to an hour. The author added that he would deliberately not show many emotions and resist commenting in order to avoid influencing their views. The average interviews duration was 40 minutes.
5.5 Analysing the interview data

Following the collection of data through interviews, the researcher proceeded with the analysis of data. According to researchers such as Eisenhardt (1989) and Yin (2015), drawing conclusions from interviews is not only a critical step but also the hardest one. Thus a thematic analysis was adopted by the researcher. This approach focuses on using qualitative data to analyse prevailing themes and examining the patterns within the collected data derived through interviews (as explained by Braun and Clarke, 2006). In the coding procedure, it is imperative that the coding is rigorous and consistently applied to tackle the reliability factors associated with qualitative research.

Corbin and Strauss changed their perspective more towards using an interpretive approach while performing data analysis, whereas the researcher used the systematic grounded theory approach which Corbin and Strauss originally established (Corbin & Strauss, 2008) because it is much more in alignment with the scientific perspective. Data analysis begins under this approach as soon as the process of data collection begins. As soon as the interviews were transcribed, the data analysis procedure, comprising open, axial, and selective coding, was applied to the data (Strauss & Corbin, 1990).

Open, axial, and selective coding are neither static, nor linear processes, but rather constitutes a non-linear and dynamic process that enables the researcher to interact with the data in a cyclical loop comparing and applying data reductions (Williams, & Moser, 2019). In grounded theory the steps taken by the researcher are as follows: Under the grounded theory, the steps taken by the researcher in the grounded theory approach are as follows in Figure 5-1:
Open Coding:

After converting the interviews into transcripts, the raw data is broken down into separate parts and, as a result, codes are created. The primary aim of the researcher was to compare and contrast patterns of events that were similar in the data. This was achieved via the process of labelling the data which arise in the form of actual quotes from the interviewees and labelling them in a separate colour as a code. This process saved the researcher from any biases or prejudices pertaining to the research. The researcher managed to gain familiarity with the subject and identified several key concepts.

As part of the open coding process, a line-by-line analysis of the data was conducted and labels were given to the words from the transcripts derived from the interviews. The aim of the open coding system is to manage the data into analytical fragments (Strauss & Corbin 2015) and thus eventually help in constantly differentiating and contrasting concepts as they develop. The researcher began this process by asking questions and simultaneously implementing analytical techniques. At the open coding stage, the researcher should be asking a question such as “what”, “where”, “why”, “how” and “when” through deductive thinking after Strauss and Corbin (1998). Figure 5-6 illustrates the open coding carried out for “No Specialised Bodies” which shows

Figure 5-1. Coding process
the existence of no proper specialised bodies established by the government to support family businesses.

**Axial Coding:**

After applying open coding, the researcher proceeded with axial coding which is the second step in the coding process when employing grounded theory. In this step, the connections were drawn between each labelled code generated from the open coding step. Furthermore, the codes were grouped into categories. For example, a new category could be created from an existing code or a novel category can be created that encompasses a new set of codes. As a result of the axial coding process, the researcher developed several categories using a new set of codes.

As mentioned above through the open coding process, the researcher carried out the axial coding using a dynamic process. The researcher used the queries feature from the NVivo application to move from open to axial coding. According to Strauss and Corbin’s (1990) approach, axial coding proposes using analytical strategies to enhance the axial coding process:

**Conditions** – Answer questions about why, when, and how. They refer to the perceived reasons that persons give for why things happen. They also cue analysts that persons are about to explain the reason for their behaviour using words in field notes, such as: because, since, due to and when.

**Actions-Interactions** – the responses that persons make to events or problematic situations that occur in their lives. People give meaning to events, have feelings about them, and only then do they respond through action-interaction.
Consequences – often before taking action, a person takes into account the possible outcomes. Based on those possibilities, a person makes a choice on which action-interaction to take.

(Strauss and Corbin, 1992, p.158)

There are some issues with the axial coding procedure as it restricts the construct of an analytical code (see for example Charmaz 2006; Glaser 1992). Given the criticism, the axial coding system was used prudently as it was crucial in the grouping of the concepts. Firstly, NVivo searches were carried out using keywords taken from the interviews with specific conditions. This use of conditions was as recommended by Scott (2004) to search for answers to the key question to assist in the axial coding process. The paradigm introduced by Corbin and Strauss (1992) was applied to the data collected in later stages with examples as mentioned in the results section. The examples of Axial coding is illustrated below in Table 5-2:

Table 5-2. Coding process

<table>
<thead>
<tr>
<th>Coding Process - Lack of Clear Succession Planning</th>
<th>Axial Coding</th>
<th>Selective Theme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Coding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No strategic planning</td>
<td>Communication Issues</td>
<td></td>
</tr>
<tr>
<td>Age of the Founder</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No Education or training for young members</td>
<td></td>
<td>Lack of Clear Succession Planning</td>
</tr>
<tr>
<td>extremely traditional</td>
<td></td>
<td></td>
</tr>
<tr>
<td>unstructured communication</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multiple Marriages</td>
<td>Cultural Issues</td>
<td></td>
</tr>
<tr>
<td>no planning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uncompromising</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational Culture</td>
<td>No Focus on Succession development</td>
<td></td>
</tr>
<tr>
<td>Family conflict</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Immaturity in children</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Habits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Act like fathers towards their children</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
old fashioned
hierarchical

**Coding Process - Government competition with Private Sector**

<table>
<thead>
<tr>
<th>Direct Competition</th>
<th>Oversupply in markets</th>
<th>Government policy</th>
<th>Government Restrictions</th>
</tr>
</thead>
<tbody>
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<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Talent acquisition</th>
<th>Rebates for Specific Businesses</th>
<th>Big Challenge</th>
<th>High competitiveness</th>
<th>Losses for Private companies</th>
<th>User requires change</th>
</tr>
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<tbody>
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<table>
<thead>
<tr>
<th>Project Cancellation</th>
<th>Restrictions on approvals</th>
<th>Political instability</th>
</tr>
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<tbody>
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<td></td>
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</table>

<table>
<thead>
<tr>
<th>Coding Process - Multiculturalism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dialogue is important</td>
</tr>
<tr>
<td>Accustomed to change</td>
</tr>
<tr>
<td>Cultural acceptance</td>
</tr>
<tr>
<td>tolerant</td>
</tr>
<tr>
<td>local and foreign community dialogue</td>
</tr>
<tr>
<td>Education</td>
</tr>
<tr>
<td>change in culture</td>
</tr>
<tr>
<td>All feel at home</td>
</tr>
<tr>
<td>no dominance</td>
</tr>
<tr>
<td>discrimination</td>
</tr>
<tr>
<td>No single culture is influential</td>
</tr>
<tr>
<td>harm</td>
</tr>
<tr>
<td>lack of respect</td>
</tr>
<tr>
<td>technological advancement</td>
</tr>
<tr>
<td>cultural fabric of society</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tolerant and acceptable to other cultures</th>
<th>Challenges imposed by Dubai Culture</th>
</tr>
</thead>
<tbody>
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<td></td>
<td></td>
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</table>

Selective Coding:

Selective coding is used to identify “core” categories represented within a major theme that is further related to key subcategories (Strauss and Corbin, 1998). Further, Strauss
and Corbin (1987) produced a list of criteria that aid the researcher in selecting the core category. These criteria are as follows:

- Must be sufficiently abstract so that it can be used as the overarching explanatory concept tying all the other categories together.
- Must appear frequently in the data.
- Must be logical and consistent with the data.
- Should be abstract so that it can be used to do further research.
- Should grow in depth and explanatory power.

(Strauss and Corbin, 2015, p.189)

As recommended by Strauss and Corbin, a comparative analysis was used. In the process, the cases were linked back to the theory, thereby narrowing it to make it more coherent while cross-checking changes across evolving categories. During the second phase of data collection, a continual review of memos, notes, and diagrams took place to confirm uniformity thereby helping to validate the emerging theory. Specifically for this research, the core categories were apparent across all data sets in interviews and their reflections.

All categories were connected to a single category in this step. The selective coding step came at a later stage in the research and followed on from the preceding cycles of coding. The result was the establishment of a core category derived from the axial coding step which resulted in an overarching category. The interconnections were identified between these categories and the rest of the data. Any codes or data that did not support this category were eventually discarded and the final narrative was shaped. All other codes and categories were checked and removed if the supporting evidence was insubstantial. Further reading was of the transcripts was done as per the
overarching category and the overarching coding structure to ensure that the data was robust.
Following were the steps taken:

- Interview transcripts were broken down into elements of data.
• Each small element of data was coded with a coloured label to ensure that closely matched data shared similar coding.

• Establishing a link between codes by identifying causal conditions or context.

• Creating broader categories.

• Combining broader categories into an overarching or a predominant category.

• Establishing links between this overarching category and other codes.

• Re-reading the transcript to ensure that the data is robust.

**NVivo**

The data from the interviews were analysed by the researcher with the help of the tool NVivo12 (a qualitative data analysis programme) and cross-checked with a number of experienced researchers. The NVivo Software program helps the researcher in the analysis of the data as permits a deeper analysis given that it provides tools and resources for the visualisation of data (Patton, 2002; Gibbs, 2002). The reason for selecting NVivo for this research was mainly because of the level of flexibility it provides throughout the process of the research. The textual data can be categorised in such a way that it improves the overall quality of the generated result. Further, the software helps to reduce the amount of time and effort it takes to analyse the data manually. As Wong (2008) remarked, the software enables the researcher to cross-examine the information and identify key trends to uncover relevant and important themes in order to reach a meaningful conclusion. It also has the capability to categorise, classify and analyse a huge volume of raw data including, but not limited to, transcripts, notes and memos, etc.
The programme assisted in handling data in bulk and allowed for coding and identification of various themes and sub-themes that occurred in the data. It also made it easier to retrieve data. The initial stage of data analysis was descriptive categorisation which helped with organisation of first level responses. Categorisation can be generated in multiple ways and can cover questions, themes, ideas and more. In this analysis, the key categorisations were the questions themselves and formed the key nodes, as derived from the literature review (King et al., 2019). See Figure 5-3, the transcripts were uploaded to NVivo in the form of Word files for ease of analysis. Each file represents an interview or part of an interview with a participant. The files are named after the participants’ codes and roles as reflected in Table 5-1 for ease of reference. This qualitative analysis was inductive and involved several steps: the first step entailed reading through the interviews to become familiar with the data. A word frequency analysis was performed to determine the frequency of words used, which would help in the development of codes (see Figure 5-4).
The second step was the generation of the initial codes for the data. The initial codes were phrases such as challenges of family businesses, government vs. family business, Islamic culture vs. family business and legal system vs. family business. These initial codes helped in the identification and formulation of themes, which is the third step. The author took note of themes arising and developed sub-nodes as reflected in Figure 5-5.
This exercise revealed areas of commonality, the range of views, and areas of
disagreement. For example, the title ‘Challenges Emirati Family Businesses Face in Attempting to Adopt Corporate Governance Practices’ was chosen as a theme and placed as a node on NVivo12 to represent related quotes. Reading through the interviews, sub-themes emerged such as generational gap leading to conflicting investment ideas, succession planning issues, and business management skills and employment of professionals. These formed the child nodes. So, some of the themes or nodes were guided by the questions asked while some were just words or phrases that represented what was being described by the participants. The coded data were placed in different folders to better assist the process of identifying recurring themes across the different participant categories. It also made it easier for the researcher to identify the different views from different participant groups, the sources from which quotes had been derived, and the number of sources for each particular node or theme, all of which are important aspects to consider in the analysis process (see the example of ‘No Specialised Bodies’ in Figure 5-6. Whilst the majority of the themes were extracted from the questions, others were added as a consequence of discovery from the data.

5.6 Interview results

The quotations, ideas, and opinions of the interviewees are ascribed as in Table 5-1. The structure of this section follows the flow of questions set out in section 5.3 and as reflected in Figure 5-3. Please refer to annexure 4 for more quotes.

5.6.1 Emirati family businesses sustainability and governance challenges in the Dubai context

In attempting to understand the Emirati family businesses’ sustainability and governance challenges in relation to the context of Dubai, it was important to understand their current governance practices.
A. Corporate governance and sustainability practices of Emirati family businesses

As expected, governance structures and succession planning dominated the discussion of governance practices. In addition to that, discussions touched on the use of external advisors, the availability of specialised bodies and government support.

**Governance structure**

Eight participants pointed out that there were no governance structures used to run their businesses. P01 (Principal) said the business was done in an old-fashioned way with no proper allocation of roles. The founder was in charge of all the operations and also the decision maker.

One thing that I know about family businesses, especially in Dubai, I don't know this much help for you but I feel like the system has changed in today's market: When a family business is usually the father running the business and then it's the son comes into play, he's the one who's going to be doing the decision making and it's usually one person who makes a decision most of the time. [P01 (Principal)]
P12 and 18 (Principals) commented on the lack of structure and the issue of having limited resources whereby succession across different functions can become an issue.

My dads’ entire employee list is two people. Coffee boy and the other guy who does everything else. Who’s the driver, who’s the CEO, who’s the accountant. He is everything else, and that is very simple. [P12 (Principal)]

It’s only two people that communicate with each other. But then at the third generation, when the third generation becomes alone in this business, which is… I think by the time when I see the need for it, to formalize, by also understanding that it will hinder… it slows the decision-making process, which I don’t think, at the moment, my grandfather, father and uncle can cope with. [P18 (Principal)]

P16 (Principal), said that the business was run for several years, but the founders did not establish proper governance structures.

There were basic businesses, and they were given opportunities to grow. Over the past 20, 30 years, and fortunately, they grew without putting in place proper fundamentals and proper structures in terms of governance structures, in terms of legal structures and corporate structures. [P06 (Expert)]

Three participants pointed out that their family businesses had governance structures. The participants reported that there were proper structures of management hierarchy and responsibility for every person in the business.

They sit as a board, they could be part of the operations, but also go through [the] proper structure in terms of assessment and approval not because of the family, he will become the CEO, no no… You have to go through the whole family, but for you to earn in that position…. And of the business it is there like a board structures committee, the management of the external management. [P11 (Principal)]

The current structure is basically, we have a board of directors chaired by the chairman who’s my father, which includes – this is for the holding company – which includes us three brothers, the plan there is to have three more independent directors at the correct time, basically when we scale up the business. [P17 (Principal)]

One participant stated that they were in the process of forming a governance structure. However, the process had stalled due to the illness of the founder.
We are in the process of setting up but unfortunately (pause) before it was completed, we were like 90% done but before it could get signed my father fell ill. [P15 (Principal)]

Succession planning

Fifteen participants reported that there was no clear succession plan. P12 (Principal), feared that family members might conflict with each other due to lack of a succession plan, which would then affect the business.

My son and my brother's children may hold it against us. I deserve this much, and you only gave me this much. [P12 (Principal)]

The founders of the businesses were hesitant to draft a succession plan. They regarded their children as too immature to be allowed to run the business entirely. Upon the death of the founder, the business stalled because it was registered in their name and banks froze the accounts.

One of the points that nobody is aware of except during hardship and crisis, and I think that many businessmen have experienced it… Most family institutions are individual, registered to the father. So, once he dies, all the work is suspended; banks suspend all his activities. The same goes for courts, the inheritance administration and so on. [P14 (Principal)]

At the moment, no, because we are… because the founder is still available, he’s still here, so we’re three generations still working, and we work in harmony; there’s no issues, no problems between family members. So, at the moment, it works fine. But I can see that, in the future, it won’t, because we will go from one to 4 to 14 members. [P18 (Principal)]

There are many cases where … you had families after the death of the founder who is thought to have problems. Sometimes you go to court, sometimes they settle things between them. Sometimes they end up the companies not continuing anymore. [P04 (Officer)]

A number of participants relayed that the founders and succeeding generations did not come up with a succession plan to help the new generation to take over after their demise. The older generations did not have strategies to enrich the newcomers to take over from them.
Handing over from existing running businessmen to the new generation, most of the family businesses they don't prepare the next generation to take over. And sometimes when they let them take over, they still have some influence in their decision. And that’s hands off. [P19 (Officer)]

I don't see and we have been struggling to convince the families to let go and eventually nurture a next generation or nurture third-party experts to come and support those businesses. In terms of to ensure they have sustainability over the next generation or two, the concentration of wealth in the hands of the few and the concentration of power in the hands of a few will play a bad trick when succession occurs. [P06 (Expert)]

In family business you don't have it all here. So, if this guy passed away or leaves, nobody will get all this knowledge. It's evaporated. [P11 (Principal)]

Three participants reported that family businesses had succession plans. There were well-known procedures on how inheritance would be done. The participants shared the following:

A few have put things in place that are quite successful. [P03 (Expert)]

Yes, we do. We have, I think we have to specify who is a family, who is a shareholder and who can be in business. They are documented properly. They have said if and the succession plans for each one of us in the company, it has a certain criteria. [P09A (Principal)]

It is effective. It’s how I became one of the leaders in the company. One day, my son has to be in that position. We have a full system for that. [P16 (Principal)]

Two participants said that they were in the process of formulating a succession plan.

So, this started ten years ago when we created the group structure. Earlier, it was basically sole ownerships of all the businesses, so we’ve grouped all under one umbrella. So, it started all there, and then, it kept on developing – I mean, this is 15 years ago – and then, it kept on developing and we tried to professionalise that. [P17 (Principal)]

Specialised bodies

Five participants stated that there were no specialised bodies to guide family businesses towards sustainability.

I think to be really successful; we need a government led initiative that can regulate the services to deliver to family businesses in the region. [P08 (Expert)]
I don't feel there are bodies that exist for such a thing. I mean, I've never heard of bodies like that existing here or anywhere else in the world. I feel everyone is on their own, you know, and, sustainability is purely dependent on a person or business's capability of surviving and growing. And that is how they can remain sustainable. [P10 (Principal)]

Three participants stated that there were specialised bodies to assist family businesses in laying out governance structures.

So, these bodies which really took off, maybe professional bodies, you know, capacity-building bodies, advisory bodies, you know, trade structures, chambers of commerce, Dubai Chamber of Commerce, for example, where you have tens of thousands of members. And again, these are mostly family businesses. [P04 (Officer)]

I say to you, Sheikh Mohamad have something in DIFC they have a department which is specialised in family businesses. I think it's more about corporate governance in family businesses or taking them through if they want to go IPO's if they want to structure it properly. They help companies. [P11 (Principal)]

One participant reported that they had no idea about the existence of specialised bodies and one did not believe they were needed. A participant stated that Dubai did not have a model which families could adopt to create succession plans to ensure business sustainability.

No, I don't. To my knowledge. I'm not sure. I have no idea about this [P19 (Officer)]

...you also don't want to overburden the system. I think I'm kind of a centre left type of regulation person. [P05 (Expert)]

And we don't have good models for maintaining the succession of the family businesses. Still, if you talk to family business, what is the main concern for them? How to maintain that business for the second generation, fifth generation? And what we see now, big families are leading the commercial activities, they are facing challenges and they are a lot of disputes between dads and cousins because there is no structure. [P02B (Officer)]

Advisors

Five participants reported that there were advisors who helped businesses in achieving sustainability. Participants stated that advisors were important in mapping out the
activities that family businesses should engage in. Also, they helped in solving inheritance and succession disputes.

I think consultants are [an] incredibly important part of all of this. First of all, they have a lot of experience when dealing with other families, so they may have a lot of solutions to complex problems because they faced it in other families so that's one end but I think the most important part of the consultant is that ultimately you are talking about a situation, here you are talking would a founder would a father or a mother, what happens in the case of their death that's not an easy subject for a child to talk about his parents is the hardest part of the things to do. [P15 (Principal)]

Two participants stated that most family businesses did not have advisors. However, the ones that had advisors still had challenges; even after advisors have offered advice on family businesses, the decision on the way forward is made by the patriarch as reported below.

The decision still remains with the patriarch, for example. And I think in this region, you have to earn your case as a trusted advisor, and it doesn't happen overnight. I think 10 years, 20 years in an organisation. And then you find that most of the time the patriarch. [P08 (Expert)]

But I realized very quickly that these guys are not decision makers and they see the problem and they're probably as educated as you and I about the issue then, but the decision doesn't sit with them. So, one needs to be very clear that it's sometimes an exercise in frustration. When you bring all these advisers who draft all these documents, you create all these constitutions. But then you cannot put it into practice. [P07 (Expert)]

A participant highlighted that there exists some interest in the top tier management, who have attained a certain level of knowledge with their experience over the years. However, lower management are unaware of the importance of appointing an internal advisor.

There is an appetite in the top tier where people have been rather exposed to a sophisticated education and work environment. Lower down the pyramid…they might not be as aware of the importance of having external advisors. [P03 (Expert)]
One of the participants stated that the quality of consultants in terms of their preparedness for the task plays an important role. Otherwise, the whole exercise of appointing an external consultant or an advisor could be futile.

Unless the consultant is a really, really, really good one, who really understands the family, who has the trust of all the family members, who has done their homework on everything pertaining to this family, their context, their culture, their religion. You will spend hundreds of thousands of dollars on various systems and they will end up in the drawer and never be used. Which to me is just such a waste of time and effort and money. [P05 (Expert)]

The same participant suggested the existence of a certain hype around the appointment of external advisors. In recent times, some family businesses have questioned the very idea of appointing an external advisor and instead young people in family businesses are educating themselves to manage their businesses internally.

There was a phase where there was a hype around getting those advisors. And I think now we are at a stage where there is more realistic expectation. I feel a lot of families are now reluctant, like, do I really need an advisor? Can I do it myself? A lot of young people in the family business become much more independent…… a lot of young people are saying, you know what, I'll just go to school, learn about structures, understand things, and I'll come back and I'll do a lot myself. [P05 (Expert)]

B. Challenges Emirati family businesses face in attempting to adopt corporate governance practices

This section considers the responses about the challenges faced by Emirati family businesses in their efforts to adopt corporate governance best practices. The responses mainly revolved around business management, human resources, and shareholders’ desires.

*Business management and employment of professionals*

Three participants reported that most of the employees in the family businesses were family members and lacked business management skills. For example, P01 (Principal) stated that they did not go to school to learn how to run a business.
I never also went to the university or anything like that, so when it does, it comes down to the actual legality or structure I wouldn't know. So, I wouldn't want to play with things I don't know. [P01 (Principal)]

Four participants said that businesses did not have all the professionals needed to run a business and they were sceptical about bringing people who were not family to the business.

I have thought that okay I should have non-executive board members of professionals on the board where they can really contribute to the business, but it’s difficult to implement…every family member or every partner would say, why can’t I be a board member and then again you have this conflict. [P13 (Principal)]

Three participants reported that family businesses employed professionals who were not family members. Also, the participants stated that family businesses managed by external members performed better than those managed by the same family members over the years because of their inability to look at the big picture.

Companies with the best financial returns were those that were managed by external [members] to the family ownership. And I think the family businesses that … have fared the least were those that were owned and managed by the same person because of the emotional construct and the inability to take a step back and see things from a distance, sometimes take the hard decision to make the right decision. [P07 (Expert)]

**Generational gap leading to conflicting investment strategies and priorities**

According to five participants, one of the challenges facing family businesses in Dubai was a generational gap which led to conflicting ideas on how to run a business. P01 (Principal) reported that their uncle was running the business in an old-fashioned way.

The uncle applied the same principle he applied ten years ago. The participant shared the following:

Namely for me is when me being the next generation… I wouldn’t say... I was better at something. It wasn't the case. I think I had a different perspective. My uncle was very old school. Very old school in terms of doing business and his views were that what he started doing thirty years ago would apply today and I
think things were changing in Dubai very quickly at that time, namely around 2003 and 2004. Property was booming and people were buying property left, right and centre so they tried to join that bandwagon. [P01 (Principal)]

P17 (Principal) stated that it was hard for all family members to work towards the same goal. Different people wanted the business to be run in different ways. There were divergent views on the kind of business direction they needed to take.

It’s very rarely that you find the whole family wanting to work in the same environment, in the same direction…they have the same objective in life, etc… It really depends on… If someone wants to do charity and the other doesn’t want to, then that person can take that forward. [P17 (Principal)]

P18 (Principal) stated that the current generation was in a different phase of life to the older generation. The current generation was more liberal and wanted to change the dynamics of doing business while the older generation was conservative and not ready to change with the changing times.

The disadvantage of that is that you become conservative, because, you know, older generations have a different approach than younger generations; there are different phases in their life. So, they have a different risk appetite, which can be a disadvantage on one side, that it can block some new ideas, some good ideas. [P18 (Principal)]

P03 (Expert), reported that while the first generation had a hunger for business, that decreased in subsequent generations.

I think professional management is better…. because it takes a certain mentality and this and history has taught us that this, maybe this instinct and mentality is only there in the first generation, the second and third and fourth generation tend to take things for granted and they might not have the same business hunger and mentality and same emotional intelligence that the first generation had. [P03 (Expert)]

Two participants mentioned that some family members did not want to work in the family business and were just after being paid dividends without bothering whether the business was making profits or losses. There was also misappropriation of funds by some family members. Participants shared the following:
During that time, I did realise there was a lot of, I wouldn't say discrepancies, but there was a lot of misallocated funds in the family businesses. A lot of money was put into field businesses and a lot of money was put into properties that never got delivered there was a huge loss – around ten million US dollars. [P01 (Principal)]

Some people from the family don’t work; they say they only want to get their profits at the end of the year. Those people don’t know what we are doing. No. The people who are part of the business… With my brothers who are part of the business, things are different than those who are outside the business. [P14 (Principal)]

C. The challenges imposed by the context of Dubai on Emirati family businesses

In attempting to better understand the influence of the context of Dubai on Emirati family businesses, the participants were asked about the influence pertaining to Dubai’s economy, legal system, and culture.

**Challenges imposed by Dubai’s economy**

Looking at Dubai’s economy, certain challenges impact Emirati family businesses:

**Financial crisis**

Seven participants reported that a financial crisis affected family businesses. Participants said that they experienced a recession with slower economic activity, which led to projects being stalled, and hence making losses. Most participants referenced the global financial crisis of 2008, the UAE’s real-estate slow down starting 2016, and more recently the COVID19 global pandemic. Participants said:

We had a crash within the real estate. And that was also regardless of family business or not. The crash happened because a lot of people just jumped into the real estate sector and a lot of projects didn't get delivered. A lot of people lost. [P01 (Principal)]

We had three hundred million dollars’ worth of projects. One hundred got cancelled so we were left with a lot of fixed costs and no projects to pay for them. [P01 (Principal)]

Two participants reported that the dollar was getting stronger which made clients look for other places to do business where exchange rates were more favourable.
The value of the dollar began increasing. Maybe, we don’t perceive that in the Emirates because… But most of our customers in Africa, they have a very important currency rate. So, they started looking for markets or buying from other places; Egypt, Turkey, etc., these are the countries whose exchange rate isn’t much different. For example, the Western part of Africa started buying from Europe because the euro is cheaper than the dollar. [P14 (Principal)]

**Access to finance**

Five participants reported that family businesses had access to business funding. The participants stated that the families either financed themselves or received financing from the government or through banks.

I think it’s mostly families. I would say it's again; you have two main sources in our region and not just in the UAE. One of them is, is families or personal money and the other one is government. So, these are the two sorts of main sources. [P04 (Officer)]

The sources from an economic perspective are somewhere between the government’s government-owned generated resources. There is in the Dubai sense, it's mostly real estate and government revenues are fees and what have you in Abu Dhabi. It's probably oil and gas as well as some government fees and levies. So that's the government's contribution to capital in the market. [P07 (Expert)].

I’d say that the banking system is probably the main source of finance for capital, I don't think Emirati families are playing a significant role in financing or … not as big a role as they could be or should be, I don't think, to the broader ecosystem. [P08 (Expert)]

I think the financing of family firms has been largely traditional – has been kind of collateral based lending or non-collateral based lending. [P05 (Expert)]

P04 (Officer) stated that he had no idea about any challenges or sources of family business funding.

I'm not aware of that. I'm not really aware of that. So, I mean, I have no idea. [P04 (Officer)]

P13 (Principal) stated that financial institutions forced limited liability companies to sign loans as personal which threatened any financial gain made.
We have LLC companies in Dubai, but banks go around and ask the owner to sign the personal guarantee, so you are personally liable, everything you earn is in threat, so the whole benefit of LLC is totally undermined. [P13 (Principal)]

**Government competition with the private sector**

According to seven participants, government competition with the private sector was a big challenge. Governments ventured into the same business as family businesses, leading to a reduction in prices and hence losses due to poor returns on investment.

There is definitely overlap since state-owned businesses mainly is in real-estate. So, it is competition; it is direct competition in the sense that it is development or being a landlord that leases property. Oversupply pushes the market down to, in my opinion, realistic prices. [P17 (Principal)]

The government and private sector are competing against each other. No, I'm not going to name names, but, you know, you'll see in many industries, the government are competing with the family businesses. [P08 (Expert)]

There was unfair competition between the public sector and the private sector, which was detrimental to business. Most of the projects undertaken by the government were financed by the private sector which did similar projects.

All the projects which have been executed by the public sector were actually financed by the private sector … directly or indirectly. When you compete against the private sector, you are destroying something that has taken a long time to build. [P09A (Principal)]

Also, the government took the best personnel from the private sector to work for them. This led to a decline in skilled personnel in private businesses.

They have snatched some of the best staff and best workers from the private printing presses. [P09A (Principal)]

Five participants reported that the government and the private sector worked together. The government is a key player in the sustainability of business. According to the participants, the government recognised that the merchant families were the backbone of the economy and the government was trying its best to include those families in the decision-making process.
Private-public partnerships are extremely important because no one party can do everything on their own. I'd like to see more of the partnerships between [the] government and [the] private sector. [P06 (Expert)]

Back in the 90s, … that whole concept was much more prevalent at the time, a symbiotic partnership between government and the private sector and the relationship was direct between the two…. I facilitate, I give you the asset, you generate the wealth, you hire the employees and you bring the tourists and the retailers. That was very clear, and I think both parties understood their respective roles in the equation. [P07 (Expert)]

The government started restricting its activities in strategic projects. New businesses and projects had to be vetted by several committees before they were approved, and they must not compete with the private sector.

They told me that it is very clear that we would not allow any project unless it is unique, adding value to the vision, where do we want to be or rejected. So now there is always any new project for real estate. It has to pass these committees and they assess it in these three things, adding value to UAE; difficult project private sector to do it and will compete with the private sector. [P11 (Principal)]

**Impact of geopolitics**

Two participants stated that geopolitics had also affected businesses in Dubai, with any political instability amongst trading partners also impacting Dubai.

When it comes to the local economy, especially in this region, … the current geopolitical state… it’s very turbulent, which is affecting the economy in a negative [way]. [P17 (Principal)]

It affected… because don’t forget, for instance, Qatar was one of the main countries that I used to export some of my items to it. It’s gone. So, this is one of the things. Syria used to be another country that we used to export a lot of things; it’s gone. Iran, we used to export a lot of things to Iran, but it’s gone, besides other countries. [P16 (Principal)]

Countries like the United States have put undue pressure on Dubai under the guise of stemming money laundering. This has led to harassment of businessmen at the airports, and hence people are not interested in coming to Dubai for business.

But these kinds of people used to cover and the entire retail market used to benefit from that, due to the pressure from the United States and certain other
authorities under the pretext of the fighting money laundering, that we should stop. [P17 (Expert)]

Some of our guys at the airport have started harassing all of these Africans that used to come in and bring the money to here, which was a very wrong thing. Now, you might argue that we might be fighting money laundering. The United States, the biggest place in the world for money laundering. [P17 (Expert)]

**Government incentives**

Five participants mentioned that the government did not give any subsidies or incentives to family businesses. They claimed that, every country has ways of helping its business community, making it easier to do business; but this was not the case in Dubai, which has instead increased fees for everything, and thereby hampered business.

Every country has a certain amount of help, some subsidy.... they have increased fees left right and centre for us and no subsidies from them...should be some form of help at least to one hundred per cent government-owned companies... But we have had none and no matter what happened we've been treated like every other foreign company. [P01 (Principal)]

So, without encouraging local companies, you will not see it.....You'll need to upgrade your local companies with some incentives to allow them to compete with others and to survive. [P02B (Officer)]

The government is unaware of how family business is conducted, so it does not understand the challenges these businesses are facing.

I don't think that the government even has a clue of how to manage a family – a family business. They are only aware that there are businesses that are owned by a certain business, but they don't know what is affecting their business. [P09B (Principal)]

Two participants stated that they were not sure whether the government had given any incentives to family businesses.

I think that's case by case... I mean, I'm not on that. Maybe there is something which I'm not aware of. But I mean, I'm not aware of a standard sort of package. [P04 (Officer)]

I'm not sure of any formal grants to say. [P08 (Expert)]
Five participants reported that the government had come up with incentives to support family businesses. The following are some of the incentives from the government:

Yes, there is. I think legislative policy is a very good example … of the government stepping in to make sure that there is legal infrastructure to help the sustainability of family businesses. [P03 (Expert)]

So, there are some cases you'll find some support from the government to the family businesses if they see, serious opportunity…. they provide for something and followed them with preferential rate for their offices…. the government have a joint project with the family businesses, providing them land to develop a project so that government can own…a percentage in the project. [P02B (Expert)]

I think the financing of family firms has been largely traditional – has been kind of collateral based lending or non-collateral based lending, actually. I think now with the IPO law … I can see that efforts are there to give options. [P05 (Expert)]

But because we don't have corporate tax, usually if you look at countries like the UK, you know, corporate tax is around 20 per cent right now and it does affect your business. It does not incentivize need to start a business because you feel 20 per cent of your profits are just going, and that is how that vast majority of people are going to be seeing it. [P10 (Principal)]

Rules and regulations

Five participants mentioned that there were favourable rules and regulations for family businesses. The participants had the following to say:

Then I see lots of youth programmes which helps introducing a new generation to a more sophisticated experiences and the international best practices. There is the introduction of new laws and rules and regulations. Also, the identification of talent and immediately acquisition and retention and empowering these young talents to become captains of industry and commerce. [P03 (Expert)]

That's why you find lots of policies, regulations catering such things. And fuelling businesses into Dubai. [P019 (Officer)]

Two participants pointed out that the government had come up with rules and regulations that did not favour family businesses. It was hard to recover from bankruptcy in Dubai due to unfavourable laws compared to the US or EU.
Government is also challenging itself in terms of developing the economy and developing the sector but what’s important to have a sustainable business reform of the business regulations and laws, the banking relations so, most of the businesses are SME’s. If you are expats or Emiratis you have to give collaterals that are fixed assets like real estate, so you feel like your business is not standing on its own and it's only being supported by the banks because of the other real estate assets and the law has to change. [P13 (Principal)]

**Foreign investors**

Five participants pointed out that Dubai had been invaded by foreign investors. P15 (Principal), stated that foreigners had been given full ownership of real estate which affected local businesses. Foreign investors had brought competition to the locals.

Look, personally for me, I don't believe that we should allow full foreign ownership of real estate, I am on the conservative side alright and I say that not because I am scared of competition because we are quickly losing from our country. [P15 (Principal)]

The main business of any UAE family business is the real estate. Today, every Dick, Tom and Harry is in the real estate, Indian, Pakistani, British, Russian, Afghani; whatever you name him, he’s in that business. Of course, it’s affecting a lot of people from them, they ran away. [P16 (Principal)]

The government was encouraging foreign investors to come into the country while neglecting the locals whose businesses were stagnating.

I think we’re more focused on attracting others, attracting foreign direct investment, rather than pushing ours to grow. [P08 (Expert)]

According to five participants, the government has created a level playing field for doing business for foreign investors. This has led to substantial foreign investment and hence the growth of the economy.

I think it helped bring investments, helped prosper the economy over the past two decades. So, I am for it, but I think it’s restricted in some areas and not all over Dubai. [P18 (Principal)]

Allowing foreign investment has introduced new technology and has led to a transfer of skills. Foreign investors have brought technology used in their countries to Dubai and also transferred modern business management skills to the locals.
Allow you to, transfer the latest technology, the latest knowledge, the latest management, skills within your economy, automatically transfer and shift your local companies also to adopt the international practices of best practices. This is creating a good environment, open the economy. I think that this policy that the government provided to the economy and to the private sector to grow. [P02B (Officer)]

The government should introduce a ‘give and take’ plan where foreign investors are allowed to establish businesses in Dubai, while Dubai citizens should also be allowed to establish similar businesses in those countries.

Our country should adopt the reciprocity with the same countries that these foreign ownership companies come in investing in here, i.e., is that the same sectors that we open to foreigners to enter here. The same sectors should be allowed to us to open in their respective countries. [P09A (Principal)]

It was also suggested that Dubai had attracted unethical businessmen. Some people entered into business not to make money but to get power. This affected genuine businessmen.

A large number of people who entered the market did it as part of a power game. They would buy, not own anything but then sell, you know? So, that has caused some chaos in the market. One of them couldn’t pay; he went on a travel and then his cheques went back. [P14 (Principal)]

Some also entered into business to con legitimate business people. Participants reported that some people had disappeared with their money without delivering anything.

Look, the current real estate ownership, I don’t have any problem in it. Anybody can come and own a property; I don’t mind. But when it becomes to developing and taking people’s money and then running away with it, this is the problem. [P16 (Principal)]

There was also duplication of businesses. Some businesses were copying what others were doing which destroyed the gains achieved by the original business innovators.

There are so many copycats and copycat ingredients in our economy that would destroy any business if it succeeds in that initial one or two business, one of two phases, of course, namely you are talking about the construction industry and the construction industry is the driving force in many economies. [P09A (Principal)]
**Taxation**

According to seven participants, family businesses had experienced a tough tax regime. The government had introduced Value Added Tax (VAT) and there were rumours that it is in the process of introducing corporate tax which would be a big challenge for businesses. It has also affected tourism negatively.

Especially after they introduced the VAT and they saw the difficulties they got… [that] discouraged lots of people to move out of the country. [P16 (Principal)]

The VAT affected the family business, not just their private business, it affected the entire competitiveness of the UAE and of the business of UAE and completely affected…. tourist business, especially, and that not all the countries have been implementing it with the same rigidity and the same honesty that we have been implementing. [P09A (Principal)]

Two participants reported that the process of formulating new forms of taxation was in progress. For example, the government is in the process of introducing corporate tax.

I think you know with the introduction of the taxes and I know which direction this is going into and I am sure there is going to be some form of corporate tax being into place. Again, local companies should be exempted at least. [P01 (Principal)]

I think if the corporate actions are implemented in next coming years, I think it is a suicidal move. It could be worst possible decision taken at this time because there are already so much challenges that are facing us another major tax you know. [P15 (Principal)]

Four participants mentioned that their family businesses were not unfairly taxed, or they were exempted from paying some taxes. The cost of doing business was low due to fair taxation or tax exemption.

No taxes, income or corporate taxes and free labour markets. [P02B (Officer)]

You know, the cost of doing business is relatively low. There's no corporate tax. I think we're going to get there and that will just kind of force all businesses to support and we'll kind of put everything in check. [P08 (Expert)]
**Challenges imposed by the Dubai legal system**

**Sharia principles and inheritance disputes**

Seven participants reported that the Dubai legal system did not have any framework for resolving succession or inheritance disputes.

The only part where the way has to be really focusing on, especially if now we are in a phase where most of the founders are in their 80s and 90s. So that's where some of these people will suffer from, might actually disappear… And that's when you go for the second generation…you have seven or ten or twelve or fifteen sisters and brothers who would run the show.... So, I think that's the only part which we need to learn to do, to fix the rest of the legal system, [which] is very encouraging for business and trade. [P04 (Officer)]

I feel, to me, most family businesses deal with the law because they have to… They're not excited about it...They don't see it as offering them strength or opportunity or tools that they can use to push forward. [P05 (Expert)]

Three participants mentioned that the families’ role was to solve succession disputes. Families have helped to create a system that ensures that inheritance is shared fairly.

So, first of all, you should legally set up a legal system that determines every partner’s share. That way, if a dispute occurs, God forbid, everyone will know his rights and obligations. In fact, we have distributed the inheritance of the companies according to everyone's share in the company. [P14 (Principal)]

We’re big believers of creating the right structure prior to inheritance. So, if you put that clearly, then the inheritance would go smoothly … through the normal process. [P17 (Principal)]

Families that did not have succession plans and inheritance sharing agreements were helped by families that had set up sharing structures.

We were united in [the] matter of solving an issue about inheritance. And so, I discussed this idea with one of the big capital holders in Dubai, Allah have mercy upon him now (passed away). I brought the idea to his attention that what if they pass the company for 50 years or, say, any period of time (WAQF) to family members; to avoid inheritance issues. [P20 (Expert)]

Four participants used Sharia to resolve succession disputes, which has a lot of discrepancies with the common law.
The problem was and a lot of them faced one concept and the Sharia was a bit different. A lot of them found that a bit confusing so a lot of them said you can do it this way and that's how it works but then when it comes to Sharia it's a bit different so it's like they couldn't mix and match both together. [P01 (Principal)]

The legal system was imported in great part from the Egyptian legal system…It served perfectly the needs of treating families at that time. We have evolved since there has been a big drive to modernize the legal system and the since then and with this new wave of creating the DIFC…. introducing a common law system within the DIFC, upgrading and modernising the federal legal system. This has been going in the right direction. My frustration with the system in the UAE is that we have over 30 legal systems cohabitating one with the other. Each free zone has its own legal structure. [P06 (Expert)]

P16 (Principal) reported that judges did not have the capacity to resolve business disputes.

The problem is...your judges are not capable of handling the family business things. It is a completely different issue. [P16 (Principal)]

According to P08 (Expert), inheritance cases were heard in private and thus there were no known precedents available for solving future cases.

Question of precedent. Is it, I think an issue in terms of ownership? Ownership aspect.... many family conflicts for family businesses that have occurred, but they were all solved, under the ruthless court in private. And it's not in the open or in the public. And I think that doesn't serve us well because it doesn't show what happened, what the precedent was and, you know, the process of the ruling to promote other companies and other private businesses to pre-empt these issues. [P08 (Expert)]

At least four participants had divergent views on issues of inheritance with opinions highlighting confusion in two instances, clarity in one and the need for flexibility for the other.

For the first time…. that I'm aware of globally, [law] has a particular chapter on the family business. Fortunately, this law is very obscure still, because I continue to get questions and I'm in no position to answer by many people who want to establish trust as this solution for their family business continuity, because they are not just out there because no regulations were passed even almost after two years. [P07 (Expert)]

The only way to vary from that imposition is for the original father … to hand over ownership to shareholdings he wants, that is what is carried forward, given
or gifted … but I think if his inheritance upon death by law Sharia is imposed, which is fine, the flexibility should be there… It would be a great thing to have as an option. [P12 (Principal)]

We don't have complex inheritance rules here. It's a very straightforward and very simple… the majority of the population, the local population are Muslims. They have their shares or their ownership or their assets distributed as per Shariah. But I feel, for instance, I've dealt with the succession planning abroad. You know, I've dealt with it in the UK and in the US and I think it's necessary over there because of the inheritance tax laws and many of the complications that exist in the UK [and] in the US. [P10 (Principal)]

A participant highlighted that in the culture, if a family member sues another, they lose their position within the family.

For dispute resolution, first of all, in our case, if anybody takes anyone to court automatically forgo their rights to many of the benefits of the family. So that's automatically you could be disqualified and disinherited if you sue another member so … suing another family member is absolutely a no go, no matter how bad things are in your family, your blood you must sit down with your elders and resolve your differences through dialogue, the minute you take legal action against your family that is a major disruption. [P15 (Principal)]

**Maturity of the legal system**

Four participants stated that the Dubai legal system was outdated and there had been no signs of any effort to change it. There was a huge disconnect in what was happening in earlier days with what is happening now. The old laws could not be used to solve current disputes.

It’s because Sharia was a bit outdated. In sometimes… it needed some tweaking. I guess so, it’s a very common thing that happened in the UAE especially in Dubai, the old and the new clashing with each other. It’s a big disconnect, there’s a huge gap. [P01 (Principal)]

Also, judges were outsourced from other countries and served for a maximum of five years. Most of these judges did not understand the dynamics of doing business in Dubai thus making it hard to make fair rulings.

Judges are not locals. Most of them, but 98 per cent of the judges in courts [are] either Egyptian or Sudanese. Nothing against those nationalities, of course. However, they come on short term [contracts], three to five years maximum,
which means that you get a new judge that doesn’t necessarily appreciate the economic and legislative policies of the country. And they come with a perception. They come from both countries. Both countries are not as friends, family, business-friendly. [P03 (Expert)]

P06 (Expert) reported that most foreign investors looked for jurisdictions that have strong legal systems so as to protect their businesses. According to the participants, Dubai did not have a strong legal system to protect investors and so they moved to other countries.

We have opened the doors and we are looking for foreign investors…. The first thing they look for is legal security. If they don’t have legal security, they’ll pass, go somewhere else. And it will be a shame for a country like this that has the fundamentals to be really the centre and the hub for the GCC and even the Middle East at large, because we don’t see any competitor in the Middle East at large to be drowned by an archaic legal system or legal system that is in a state of gridlock. [P06 (Expert)]

According to two participants, the legal system of Dubai was developing in the right direction. P12 (Principal) claimed that the legal system had mainly evolved due to the recession in the UAE.

Dubai … legal system is evolving, not even Dubai but the Emirates’. [The] recession, it has indeed united the Emirates, united by name, we have a boss… we have a second in line, structure has been stable for our country, and I love what I see, recession has been bad in many ways, but we have benefited in many ways like for the first time we needed each other we never needed each other before as an individual Emirates, its only time we needed each other and that’s been a good thing. [P12 (Principal)]

… We’ve seen the legal system in the past 20 to 25 years evolving into what it is right now; a lot of it is still based on certain legal frameworks of other countries. [P17 (Principal)]

**Status of investment laws**

Four participants pointed out that Dubai had poor investment laws. P13 (Principal) stated that the investment laws were not well developed to protect investors.

I personally invested in real estate, and one verdict was against the developer, and I didn't get the money. So, I had a discussion with key and very well-known local lawyers in Dubai. They say [the] legal system has to be developed and
support investors and now it is a bit of an imbalance between the support that is given to developers, e.g., vis a vis investor and the speed at which things happen. [P13 (Principal)]

P18 (Principal) reported that there were people who came to invest in Dubai but were thrown into prison due to bankruptcy after failure in business, indicating that the legal system is challenging for investors.

It is a very difficult legal system, a challenging one, I think, for a lot of people. And it’s an obstacle for businesses; people come here and try to do business; they fail; they end up in prison. That shouldn’t happen. Someone shouldn’t go to prison because he took a risk and opened a business and failed. It’s not right; it does not encourage entrepreneurship. [P18 (Principal)]

Also, there was no law to solve disputes for people working online. There was no law on how online businesses should be conducted and the rights of the businessmen and their clients.

So [the] city was the main, main driver for an economy, today with the openness of the entire globe, [the] Internet of Things and the Internet and Internet of covering the entire world. People kind of stay in one place and do business in another place and collect their fees. So, we need to revisit our laws … if we want to be more competitive because other cities and other countries are also working towards that. [P19 (Officer)]

Two participants reported that the government has introduced investment laws which favoured the performance of family businesses.

All of these laws encourage and give the flexibility for the family businesses to grow. [P02B (Officer)]

Efficiency of the legal processes

Four participants pointed out that Dubai legal processes were very slow. Participants said that it took several months or years before a verdict was given on a case, in which time businesses are already making losses.

As I said the project that was about to happen in 2009 and got the verdict in 2012 and could not get back my money, so whether in terms of holding the
family company, in terms of faster processes, in terms of the court cases. [P13 (Principal)]

There’s a lot of routine; you need 4 months just to settle things with the court. Imagine that – the company is suspended for 4 months. [P14 (Principal)]

**Emirati family businesses support**

Four participants stated that the government helped in solving family business problems such as succession and inheritance. The government formed special boards and committees that helped family members come to a consensus.

I never saw in any other country, even in the region, such as in Saudi Arabia or any other countries where the ruler or the prime minister would start to interfere personally to solve problems in family business, which happened here in the UAE many times. [P04 (Officer)]

I feel their stance has been very positive with regards to helping large family businesses over here. You know, they have taken a great step in assisting many people and also helping solve a lot of problems [that] a lot of these big families face. [P10 (Principal)]

Also, the government assisted in solving disputes between various families. If one family business violated the rights of another, the government stepped in to resolve issues.

UAE, especially Dubai government, has taken some measures. Because they felt that it happened with al Futtaim families. It happened with Galadari family. It happened where companies could go into the unethical difficulties if there is no interference this way, the government themselves got interfere and they made structure of how things will be handled because it might affect the whole economy or it will impact the economy negatively [P18(Principal)]

The legal system has been extremely favourable to family businesses, it's by way of giving them legal privileges, social agencies, right of ownership of companies listed as being part of an industry that others cannot be part of [P07(Expert)]

Seven participants reported that the government has provided subsidies and incentives to Emirati family businesses. The government gives financial institutions directives to provide better credit to Emiratis and Emirati family businesses.
Gives directives and circulars to locally licensed banks to give higher rates of credit facilities to locals and look in locally owned family businesses. Based on personal guarantees, for example, which would not be permitted to non-family owned or non-locally owned. So yes, certainly there are regulations in place to empower and allow family businesses to thrive and do better and have access to the money. [P03 (Expert)]

The government has come up with grants and incentives specifically for the family businesses. The government has provided land as an incentive to family businesses.

So, at a glance, you see grants and incentives that are designed to meet those family businesses specific needs. [P06 (Expert)]

I think it's prudent to speak of each Emirate separately. Mainly in Dubai, the government would not hesitate to grant lands in the past to private businesses. [P07 (Expert)]

**Challenges imposed by Dubai’s culture**

**Types of business activities**

Six participants reported that the Dubai culture and their religious beliefs as Muslims limited the type of businesses they could venture into, such as trading in alcoholic drinks, smoking, and gambling.

So, we don’t invest in hotels, because they will be selling alcohol; like, in our commercial building, we banned Shisha. [P18 (Principal)]

Two participants stated that they engaged in businesses that were Sharia compliant and that the business decisions they made should not contradict cultural or religious beliefs.

Although that is a clear business interest, for example, investing in industries that are not Sharia compliant, although there is a lot of money to be made sometimes [by] taking a break. [P03 (Expert)]

Business decisions we take would not contradict, you know, the beliefs we have. So, for instance, we would never invest in businesses that sell alcohol, for instance, because it is something we do not believe in, you know. And that is personal because that's … the family's belief and that's the family's way of doing business and that exists for many families around the country. [P10 (Principal)]
Women and Emirati family businesses

Five participants reported that some of the cultural beliefs and practices discriminated against women.

Some things have not advanced. When it comes down to family affairs a lot of the Sharia is decided on how the male gets it and the female gets something less that is because it was made in a system that worked at that time which was that the woman gets married her husband takes care of her. [P01 (Principal)]

Historically, women did not get involved in business and a man’s share in business was usually twice what a woman got as per Sharia inheritance principles.

According to Islamic laws, a male’s share is double that of a female and my mother has the eighth of the inheritance. So, we’ve valued the company and distributed the shares accordingly. [P14 (Principal)]

P07 (Expert) added that women were not included in business management and were not part of the succession plan. Also, children could not inherit business on the maternal side.

I know some family businesses forget about involving the women in the management of the family business. They have excluded them from the inheritance by way of certain structures, left them out of the inheritance or stop their children from inheriting just because they are the children of the mother of the family. [P07 (Expert)]

Six participants reported that family businesses have helped in defining the role of women in business. Family businesses have led in the fight for the rights of women and the role they play in building the economy.

I strongly believe in that. I am also a member of the gender balancing council and a lot of men do in them and the council as instructed by the department, by the leadership to have a gender balance, not only in the public sector, but also in the private sector. So empowering women in the private sector is very important. And it's very important to empower women to be leaders in the private sector and to take part of the family business at the same time. [P02B (Officer)]
According to P04 (Officer) families have appointed women to be board members and in high-ranking positions in the businesses.

I mean, you see many families really have the daughters as a board member. She's chief operating officer, CEO of companies. We have seen many of these women. [P04 (Officer)]

Women have been recognised to have skills that are needed in running successful businesses. Women are as qualified if not more qualified than many men and have been welcomed by the patriarchy.

The women in the society present a major component of the wealth and the intellectual wealth and the social wealth in this society. They need absolutely to be part of the economy. [P06 (Expert)]

**Culture and succession planning**

Three participants mentioned that families had outdated succession plans. Due to the culture, family members were not allowed to give shares to non-family members.

At the end of the day, like I said, Dubai changed too fast. People’s thinking change is still backward. If today I go up to my father… if my father was my partner in my business, I would have had a lot of problems. Why? Because I would do things a bit differently, based on my father's thinking. When I told him that my company is doing well and that I've given ten per cent to my C.E.O. My father freaked out!! He said why you are giving ten per cent to somebody as this is a family business. His concept of that doesn't exist now. His concept is they work for you, we give them a salary, and that's it. [P01 (Principal)]

And then you have the kind of newer family businesses and they are all absolutely influenced by the culture of the country, of course. I think Emirati family businesses. And the more I start understanding of the differences in the different segments of Emirati society, you see even those play out in how companies are run, how they are structured. [P05 (Expert)]

**Multiculturalism**

Eight of the participants expressed differing views on multiculturalism. While some said there was a need for a dialogue between the local and the foreign community to boost the way to do business, others felt that locals are slowly becoming accustomed to
the change in culture. Dubai is relatively tolerant compared to other cities in the world and multiculturalism helps to boost its economy and integrate it globally.

My concern is we need to encourage more dialogue and more interaction between the foreign communities and the local communities so that we educate the foreign communities as to the value of the local values and that we can incorporate those local values in the way to do business. [P06 (Expert)]

If you fly Emirates Airlines, you have no flavour. It's all pasteurized and multicultural and they pride themselves on saying our crew speaks 24 languages. It illustrates the atmosphere and the environment that we have in the UAE today. Unfortunately, I'd like to see more local culture come to the surface. I would like to see more local restaurants, if you will, UAE cuisine and the smells of foreign franchises and everything else that goes on. [P06 (Expert)]

So, I think the tribe has been modernized… The new generation is both carrying their parents’ values, as well as speaking the Western language and understanding the Western mindset… we are sort of blending these cultural values, the importance of respect, the importance of trust, especially the values that are innate to the UAE and about the importance of inclusion, accepting others, tolerance, religions. These are things that made this place … unique and make many of us, including those not Emiratis, feel they are part of this country …. Culturally, we are more competitive, but it is collaborative, so they bring more collaboration, bring more technology, bringing linguistic knowledge, they're bringing openess to other cultures, religion…But I think the bigger for me, the bigger sort of cultural bond sort of manifests itself in the values of the community. [P07 (Expert)]

The fact that change happens with the abundance of wealth, we had a great 20 years from 1991 to 2008. Dubai was full speed ahead, and social change happened in that period. They are partying behind my house, but [if] they are paying rent every year, I'll deal with this. [P12 (Principal)]

Everybody finds their niche whatever country you are from, whatever religion you are from, you find your space and you don't feel foreign, you feel its home…. Where you go on a beach and see someone in a bikini and other person hair in completely in (ABAAYA) just going for their exercise and everybody coexists…. I think we have the perfect balance in my opinion that you can live the way you want to live. You respect me and I respect you …this is the kind of environment they look at so that is a definitely a great plus for Dubai, a huge plus, for example, I have a lot of European friends …they feel that there is so much racism and division in Europe… they feel unsafe, imagine… I think in Dubai you don't see that in Dubai you see everyone is respecting other, you know we have a great system so I love it. [P15 (Principal)]

Because of our multiculturalism and dynamics in the city (Dubai) it has made us very easy to assimilate in any other economy that we go in, any country that we go [to], dealing with any other corporations, populations where there will be
cultural exchanges, arts and theatres, [in] so many areas we integrate much easier. [P15 (Principal)]

Dubai culture is quite dynamic and is still evolving...Earlier, I used to call it the clash of cultures; now, it’s the fusion of cultures.... it’s quite interesting to see how Dubai is a melting pot of cultures, which I have not seen anywhere else, even in major cities around the world. It’s still evolving, but the pace of fusion between cultures is quite interesting... because of the young generation’s education, all of that, that is really bringing up this new culture, the older generation being a bit – again, especially in Dubai – a bit more flexible in accepting the others. So, this makes this evolve quite interestingly the way it is. [P17 (Principal)]

And therefore, they build this type of hostility towards other people that are not American. But, you know, every year, thank God, you know, we from the very beginning have been exposed to different cultures. And that allowed us to understand and they've actually educated us significantly. [P10 (Principal)]

Now we have more than two hundred and five different nationalities, and each nationality comes with their own culture...look at the Indians, they have a model that they operate in. If you are the UAE National, you have a different model to operate in. If you look at the British, which is very few, they are all Europeans. They have a different model. No culture is as a dominant effect on any business in the end and it is very obvious in the United Arab Emirates because of the diversity of the demography. [P19 (Officer)]

P05 (Expert) mentioned the culture being undervalued.

… I find it very interesting how as I study the cultural background and the history of all those different fragments in Emirati society ... [in] my opinion, [they] go completely undervalued, perhaps justifiably so, but they really, really influence. [P05 (Expert)]

The same participant branded culture as concentric circles where each ring impacts the family firm, which could make the family businesses vulnerable and could turn out to be an Achilles heel, which could lead to a cultural collapse in the next five years.

Culture is concentric circles. You have your family culture, which is whether you are part of a community or not you're still different from that community because you're a family and you have a history. And that history influences your behaviour. Each layer has an impact on how you behave in your family firm. But that is what.... makes family firms equally vulnerable, but also strong because suddenly out of nowhere there is a resiliency that switches on because of what either the culture dictates or the history of the family dictates or just the behavioural pattern of the family dictates. But it could also be the Achilles heel. It could also be exactly the reason why it doesn't work and why it is going to
collapse. And my prediction would be that over the next five years, we are going to see some collapses. [P05 (Expert)]

Two participants described how rampant growth in technology could harm the cultural fabric of the society:

…very diversified, very what you call it has a depth. On the contrary, this is better. But as far as I'm concerned, you know a person of my age who had seen … the early sixties. You see, now I feel that my little Dubai has been taken away from me, has been stolen, but that Dubai was simple, you knew every single corner of the city. [P09A (Principal)]

They would lose our values, these people, kids. Or if we talk [about] our kids right now, they spend most of their time in these games, social media. What do they see? They don't see our values. They see things which we don't we haven't seen in our age and their age when we were like them. And so, they see it in the media. They see it in the street. [P11 (Principal)]

5.6.2 Analysis of results

Annexure 4 (part A) presents the emerging themes with regards to the sustainability of Emirati family businesses. The key themes which emerged reference the number of participants who addressed them. The themes so consolidated were the lack of governance in family businesses; a lack of clear succession plans; the dearth of specialised family businesses support agencies; a failure to appreciate the role of external advisers; a lack of professional management; a generational gap imposing a challenge; challenges arising from market fluctuations; a limited access to funding sources; government competition imposing a challenge; growing partnership opportunities arising between the private and the public sector; confusion regarding government incentives to Emirati family businesses; favourable rules and regulations for Emirati family businesses; the increased competition from foreign investors; the government offering level playing grounds in the market; increased pressure on family businesses due to the introduction of VAT; a lack of legal succession frameworks and
inheritance dispute centres; Sharia law being important in inheritance planning; the pressing need to enhance Dubai’s legal system; the need to enhance Dubai investment laws; the need to enhance the speed of the Dubai court system; the role of Sharia law and culture limiting the business activities of Emirati family businesses; cultural traditions limiting the role of women in businesses and, finally, the need for Emirati family businesses to start actively involving women.

5.6.3 Summary of results - Emirati family businesses’ sustainability

The discussions in the semi-structured interviews initially revolved around the corporate governance and sustainability practices of Dubai’s Emirati family businesses. Most interviewees admitted that they had no proper governance structures and did not follow defined business sustainability practices. Some highlighted the lack of proper allocation of human resources, rendering the business susceptible to succession issues and the loss of expertise and know-how. This was made worse by the lack of hierarchy and defined roles and responsibilities. Much was blamed on aspects like lack of experience, education, and/or interest by the patriarch, regarding measures to address such issues as adding complexity and unnecessary cost to the business or depriving the patriarch of their earned control. The same applies to succession planning at the principals’ level. Most participants admitted lacking succession planning, blaming it on the lack of vision or education of the patriarch; lack of interest, education, experience, and empowerment of the next generation; and cultural restrictions. A limited number of participants were undergoing or have developed governance and succession measures in the form of boards, committees, defined roles and responsibilities, and succession plans. There was confusion among the participants about the availability of support agencies that could help Emirati family businesses with their governance and
sustainability efforts. Most of them did not believe enough was available or were unaware that any existed. The vast majority of participants appreciate the added value of advisors in guiding Emirati family businesses with governance and sustainability best practices and succession planning. Some of them blamed the lack of progress made by those advisors on the lack of decision-making and implementation by the families themselves. On a few occasions, participants preferred self-education.

The discussions on the challenges Emirati family businesses face in attempting to adopt corporate governance practices revolved around business management, employment of professionals, generational gaps, and conflicting investment strategies and priorities. The participants perceived that the lack of business management skills and education amongst family members hindered their developing proper governance and succession planning. Some saw the lack of professional external management and board members as a weakness and a reason for the lack of proper governance at the board and operational levels. This lack was caused by resistance from other family members, as they believed that they had the right and the knowledge to play the role and would not let go of power. A similar notion regarding professional external managers at the operational level was caused by prioritising family members, a lack of trust, and cost consciousness. On the other hand, some appreciated the value of such external professionals and associated them with better financial performance. Generational gaps were also highlighted as a challenge restricting the adoption of proper governance. Respondents highlighted differences in the way of thinking, education, risk appetite, and exposure to a Western liberal lifestyle as key reasons for the gap. Some portrayed the new generation as being less hungry for businesses and simply wanting the dividends.
In attempting to better understand the influence of the context of Dubai on Emirati family businesses, the participants were asked about the influence of Dubai’s economy, legal system, and culture. On the economy front, the participants highlighted financial crises, currency strength, access to funding, government competition, geopolitics, government incentives, rules and regulations, foreign investors, and taxation. Many Emirati family businesses have suffered from the different crises hitting Dubai in the last decade including the 2008 global financial crisis, the 2016 falls in oil and real estate, and the COVID-19 global pandemic. Much of the impact has been due to the government’s reduced spending, lack of payments, decreased paying power, and banking restrictions. The UAE dirham, which is pegged to the US dollar, has strengthened against the regional currencies, causing a slowdown in trading activities as the UAE and more specifically Dubai is highly dependent on trade. Trading goods with the surrounding markets represents a substantial portion of Emirati family businesses. They have witnessed regional traders shifting to buy from other countries due to the strength of the currency. A similar point has been raised in the slowdown of tourism. Dubai has become a more expensive destination due to the strength of the currency deterring typical sources of tourists such as India, China, and parts of Africa. The banking system has also been criticised for the complexity of obtaining debt facilities. It tends to call for extensive collateral and personal guarantees in the form of land mortgages and personal cheques to overcome the Limited Liability nature of establishments. A major recurring point was government competition with the private sector. Many blamed quasi-government agencies for penetrating sectors such as real estate, entertainment, media, and more, causing oversupply, rising costs, falling prices, loss of employees to the government, and unfair treatment. Some though held that the
government of Dubai had to get into business to lead and evolve certain strategic developments and projects that the private sector could not or would not have undertaken. The participants argued that the government should restrict its activities to strategic projects like airports and seaports. A few mentioned that the government was taking measures to restrict its activities to strategic initiatives. A number of participants highlighted the impact of geopolitical issues on their businesses as substantial. They referred to conflicts with countries such as Iran, Qatar, and Syria as having impacted their businesses negatively, with trade restrictions being imposed affecting the whole economy. Some interviewees highlighted the lack of government incentives and support as an issue. They blamed the government for not understanding their struggles, not giving them special treatment, and consistently increasing the cost of doing business. On the other hand, a few participants (mainly experts), praised the government’s efforts and support to Emirati family businesses, such as land grants and the introduction of special laws enabling them to list in stock exchanges with preferred conditions. Some experts and officers believed that rules, regulations, and programmes were designed to support Emirati family businesses. This view though does not seem to be shared with the principals.

A few participants have complained about the influx of foreign investors jeopardising Emirati family businesses’ dominance in the real estate market and spoiling it. Some claimed that foreign investors brought unethical business practices, running Ponzi schemes, creating market hype, running away with people’s money, and stealing intellectual property. Others saw it as a positive thing in creating a bigger market, transferring know-how and innovation to the sector, attracting professionals, and bringing in diversity. Value Added Tax (VAT) has been emphasised as a challenge by
many participants. They have experienced a negative effect, with the introduction of VAT restraining their cash flows, increasing the cost of goods and services, increasing the cost of compliance and reporting, and adding complexity. A few complained about the inefficiency and rigidity of the process of implementation, the unreliability of the VAT refund process, and the unfairness of excessive penalty application. Some have also blamed VAT for reduced tourism. A few anticipated the introduction of corporate tax and feared the impact of such a move on the market and their businesses. Some participants, on the other hand, did not feel much impact from VAT introduction and appreciated the low level of taxation in the UAE compared with many parts of the world. One participant called for tax exemption for Emirati family businesses.

Addressing the challenges imposed by Dubai’s legal environment, a few participants highlighted the lack of legal frameworks designed to govern and resolve succession, inheritance, and Emirati family businesses’ disputes. Some saw the legal system as outdated and not empowering. A number of participants believed that inheritance law that is derived from Sharia principles is outdated, occasionally confusing, and does not support Emirati family businesses sustainability. Others believed that the inheritance law is suitable for the culture and practical subject to proper education and implementation. One participant referred to the sheer number of jurisdictions of free zones which adds to the confusion within the judicial system. Some believed that the court system is incapable of resolving many Emirati family business disputes, blaming the fact that many judges are expatriates with a limited understanding of local culture, who stay for short tenures. By the time they acquire knowledge and experience, they are replaced, or they are too young and inexperienced. One participant advocated for family courts disputes to be made public for educational purposes. Some participants
believed that the Dubai legal system is not mature enough and hinders foreign investors, blaming this on the fact that it is based on civil law rather than the common law to which investors are more accustomed. The investment law is seen as outdated and investors are at risk of going to jail in the case of failure. These factors discourage entrepreneurship. One participant noted the immaturity of the law in handling disputes in online businesses. A number of participants criticized the efficiency of legal processes and claimed that they are too slow. Yet the majority of participants praised the evolution of the legal system and the direction in which it is moving.

The challenges which Dubai’s culture imposed on Emirati family businesses’ governance and sustainability were also investigated. A number of subjects arose in the discussions with the interviewees, mostly revolving around Islamic culture and business activities, culture’s influence on governance and succession planning, women’s role in Emirati family businesses, and the impact of multiculturalism. A number of participants reported that their business activities were influenced by their religious belief system and Dubai’s culture being Muslim. They avoid businesses that involve alcohol, gambling, and tobacco. It is part of their family and business values. Some showed concern about losing those values, with the new generation being more westernized and not caring. While most participants see value in the multiculturalism of Dubai, some expressed a longing for the ‘Old Dubai’. Multiculturalism, in the view of most participants, has helped the city to grow and added tremendous value to Emirati family businesses, enabling them to provide a variety of products and services. The subject of women’s involvement and role in Emirati family businesses has been touched upon in many discussions. A number of participants believed that the culture and religious belief system has discriminated against women. Historically, their role was
more geared towards raising children and it was rare to see women involved in business. Sharia principles and the UAE inheritance law gives females half of the portion of the inheritance that males get. It was uncommon to consider women as part of the management team of the Emirati family businesses and in the succession planning process. On the other hand, a number of participants believe that Emirati family businesses are leading in the inclusion and empowerment of women as part of the business. They believe they are equally if not uniquely skilled to assume leadership positions. A few have already assumed leadership positions within some Emirati family businesses. On the subject of non-family members’ ownership, several participants highlighted the cultural difficulty of accepting a new owner of a family businesses without a direct bloodline.

5.6.4 Dubai’s business system

A. Role of the state

i. Dubai’s government in the economy

*Infrastructure for economic development*

Four participants reported that it was the role of the government to build infrastructure that fostered economic development. The government should build the necessary infrastructure such as technology for seamless operations.

Fast development of digital economy and disruption. Construction of technology for … businesses. This is one of the priorities for the government. [P02B (Officer)]

The governments here in the United Arab Emirates or Dubai, they are putting lots of capital in when it comes to infrastructure. [P19 (Officer)]

Dubai’s government in particular have focused greatly on creating the tools that they can put at the disposal of businesses so that these businesses can thrive. They invested heavily in infrastructure. [P06 (Expert)]
There is a lot of focus on infrastructure projects and private public projects, so there is a lot of also push towards bringing private sector. At least on paper, because we haven’t seen these projects really sort of manifesting themselves, but at least on paper, there is a push towards creating these. [P07 (Expert)]

The projects that the government does give the private sector the ability to develop projects and offers them an opportunity for growth.

The country has become self-sufficient. It offers everything that one can imagine. And it is definitely a platform for the future. All the infrastructure is there and it has all five-star infrastructure. The government has not been shy from investing dramatically in everything and everything. Infrastructure is really five stars and businesses cannot ask for a better. [P06 (Expert)]

**Education and training**

Four participants said that the government had the role of educating young people on how to run a business and make investments. The government has conducted seminars to educate the youth or small businesses on the proper ways of operating a business.

So, they do lots of workshops, education funds for there is a grant for innovation already allocated for government. But many of the smaller family businesses. They think conventionally and they see, they think that this conventional business is an innovative business where it’s an upgrade for the existing. Now, once government feels that this is. Yes, it is. It is. It is innovation grants might be put to do such things. [P19 (Officer)]

Through the school curriculum, the government has introduced business studies to instil skills in young people.

But acquiring new skills, but also the government is playing a role in transforming the education system and adopting new skills within the education system … because they want to educate people … for the future. [P02A (Officer)]

Also, the government has a system for identifying talent and also helping to nurturing and financially support such talents.

There is a system in place to identify talent… or to nurture talent, to empower young talent. I think the Dubai government is as pioneered, unrivalled in the world in the way it empowers its nationals. Quiet, quite quickly one identifies the talent and empowers the individual man and woman alike. [P03 (Expert)]
I’ll give you an example – trying to support young UAE locals who want to start a project in Dubai by showing them how to open, how to start, how to study, how to prepare. How would you manage a company and how would you deal with your resources? [P09A (Principal)]

**Business environment**

The government has removed outdated rules and restrictions that do not encourage the growth of the economy.

By trying to support their economies, by removing some of the restrictions that used to exist in the 60s, the 70s, and the 80s. Those restrictions were broken in the mid-70s, mid-90s, and, of course, that was a big departure from the old taboos in the early millennium years, so opening those sectors was fine. [P09A (Principal)]

The government has digitised its operations which has enabled people to access public services with from any part of the world and in a faster manner.

I feel the Dubai government has done an excellent job and … helped digitise the process of almost everything, so far. If you, for instance, want to apply for a license, there are ways of doing it online which can easily influence or affect our businesses in a very positive manner. [P10 (Principal)]

The government has diversified the economy.

You became the most diversified economy. Although you are one of the wealthiest countries in the world by oil and gas reserve. But the contribution of oil and gas gets only 30 per cent of your GDP. That means there is diversification in the economy. [P02A (Officer)]

Nine participants stated that it was the role of the government to create a conducive business environment. It was the responsibility of the government to implement taxes that were not punitive to businesses.

Then, the officials or the government are supposed to lower the taxes on building, transactions, etc. We are grateful to Sheikh Mohammed for stopping the tax increase. [P14 (Principal)]
One participant suggests that encourages the government to take steps to promote domestic and international growth by empowering businesses with data, supporting digitisation and making them lean.

If we look at the future of this marketplace, data is your biggest friend. So, I think I would incentivise family businesses to capture the data that they generate and really work with it. You know, understand your customer, understand your value chain, understand your supply chain, understand where things come from, where they go and literally have that iPads and have your dashboard to control it. So instead of just saying you need to declare things because I want you to pay. Why not tell them? Tell them to empower themselves with that data. Right. So, support the digitisation of these firms. Make them lean. Make them fast moving. Make them, you know, incentivise them like that. [P05 (Expert)]

The same participant suggested that the government should encourage growth by focusing on industrial production, agriculture and technology development.

I think the second thing I would say is encourage industrial growth. We need to get this country to produce because as we can see, the traditional industries that family firms have been in are under a lot of stress. So, to encourage production, agriculture and even technology development, let's build technology here. Why can't we? Why do we have to import stuff? You bring in a developer team and you incentivise the on the ground technological development that will change things. So, if the government can incentivise that, but with clever incentives, you know, not just like I'm gonna give you a plot free. No, I mean, you still have to invest yourself. [P05 (Expert)]

One participant emphasised the need for the government to understand its role in relation to the private sector.

How important is private sector and personal entrepreneurship, individual service is to any economy and then government, I think, will mature in understanding that government is the policymakers, the base, that there is the opportunity to creator, educator, security provider, the health care on the shore and beyond that, economic sustainability, even if it is directed, guided and strategised by the government should be owned by the private sector, should be a private sector business. To support the private sector should be the main component. The catalyst of all economic prosperity. For a starter sovereign should never go bankrupt. [P07 (Expert)]

One participant argued that the government was more interested in foreign direct investment rather than incentivising local businesses to grow.
I think we're more focused on attracting others, attracting foreign direct investment, rather than pushing ours to grow. [P08 (Expert)]

**Legal system**

Eight participants stated that the government has formulated a solid and business friendly legal system.

I think Dubai’s legal system... is by far the best in region and I think our government has done [well] especially under the wise leadership of his highness Sheikh Rashid. I think that is a cornerstone of any country or any city: the legal system. Dubai legal system is more transparent and fair than even other legal systems in the country. [P15 (Principal)]

Then, of course, the government would open up to direct foreign investment, which has been the case. There has been recently an introduction of the foreign investment laws, for example. And the change in the companies doing whereby there is no longer an acquirement for local ownership. [P03 (Expert)]

The government has come up with bankruptcy laws that are protecting businesses that do not succeed.

The latest introduction, for example, of bankruptcy laws is something that the private community would really appreciate and value. Certain other laws that would be passed in the future would come in the right time, in my opinion. So, Dubai is where it is now… because of that. So, the government is very receptive. [P17 (Principal)]

**ii. Level of government ownership in Dubai’s economy**

Eight participants reported business ownership in Dubai as concentrated, while the others had diverging opinions, suggesting that the ownership is either a mixture of both dispersed and concentrated or even fragmented in some cases.

Concentrated in a small number of players and wealth or the owner, the ownership of that wealth in the market. [P02A (Officer)]

The Dubai government has, I think they are invested in numerous sectors over here. They're invested in the real estate sector as well as the supermarkets. There are supermarkets, telecoms, the real estate sector. Now, naturally, a lot of businesses would have a big competition, by directly competing with, big government owned companies like Emaar or Meraas. But that's the beauty in my opinion. [P10 (Principal)]
You have fragmented, maybe not dispersed, but fragmented ownership very often. And I think in order to have fast moving, well-structured organisations ownership structures need to be; it needs to be addressed. [P05 (Expert)]

I feel that the concentrated ownership does not exceed more than 30 per cent and that most of our economy is actually powered by small and mid-sized enterprise, which, to my mind, constitute up to 70, maybe more of added value. [P07 (Principal)]

The real estate market is fully controlled by the government because government or government-related entities have more of the lion's share of the real estate market and that has contributed, in certain cases, positively [or] negatively. [P09A (Principal)]

They are concentrated usually in the form of an LLC. The way of now dividing it up is – in the lifetime of the owner – is to give the shares to people so that they become partners. [P03 (Expert)]

Three participants reported that some family businesses have broken out and are now owned by many people. Some businesses have sold shares to outsiders so as to expand their business and bring new skills.

If you look at it from a normal business, they are not concentrated and they are not centralised. [P19 (Officer)]

B. Role of financial markets

i. Main sources of capital in Dubai

Participants reported that there are multiple sources of capital in Dubai: government, banks, family businesses, personal financing and foreign investment. Five participants stated that their source of capital was the banks, four participants said the government financed businesses, two participants identified investors as business financiers, and ten participants reported that the main source of business capital was self-financing.

But when it comes to medium and larger [businesses]… [the] banking system is playing a role in here, whether that's a mainland banking system or sometimes offshore banking systems. [P19 (Officer)]

I think that … [the] financial source of that business first coming from the government. Then investment of the government entities and either for the infrastructure projects or the investment arms of the government’s semi-government companies, they are the main source for financing projects and
injecting investments and the economy. Second, the family business… third [is] public share companies. Fourth, FDI foreign companies and foreign investors are investing in the country. [P02A (Officer)]

The private sector and the business families are one of the main sources of capital. [P09A (Principal)]

Three participants mentioned that the Emirati family businesses helped in building the economy. Family businesses pay taxes to the government and also build structures that generate revenue.

So, the concept of having organised family companies will maintain a strong part of the UAE’s economic unity. [P20 (Expert)]

C. Role of human capital

i. Level of specialised skills in Dubai

Ten participants stated that Dubai had attracted a lot of skilled labour from around the globe. There were highly-skilled personnel working in various fields. Dubai has been able to attract the major players in terms of consultancy, finance and the legal world, which gives it an edge with respect to the rest of the region.

The UAE attracts very, very good [talent]. I think [it is] one of a top-notch service providers when it comes to banking and finance. Private banks, audit firms and law firms. So, the service economy attracts incredibly, very well educated, quite professional people. Other sectors, other industries and of course, the energy, oil and gas and other ones. [P03 (Expert)]

So, when you see experts living in Europe and the US willing to come to the UAE and work and live there, I think what makes a big difference is the lifestyle in the UAE is very sort of modern, very open minded, full of achievements on the professional level, but then full of entertainment on the personal level for your family and so on. So, I think the result was attracting the best calibre you can find globally. [P04 (Officer)]

Also, government employees are young and highly educated.

I only see young ministers, young government employees, even the ones that are not visible. You have a conversation … [and it is] mind blowing the things that they know. They all have PhDs. They all are super, super educated. [P05 (Expert)]
On the other hand, six participants reported that Dubai lacks professionals. Participant [013 (Principal)] said that there were not enough professionals and the available ones were not well polished in their craft.

I don’t see them as professional enough and understand they only evaluate the business on a certain financial issue not making an effort in understanding the business model their drivers, drivers of growth of the businesses or the challenges. [P13 (Principal)]

We're not as good as places like Germany or maybe Singapore because it's more compatible experience. [P03 (Expert)]

Also, due to the opening of other economies, experts moved from Dubai to those economies. Participant [17A] suggested the introduction of training to equip people with the necessary skills.

There is a lack of experts flowing into the country, and this thing started with the rebirth of the Western economy as such. Many of the subject matter experts opted to stay in their own countries [so are] not coming into the UAE anymore. [P06 (Expert)]

**ii. Role of organised labour**

Ten participants pointed out that there was no organised labour in Dubai. Trade unions were prohibited in Dubai.

No, we don't. But the only organisation of labour under UAE comes from two different entities, either from Ministry of Labour or from the different parts of the Emirates, which is the residency and nationalisation departments. [P19 (Officer)]

Participants reported that the role of trade unions was already being addressed by the legal system and the courts. So, there was no need for organised labour.

I call this a functional, competitive law. Look at the function, not the names and the titles. Labour unions in the States or in Europe or in the UK do a certain function, the same function as is done here by law and by courts. [P03 (Expert)]

Participant [P09A(Principal)] highlighted that organised labour and collective bargaining which are essentially by-products of unions could potentially be disastrous.
for Dubai if allowed by the government, as the majority of the UAE population are blue
collar expatriates.

   But organised labour and collective bargaining, the picketing is going to destroy
[us], especially when you have 85 per cent expats. Can you imagine if you
allowed this picketing and all of the Indians, the Indian labourers or Pakistani
labourers or having picketing tomorrow or protesting or demonstrating? It will
be disastrous. [P09A (Principal)]

Four participants stated that despite the fact that there is no organised labour, the
government has put in place structures to look out for the rights of employees. The
system has been set out in a way that favours employees.

   That does not mean that the rights and interests of the working force is not
represented. It is represented. There is a direct statutory protection. It is
contractual protection. And labour courts are very favourable of actually the
employee against the employer. [P13 (Principal)]

   I can see a shift towards the employees more than the employers. Employers
can no longer impose on employees what they want. And so, we need to come
to terms with this. And we need to accept at one point that the relationships that
employers used to have with employees, which was a master servant
relationship, no longer applies in 2020. And now it is more a partnership
relationship that that will take place. [P06 (Expert)]

According to the participants, Dubai has made a lot of progress in terms of labour rights
and securing wages, which was not the case many years ago, and it has adhered to
international treaties.

   So obviously, you've got governments to kind of protect the rights of employees
and what have you and I think happens on that level. [P08 (Expert)]

D. **Role of social capital**
   i. **Level of trust between society and government**

Six participants reported that the residents had a lot of trust in the government. The
government has always delivered most of the promises it has made to the people, which
has increased trust.
I believe many people here … the majority of people in the United Arab Emirates, have a high level of trust in the government and the government strategies. And you can feel it and you can notice it, especially when it comes to new opening for businesses. [P19 (Officer)]

I think, based on my experience and living in different countries and researching on different issues about trust to do with public administration, I think it's actually the highest I have seen in any country. I mean, I lived in so many countries. [P04 (Officer)]

Participants added that the government has created a strong bond with its people which has increased their level of trust and confidence.

[What] I find very impressive is how the leadership has managed to create an almost personal bond between almost every single individual Emirati individual and them, so that the loyalty, the dedication, the belief in governmental leadership in this country is, in my opinion, is amazing. [P05 (Expert)]

Two participants reported that some locals were sceptical about the things the government was doing. They had lost trust and confidence in the government.

I think people are still cynical. I think the government has done well in trying to instill that trust and demonstrate that they're here for the people. But people are still a bit cynical. I don't know if it's too good to be true or if the government has ulterior motives. [P08 (Expert)]

Participants said that they had made suggestions on areas that the government should improve but their suggestions were not taken into consideration.

But we every single time we used to have somebody coming from the government asking us what to what do you think about the economy and what should we do? Some of our suggestions have seen light and others have not. [P09A (Principal)]

E. Role of corporate governance

Ownership concentration and family ownership

One participant believed that the ownership concentration depended on the size of the company. One participant claimed that there were different models, whereas two believed that the ownership concentration lay in the hands of a few from mainly the first or second generation.
I've seen different models. I think in the Emirati community, obviously, as families are large, at some point after the second generation, it becomes very complex when ownership becomes very fragmented. [P05 (Expert)]

Unfortunately, I can see still see that the majority of private family businesses are owned. The ownership is concentrated in the hands of the happy few. And I don't see and we have been struggling to convince the families that to let go and eventually nurture a next generation or nurture a third-party experts to come and support those businesses. [P06 (Expert)]

Depends on the size. The smaller you get, the more family influence. [P07 (Expert)]

Concentrated in the sense that it's owned by either the first or second generation family members. I think we're still at that stage. Even so now, many of the first generation family owners that are quite, you know, I think it's fair to say concentration of ownership is concentrated with them and these aren't the most optimal structures and this is a problem when it comes to inheritance and ownership planning and succession planning, because obviously the shares in the business are transferred and fragmented among the next generation of shareholders. [P08 (Expert)]

**Family intervention**

Six participants reported that family businesses had well organised boards of directors. All decisions were made by the boards.

Also, each company has an administration and, since our business work isn’t that much, the board of directors is composed of five family members. There’s also a director. [P14 (Principal)]

Families have also outsourced some of the services to external consultants to help in running the business. External consultants ensure that there is no bias in the allocation of dividends and the job is well done without waiting for another family member to do the job.

We are doing all of that. We have employed consultants. The family constitution was nearly finished, it was going to the trust, we were using IFCG restriction for this but, as I said, my father fell ill. So, we were 85% done [P15 (Principal)]

We, the three brothers, are almost non-executive directors currently, especially in the past three years; we’ve placed the executive team, and they were under the monitor for six months, and now, it’s more of a routine type of thing. [P17 (Principal)]
On the other hand, three participants mentioned that there were no structured boards of directors. Participants stated that they had non-formal governance structures which included just family members. These family members were not concerned with the growth of the business; they just wanted dividends.

We have an unofficial, not a structured board or what is basically the partners and again to be very open to you as a friend, what I realise is that to have a professional board of family members or partners they don’t really look at what’s happening in the business how we are growing or future, the main focus is the dividends, so you don’t get the value out of the board. [P13, (Principal)]

I think now we are at the point, especially as we enter the fourth industrial revolution, that we do have access to skill sets. But now somehow the organisation is lagging behind. So, it’s like the skill level has outgrown the organisational sophistication. [P05 (Expert)]

5.6.5 Analysis of results

Annexure 4 (part B) presents the emerging themes with regards to Dubai’s extant business system. The key themes that emerged reference the number of participants who addressed them. The few consolidated themes are that Dubai’s government played a positive role in building infrastructure; that the Dubai government played a role in educating young people on how to run businesses; that the Dubai government created a conducive business environment; that the Dubai government has in place a solid and business friendly legal system; that the level of government ownership in Dubai’s economy is concentrated; the main source of capital in Dubai is self-finance or personal finance; that Dubai’s government and banks are also a source of capital in Dubai; that Dubai has attracted skilled labour from across the world; that Dubai lacks professionals; that there is no organised labour in Dubai; that the Dubai government has put in place proper structures for the rights of employees in the absence of organised labour; that
Emirati family businesses have a great deal of trust in the government; and that Emirati family businesses have well organised boards of directors.

5.6.6 Summary of results- Dubai’s business system

In seeking to understand Dubai’s business system, the objective of semi-structured questions was to learn how participants characterized the roles of the state, financial market, human capital, social capital, and corporate governance in Dubai. With respect to the role of the state, the government’s role and the level of government’s ownership in the economy were discussed. Dubai’s government role was described as building infrastructure for economic development, education and training, evolving the business environment, and progressing the legal system. A number of participants applauded the government for the development of high-quality hard and soft infrastructure ranging from roads, airport, and seaports to smart online public services enabling rapid economic growth. It is also seen as leading on educating, training, and nurturing talents for innovation and good business practice. The government is actively nurturing the business environment by constantly evolving rules and regulations to adapt to change.

In addition, the government is advancing its use of technology to provide convenient and efficient public services. It has maintained a relatively low tax environment, acting as a magnet for business. Many participants stated that the government has developed a solid, business friendly legal system. This includes supporting Emirati family businesses with subsidies, land, public-private-partnership opportunities, and intervention to resolve disputes. On the other hand, many participants complained about the government’s competition with the private sector. They emphasized the importance of the government sticking to strategic projects to function as a catalyst in certain sectors. Some also wanted the government to support the private sector and Emirati
family businesses in developing new strategic sectors like manufacturing and agriculture. With regard to the level of state ownership, the participants had different views but mostly believed that it was concentrated mainly with the government and a few Emirati families.

Concerning the role of financial markets, the participants reported that there are multiple sources of capital in Dubai: government, family businesses, banks, personal financing, and foreign investment. Most participants believed that the government and Emirati family businesses are key sources of finance but did not disregard others. Some believed that the banks were a major source of capital, while others mentioned local and foreign investors. According to some principals, Emirati family businesses played an important role in building the economy both as financiers and as major employers.

Turning to human capital, the level of specialised skills in Dubai and the role of labour unions were addressed. The majority of participants stated that Dubai has attracted high calibre specialised, skilled resources from all around the world to serve in multiple fields. Even the government’s Emirati employees are young and highly educated. On the other hand, a number of participants criticised Dubai for attracting substandard human resources claiming that they were of lower quality than places like Singapore and London. They also observed that to specialised, skilled talent, Dubai is only a stepping stone to move to destinations such as the USA, Canada, and Europe. On the labour union front, most participants confirmed that Dubai lacks any form of organised labour unions and that they are prohibited. However, the government has put in place structures to look out for the rights of workers, with laws and regulations that favour employees. A number of participants asserted that it would be politically and culturally
challenging to allow labour unions as the population is predominantly expatriates. One participant clarified that a union law exists, but only for Emiratis (UAE nationals), which is rarely used as locals probably do not see the need for it.

Regarding the role of social capital and the level of trust between Dubai’s society and the government, most participants reflected positively and believed that the level of trust was high and praised the government for delivering their promises and developing the city to its current state. Some described the relationship between the leadership and the people as being personal. Only two participants showed some discontent. One was not confident about the clarity of the agenda and strategy for the city. The other was disappointed with the lack of attention to certain recommendations presented.

Finally, the role of corporate governance was discussed, focusing on how companies are structured and managed. Most of the participants believed that ownership is relatively concentrated in the hands of the few. A substantial level of concentration is with the government and Emirati family businesses inclusive of the ruling family. They are not purely financially driven, but also care for their social and political positioning, putting high value on the relationship between the Emirati family businesses and the ruling family to maintain the historic clan-based social structure. Amongst these family businesses, ownership and control are concentrated amongst a few members, but mainly the patriarch. As future generations emerge, ownership and control seem to get fragmented. Many Emirati family businesses lack proper governance or succession planning, and tend to resist the involvement of non-family professional management, preferring to keep it within the family. However, some have introduced professional boards and succession plans, and rely on professional management.
Chapter 6. Discussion

This chapter discusses the findings from the interviews: it analyses the external challenges to Emirati family businesses sustainability in the context of Dubai and addresses the characteristics of Dubai’s business system. Finally, a conceptual business systems model for family businesses sustainability is outlined and discussed.

6.1 Emirati family businesses challenges in Dubai

In addressing the challenges facing Emirati family business, the feedback in the previous chapter echoes many of the common issues raised in the literature, although with certain particularities associated to Dubai, including economic, legal, and culture aspects. Most Emirati family businesses have not adopted proper governance structures, and lack defined business sustainability practices and succession plans confirming Al Awadi and Koster’s (2017) findings. Many family businesses globally seem to deploy less formal controls and monitoring mechanisms (Aguilera and Crespi-Cladera, 2012; Olson et al., 2003). Many Emirati family businesses have attempted the exercise, though are yet to succeed. Lack of proper human resources allocation and structures, defined roles and responsibilities, and professional management are also common characteristics amongst those families. The main reasons behind such a low success rate in adopting governance best practices were attributed to the lack of experience, education, or interest among the patriarchs, deeming such measures as adding complexity and unnecessary cost to the business or depriving them of their earned control. The same applies to the lack of succession planning, attributable to the patriarch’s lack of interest, education, experience, and empowerment of the next generation, together with cultural restrictions. Many of these points confirm the
findings of Palliam, Cader, and Chiemeke (2011), Al Awadi and Koster (2017), and Dupuis, Spraggon, and Bodolica (2017) on a UAE level. Only a few families have succeeded as yet in developing governance measures in the form of boards, committees, defined roles and responsibilities, and succession plans. The lack of support agencies that could help such businesses was also apparent. The role and value-add of advisors was appreciated, yet lack of decision-making and implementation by the families themselves resulted in poor performance. Self-education by Emirati family businesses was a priority in some cases.

The challenges Emirati family businesses face in adopting corporate governance practices revolved around business management, employment of professionals, generational gaps, and conflicting investment strategies and priorities. The lack of business management skills and necessary education amongst family members hindered them in undertaking proper governance and succession planning. The lack of professional external management and board members is one reason for the lack of proper governance at both board and operational levels. Chua, Chrisman, and Sharma (2003) concluded that non-family executives in larger firms play a critical role in strategic decision making, but their absence at board level was often caused by resistance from other family members as they believed that they had the right and the skills to perform the role and were reluctant to relinquish power. The lack of professional external managers at the operational level is caused by prioritising family members, lack of trust, and cost consciousness. The involvement of external professionals is valued and associated with better financial performance. Generational gaps caused by differences in the way of thinking, education, higher risk appetite, less
hunger, and exposure to a Western liberal lifestyle, restrict the adoption of proper governance.

On the economic front, financial crises, currency strength, access to funding, government competition, geopolitics, government incentives, rules and regulations, foreign investors, and taxation are key items of concern to Emirati family businesses. In an economy susceptible to market fluctuations caused by local, regional, and global financial and geopolitical events, the government’s reaction plays an important role in family businesses’ survival and sustainability. Government reaction in the form of spending and support to the economy and family businesses is critical, as well as a flexible banking system to provide funding. The government plays a role in developing infrastructure, a business-friendly legal system, high quality education, incentive programmes, and strategic projects, and is perceived positively by Emirati family businesses.

The variables that were more related to Dubai’s specific context were the strength of the currency compared with surrounding countries, as Dubai is recognised as a regional trade hub and the Arab Emirates dirham is pegged to the US dollar. Many surrounding countries have floating currencies and tend to fluctuate against the dollar and weakening over time, to the occasional disadvantage of Dubai’s status as a trading hub. As Emirati family business are key players in the city’s trade activities, they tend be impacted. Dubai is also a tourist destination. Geopolitics and the currency fluctuations tend to impact tourism and, consequently, the Emirati family businesses who own most travel agencies, hotels, and shopping malls in Dubai, and indeed the economy as a whole.
A major point arising was government competition with the private sector which is substantially owned by Emirati family businesses. The Dubai government is being criticised for penetrating sectors such as real estate, entertainment, media, and more, causing oversupply, rising costs, falling prices, loss of employees to the government, and unfair treatment. The UAE and Dubai have recently introduced taxation causing turbulence in the economy, including for Emirati family businesses who have benefitted from a tax-free trading environment for decades. The Emirati population is less than 12% of Dubai’s population. The influx of foreign investors has grown the economy, increased knowledge, and attracted professionals, but it has also increased competition with Emirati family businesses, and introduced unethical practices such as Ponzi schemes, creating market hype, embezzlement, and intellectual property theft. This is consistent with Obaid’s (2009) findings.

On the legal front, inheritance law, investment law, types of jurisdiction, maturity of the legal system, dispute resolution, court system efficiency, and judges’ experience are factors that influence Emirati family businesses governance and sustainability. These factors could potentially impact family businesses in any jurisdiction. Culture, ideology, and religion of a country, can all influence legal systems and corporate governance (Brickley and Zimmerman, 2010). Inheritance law is a factor that could influence the shift of wealth between generations: it plays an important role in wealth distribution and the transfer of assets from one generation to another. Jurisdictions that offer flexibility in design of asset ownership and wills, and are less taxing, could support a smoother transfer of wealth and perhaps a higher rate of family businesses survival. A more investor-friendly legal system could support better market and family businesses growth. The more familiar the type and nature of the legal jurisdiction
system, the easier it is likely to be to attract foreign investors. The greater the maturity, transparency, and efficiency of the judicial system, the more attractive it could be to investors and more conducive to swift resolution of family businesses disputes. Access to funding is predominantly by the banking system where extensive collateral requirements are imposed on Emirati family businesses. Claessens and Laeven (2003) reported that, at a sectoral level in weaker legal environments, firms obtain less financing and invest less than optimally in intangible assets.

There are a number of legal characteristics specific to Dubai that were highlighted in the results analysis: 1- Inheritance law which is based on Sharia principles offers a predetermined wealth distribution structure whereby wills have limited power. This requires active wealth planning and structuring prior to the demise of the patriarch, otherwise the wealth will be distributed; 2- Civil-law based jurisdiction is less familiar to the majority of foreign investors coming from common-law based jurisdictions, hence costing them more to undertake legal due diligence of the jurisdiction and complicating the process of investment; 3- Multiple jurisdictions being offered by Dubai such as inland and more than twenty-two free-zone jurisdictions occasionally causes legal and financial confusion. 4- Lack of a legal framework for Emirati family businesses sustainability inclusive of specialised dispute resolution centres echoes what Rettab, Abu Fakhr, and Morada (2005, p.5) concluded: ‘there is a need for a set of rules to streamline ownership transfer, management and regulations; as well as, for an effective monitoring mechanism of transitions’.

On Dubai’s cultural front, a number of factors influenced Emirati family businesses. Culture, for example, plays a key role in business activities. The Islamic religion is the
official religion of the country and the Emirati population influences Emirati family businesses choices in activities. They tend to shy away from those involving alcohol, pork, tobacco, gambling, and a few others, suggesting that Emirati family businesses are not driven purely by financial logic, endorsing the conclusion by Berrone, Cruz, and Gomez-Mejia (2012) and Habbershon and Williams (1999). Multiculturalism was perceived positively by Emirati family businesses as it has contributed to economic growth and introduced variety in business activities and product mixes. Women do not play a substantial role in Emirati family businesses in Dubai, as traditions, culture, and perceived role in society do not tend to encourage women to work in leading positions. The inheritance law grants females half of what males receive in most cases. Accepting new members from outside the family blood line into the ownership of Emirati family businesses is not seen favourably. With the modernisation of Dubai, Emirati family businesses have expressed discontent with the westernization and change of values amongst the younger generation.

6.2 Discussion of challenges
This research suggests that many governance and sustainability challenges faced by Emirati family businesses are commonly shared with family businesses globally. They share many of the variables influencing sustainability such as the maturity of governance, succession planning, the role of external professional management, dispute resolution, cultural ideologies, women’s role, the business environment, sources of capital, and government support. The research also suggests that there are variables and challenges that are unique to Dubai’s Emirati family businesses such as Dubai’s regional position as a trade hub and a tourist destination, the currency peg with the US
dollar, the sensitivity of the economy to regional geopolitics, government competition with the private sector, low taxes, the Emirati population being a minority, the influence of Sharia principles on business practices and the legal system, the nature of civil law structure, the multi-jurisdictions, and its multicultural population. The Emirati family sample falls into two categories. Some are structured in that there is a board in which the roles of individuals are clearer and an understanding of sustainability risks exists. They tend to be aware of the prevailing issues, yet are moderately optimistic about the future of Dubai. The other pole of the sample tend to be less structured in that the patriarch is still in control; there is an absence of governance and succession planning; and a general lack of understanding of risks. Even though they may be aware of risks, views are unstructured and generally less optimistic about Dubai’s future.

It can be noted that a number of challenges thought to have a high importance, yet has not emerged strongly in the discussions such as; family conflicts, immaturity of next generation, lack of strategy with patriarch, role of external advisors, lack of appetite of younger generation, and challenges of multiculturism.

6.3 Dubai’s business system

Given the focus of this study, it is pertinent to consider Dubai’s business system from the perspective of Emirati family businesses, using business systems theory as a tool to facilitate comparability with other contexts. As Dubai is a state in the UAE, and the UAE has been covered by the recent work of authors such as Fainshmidt et al. (2016) and Witt et al. (2018), it would be appropriate to identify Dubai’s business system and to determine whether it is materially different to that of the UAE. As discussed earlier, in Witt et al.’s (2018) taxonomy the UAE is an Arab oil based economy characterised
as being oil export dependent with a bank-led financial system, and limited ability to
attract foreign direct investment. Decision making within organisations is top-down
with limited delegation, and employee promotion based on relationships and
performance. Employment is short-term with poor accountability. Labour unions are
very weak or non-existent. Families play an important role in the economy and state
ownership. Investment protection is below average to average and the rule of law above
average. The government stance is a combination of predatory, developmental and
welfare having a good government and weak but improving education. In Fainshmidt
et al.’s (2016) ‘Varieties of Institutional Systems’ (VIS), the UAE business system falls
in the ‘Centralised Tribe’ category and is characterised as public welfare oriented, and
adhering to the ‘Wasta’ social organising principle where powerful families are the
Guardians of key resources and expected to provide a safety net for the lower levels of
society where ‘the family is the state’. A distinguishing feature of this type of state is
the collaborative and coordinated political relations and stability of employment.
Referring to the research results chapter and using Fainshmidt et al.’s (2016) VIS model
to categorise Dubai’s business system while comparing it to the UAE could enhance
clarity. Fainshmidt et al.’s (2016) VIS model has a more extensive range of variables
than VOC and NBS and has focused on developing regions such as the Middle East
and the UAE. See Table 6-1 (after Fainshmidt et al., 2016, p.308).
The roles of the major institutional dimensions outlined by VIS for UAE and suggested
by the research into Dubai’s Emirati family businesses are discussed below.
6.3.1 The state

In accordance with Fainshmidt et al.’s (2016) VIS model, the UAE government’s influence is described as being dominant in the national economic system, with direct and active involvement in economic production via state-owned agencies. It has a high level of indirect intervention in the private sector through regulation, political networks, financial resource provision, and participation in corporate governance. It is also categorised as being a ‘Welfare State’ concerned with the protection and elevation of the well-being of its citizens through the distribution of wealth by the government.

The results analysis shows that the Dubai government’s role in the economy includes building infrastructure, education and training, enhancing the business environment, and improving the legal system. Hard and soft infrastructure development was

<table>
<thead>
<tr>
<th>Institutional dimension</th>
<th>VOC</th>
<th>NBS</th>
<th>VIS</th>
</tr>
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<tbody>
<tr>
<td>Role of the state</td>
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<tr>
<td>Direct state dominance</td>
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<td></td>
<td>✔</td>
</tr>
<tr>
<td>Indirect intervention in private sector</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Type of state*</td>
<td></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Role of financial markets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity market</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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<tr>
<td>Credit market</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Family wealth</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>State-provided capital</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Role of human capital</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Coordination with labor</td>
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<td>✔</td>
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<tr>
<td>Knowledge capital</td>
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<td>✔</td>
<td>✔</td>
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<tr>
<td>Role of social capital</td>
<td></td>
<td></td>
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<tr>
<td>Generalized trust</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Role of corporate governance</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Ownership concentration</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Family ownership</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Family intervention in management</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

Notes: *—Regulatory, welfare, developmental, and/or predatory. VOC = Varieties of Capitalism; NBS = National Business Systems; VIS = Varieties of Institutional Systems.
described as advanced and of high-quality ranging from roads, airport, and seaports to smart online public services, enabling rapid economic growth. It is also seen as leading on nurturing talents for innovation and good business practice, and fostering a positive business environment by constantly evolving rules and regulations to adapt to change. In addition, the government is advancing its use of technology to provide convenient and efficient public services. Dubai’s government has maintained a relatively low tax regime, acting as a magnet for business and developing a business-friendly legal system. This is inclusive of supporting Emirati family businesses with subsidies, land, public-private-partnership opportunities, and intervention to solve disputes. This suggests that Dubai falls more into the category of ‘Developmental State’ rather than ‘Welfare state’ as it focuses on long-term national economic interests and engages in extensive development of the business sector. This is consistent in many ways with the findings of Hvidt (2009). The ‘Welfare State’ status could be partially true when it comes to employment of Emirati nationals, job security, and occasional grants to Emirati family businesses. However, Dubai is not considered as a sizable oil exporter, as oil accounts for less than 2% of its GDP (Mishrif and Kapetanovic, 2018). With reference to the research analysis, Dubai is seen to provide a level-playing field for the private sector.

Regarding the level of state ownership, the analysis suggests that a level of concentration exists mainly with the government, a few Emirati ruling families, and Emirati business families. Foreign investment and the banking system are also of growing importance. The government is criticised for competing with the private sector, but it is important that the government sticks to strategic projects to function as a catalyst in certain sectors. These indicate a level of government dominance, with
direct and active involvement in economic production via state-owned agencies. Indirect intervention in the private sector occurs through regulation, political networks, financial resource provision, and participation in corporate governance, but it is relatively insignificant from the point of view of Emirati family businesses.

6.3.2 Financial markets

Financial markets are the central element of the economy where capital is acquired and distributed (Davis and Marquis, 2005). The sources of capital in UAE as categorised in the VIS model are led by the government, family businesses, and the banking system. It is easier and faster to resort to these than to equity markets, whose role is minimal (Schneider, 2009). The outcome of the results analysis confirms this, adding foreign direct investment as an important source of finance and hinting that equity markets are growing in importance. The results analysis suggests that there are multiple sources of capital in Dubai: government, family businesses, banks, personal financing, and foreign investment. The government and Emirati family businesses are believed to be the key financiers, although other sources such as banks and foreign investors should not be ignored.

6.3.3 Human capital

This dimension concerned knowledge creation and labour market organisation within the national economy. In the view of Hall and Soskice (2001), a high level of labour organisation is associated with low turnover and high efficiency. The UAE has low labour coordination, with a lack of unions. Although the law permits the formation of labour unions, these are restricted to UAE nationals who do not tend to resort to them. Expatriates, on the other hand, are not permitted to form or join unions. Regarding
knowledge capital, the UAE is classified as high in knowledge capital, due to a solid educational and training system with high literacy rates and numbers of higher education graduates, an advanced healthcare system, and longer life expectancy. The results analysis of Dubai is consistent with the UAE classification, though with a caveat. Dubai has attracted high calibre expatriates with specialized skills and has built a young and highly educated local Emirati workforce (Festing and Haak-Saheem, 2018), it might be considered substandard compared to places like Singapore and London. The turnover of employees might also be considered high as Dubai is seen as a stepping stone to other countries such as the USA and Canada, given that obtaining UAE nationality is virtually impossible. Although unions are non-existent in Dubai; the government has put in place structures to protect workers’ rights with laws and regulations that favour employees.

6.3.4 Social capital

This is linked to the level of trust amongst members of the society at large, between economic actors, institutions and governments. The lack of such trust tends to encourage corruption and lead to reliance on informal channels and networks, hindering economic prosperity (Uslaner, 2008). As Fainshmidt et al. (2016) note, the UAE is low in generalised trust, probably because of the perceived tribal structure of the country and the importance of relationships and connections in soliciting economic opportunities. The research analysis suggests the contrary for Dubai, at least from the perspective of Emirati family businesses and the experts. It suggests that the level of trust between society and government in Dubai is high, with praise for the government’s delivering on promises and providing a level-playing field for the players in the
The mature legal system also adds to the perceived level of trust, and the increased level of FDI and growth are clear indications of that trust.

6.3.5 Corporate governance

This dimension focuses on how companies are controlled and managed in three main aspects. First, ownership structures affects management, owners, and labour interaction. For example, concentrated ownership as a means to fill market voids is a result of weak institutions and financial markets (Khanna and Palepu, 1997; La Porta, Lopez-de-Silanes, Shleifer and Vishny, 2000). Second, family dominance (which is highly relevant in the Middle East): owners of family businesses tend to be concerned with aspects that go beyond financial returns such as identity, family influence, and family sustainability. Third, is the extended family’s ability to overcome institutional voids by their intervention in management. This is recognising that many parts of the world, including the Middle East, are seen as driven by family conglomerates. In Fainshmidt et al.’s (2016) work, the UAE is classified as having high ownership concentration with the government and Emirati family businesses. Family ownership is substantial, where the state is also a family, and the extended family is highly involved in business. The results analysis on Dubai is consistent with Fainshmidt et al.’s (2016) work, but again with a caveat. It is suggested that ownership is relatively concentrated in the hands of the few, notably the government and Emirati family businesses, including the ruling family. However, they are not purely financially driven and care for their social and political position, putting high value on the relationship between the Emirati family businesses and the ruling family to maintain the historic clan-based social structure. Many Emirati family businesses lack proper governance or succession planning, and tend to resist the involvement of non-family professional management,
keeping it within the extended family. Some though have established professional boards and succession plans, and have introduced professional management, and as ownership moves to younger generations, ownership and control seem to become fragmented.

6.4 Discussion of business systems models
Table 6-2 summarises and compares the findings of Fainshmidt et al.’s (2016) VIS model of the UAE and the analysis of this study of Dubai from the perspective of Emirati family businesses. The results suggest a difference between the UAE and Dubai in the institutional dimensions covered in the VIS model, and hence give Dubai a different potential categorisation to the UAE. This could be attributed to many variables, including different government roles and strategies, different sources of income, diverse social perceptions, and distinct development paths. The same applies in comparing Dubai with other countries covered by Fainshmidt et al. (2016). Dubai seems unlike any other country in the list (see Table 3 in Fainshmidt et al., 2016, p.314). Looking at it from the perspective of Emirati family businesses and assuming that the type of state, level of direct state dominance, level of generalised trust, and family ownership level rank highest in importance, then the nearest comparable countries are Singapore, Taiwan, Algeria, Azerbaijan, and Morocco. Each of these countries is characterised by a developmental role for the state, with direct state dominance, high trust, and high levels of family ownership.

Table 6-2. VIS institutional matrix of the UAE and Dubai

<table>
<thead>
<tr>
<th>#</th>
<th>Institutional dimension</th>
<th>UAE</th>
<th>Dubai</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Direct state dominance</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>2</td>
<td>State indirect intervention in private sector</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>
While the equity market is not considered to be a major source of capital in Dubai, it is evolving substantially. With regard to labour, although unions are non-existent in Dubai, there are laws to protect labour. It should be noted that while most BST models such as VOC, NBS, and VIS take a snap-shot of a country at a stage in its development, countries classifications change over time. In addition, states or cities might develop a differentiated classification within a country, by virtue of different roles for state, financial markets, social capital, human capital, or governance. All of these models aspects been addressed qualitatively with reference to Emirati family businesses principals, government officials, and experts, and hence the wide variety of views expressed.

6.5 Conceptual model of business systems for family business’ sustainability

This study has highlighted few key findings:

1- Family businesses are key contributors to many economies.
2- The sustainability of family businesses is important for the wellbeing of the family members and the resilience of the economies in which they function.

3- Family businesses have both internal and external challenges influencing their sustainability.

4- The internal challenges of family businesses are relatively common globally and these have accrued a growing coverage within the academic literature.

5- The external challenges of family businesses are influenced by the context in which they function.

6- BST suggests a number of key variables that influence business entities within an economy, namely the role of the government; the role of financial capital; the role of social capital; the role of human capital; and the role of corporate governance.

7- BST also applies to family businesses and has the potential to systematically identify key external challenges which otherwise impact the sustainability of family businesses.

8- BST can also assist in growing taxonomies to enable contextual comparability in relation to the sustainability of family businesses.

Therefore, there are a number of theories this study seeks to evolve. These theories would require further investigation, both qualitatively and quantitively, to be validated.

Some of the key theories considered are that:

1- The sustainability of Emirati family businesses is significantly affected by Dubai’s business system.

2- The Dubai business system is significantly different from that of the UAE.

3- The external challenges family businesses face are significantly influenced by the context in which they function.
4- The roles of the state, capital markets, human capital, social capital, corporate governance, and legal environment all significantly affect the sustainability of family businesses.

This study suggests complementing the existing body of knowledge, not by only addressing the role of the family and of business as suggested by SFB, but also by considering the role of the context by addressing additional variables, namely:

1- The role of the state;
2- The role of the capital markets;
3- The role of human capital;
4- The role of social capital;
5- The role of corporate governance;
6- The role of the legal environment.
Hence a more comprehensive model of family business sustainability will be needed to consider all of these factors. Figure 6.1 presents an advanced family business sustainability model. It not only considers the role of the family and their businesses, as SFB suggests, but also takes into account the additional variables BST suggests are inclusive of the role of the legal environment (which this study adds).

![Advanced family businesses sustainability model]

Figure 6-1. Advanced family businesses sustainability model

This study also considers growing taxonomies across different contexts to enable comparability and, potentially, interoperability in relation to the sustainability of family business. This could also lead to the ability to rate the sustainability of family businesses on a global scale, taking into consideration their internal and external sustainability readiness in comparison with other contexts. This could be achieved by scoring the level of risk imposed by their internal challenges; the level of risk imposed
by external challenges; and comparing these with their contextual taxonomy as suggested in Figure 6-2 below:

![Figure 6-2. Global family businesses sustainability score.]

To achieve both of the objectives above, most BST models such as VOC, NBS, and VIS have incorporated family businesses in their respective business systems. In order to use BST as a tool to compare contexts, it should be customised to serve the purpose. It is apparent that family businesses are more prominent in certain contexts than others (e.g., in Witt et al.’s (2018) Advanced City Economies and Arab Oil-Based Economies categories and in Fainshmidt et al.’s (2016) Family-Led and Centralized Tribes). This level of concentrated ownership is occasionally ascribed to filling market voids as a result of weak institutions and financial markets (Khanna and Palepu 1997; La Porta, Lopez-de-Silanes, Shleifer and Vishny, 2000). Addressing the different institutional dimensions from the perspective of family businesses sustainability could reveal different business systems taxonomies of relevance. Most BST models concern economic organisations in general and their positioning within the different business systems. Building on the work of Hall and Soskice’s (2001) ‘Varieties of Capitalism (VOC)’, Whitley’s (1999) ‘National Business Systems (NBS)’, and focusing on
6.5.1 The role of state

The government plays a key role in the sustainability of the family businesses. Governments that lead on economic growth with soft and hard infrastructure, provide level playing fields for the private sector, introduce laws and regulations that are investor friendly, work in collaboration with the private sector, and support national family businesses with incentives and programmes, could enhance their sustainability. Therefore, it crucial to understand the state’s relationship with national family businesses and whether the relationship is of a supportive or a competitive nature (Carney and Witt, 2012; Whitley, 2003). State dominance over economic production, intervention in the private sector, and relationship with family businesses are suggested variables to assess national family businesses sustainability (Zhang and Whitley, 2013). A balance is needed between leading on the growth agenda by spearheading strategic projects, and competing with the private sector. Failing to pursue strategic projects (e.g., ports, airports, or mega tourist attractions) could deprive the economy of potential economic opportunities. On the other hand, competing with the private sector through interventions, be it direct (e.g., for-profit government-owned companies) or indirect (e.g., favouritism, political board appointments, and capital provision), could hinder private sector growth (Musacchi and Lazzarini, 2014). Therefore, business systems in which state dominance and intervention in the economy is limited could serve national family businesses sustainability. Moreover, business systems that proactively support national family businesses with incentives could enhance their sustainability. An
example extracted from this study is the dominance of Dubai’s government in the market. It plays a developmental role by leading on strategic economic projects. It is perceived as providing a level playing field for market players, although occasionally it is seen in competition as quasi government agencies intervene in the market.

6.5.2 The role of financial markets

Assessing the sources of financial capital (equity markets, credit markets, family wealth, and state-owned capital) and specifically the sources of capital for national family businesses could clarify the relationship that family businesses have both with the banking sector and with government funding. Understanding whether the equity market is a source of capital for family businesses could also reveal the level of maturity of those businesses. Financial markets are the central element of the economy where capital is acquired and distributed (Davis and Marquis, 2005). In addition, understanding the resilience of the economy in the face of economic and geopolitical fluctuations could better help understand the economic environment in which family businesses perform and their survival potential. As Allen (2004, p. 105) claims: ‘it is the structure of the national economy, not the differences between firms that largely determines the actions of firms’. Recognising the available sources of finance could reveal the role of family businesses in the market and the level of financial support available to sustain those businesses. This study examines the role of the government and family businesses as a source of financial capital in Dubai, and notes that while the banking system and public markets are still evolving, their limitations constrain support for those businesses.
6.5.3 The role of human capital

The level of knowledge capital within a national context determines how organisations engage with employees in productive activities (Fainshmidt et al., 2016). Labour relations are critical in how human capital is utilized (Hall and Soskice, 2001). Family businesses that can access high calibre employees and advisors could be better governed and more sustainable (Morris et al., 1996). The role of unions may not be directly linked with family businesses, but it does affect the dynamics of the workforce within an economy. In Dubai, for example, the vast majority of the workforce is imported. A good level of knowledge capital is available both through importing resources and through a developing education system. Labour unions, however, are non-existent, rendering the workforce very flexible. Emirati family businesses tend to leverage that flexibility, yet also suffer the instability of key human resources.

6.5.4 The role of social capital

Generalised trust is an important factor, which can significantly shape economic activity patterns (Knack and Keefer, 1997). Understanding the level of trust could give insight into the influence family businesses have on society and the government and the nature of the relationship. In addition, understanding the impact of culture on family businesses could also clarify many variables that effect their sustainability, including the restrictions on business activities, the nature of board governance, the relationship with the workforce, philanthropic activities, and the cultural impact on financial decision making. Sorenson and Bierman (2009) note the importance of family social capital in successful family businesses. Emirati family businesses, for example, have a high level of trust in the government, and the government in turn perceives Emirati family businesses as an important element of the economy and society. A clan-based
hierarchy still exists to some extent. Emirati family businesses are also seen as a substantial employer and a contributor to CSR and philanthropic activities in Dubai. The level of trust between society and Emirati family businesses is important and gauging the mutual support could help understand sustainability although it has not yet been explored academically.

6.5.5 The role of corporate governance

Corporate governance concerns ownership concentration, family ownership, and family intervention in management. Ownership concentration is a significant component of the institutional economic context as it determines how owners, labour, and management interact with each other (Aguilera and Jackson, 2003). Family business’ domination in many parts of the world extends to corporate governance (Fainshmidt et al., 2016; Sharma, 2004). Extended family is a unifying feature to overcome institutional voids (Steier, Chua and Chrisman, 2009). The level of ownership concentration, and family intervention in management reflect the dominance of family businesses and the maturity of their governance, all of which are indicative of sustainability. Emirati family businesses are perceived to have a high level of dominance in Dubai, with a high level of concentration and intervention in operations.

6.5.6 The role of the legal environment

The legal environment has emerged as an important and consistent theme in the literature review and research findings particularly aspects such as investment friendly regulations, availability of dispute resolution centres, and the flexibility of inheritance law. An investment friendly environment helps economic growth and family businesses to flourish. There seems to be a fine balance between protecting the investor without
hampering business (Djankov et al. 2008). The availability of dispute resolution centres could help reduce or resolve family conflicts and thereby minimize risk of business failure. Schwass (2005) claims that successful family businesses manage to resolve disputes. A flexible inheritance law could ensure proper wealth protection and succession planning. Estate planning is one of the key elements for the sustainability of any business (Zaudtke and Ammerman, 1997). For Emirati family business in Dubai, for example, law is perceived to be investor friendly and seems to attract foreign investors. It is still evolving, however, and better dispute resolution is needed and greater clarity where inheritance law is derived from Sharia principles.

Table 6-3. Institutional matrix for family businesses sustainability

<table>
<thead>
<tr>
<th>#</th>
<th>Institutional dimension</th>
<th>Status</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Direct state dominance</td>
<td>Yes/No</td>
<td>States influence their economies (Carney and Witt, 2012; Whitley, 2003)</td>
</tr>
<tr>
<td>2</td>
<td>State indirect intervention in private sector</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Type of state</td>
<td>TBD</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>State relationship with national family businesses</td>
<td>TBD</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Role of financial markets</td>
<td>Equity markets</td>
<td>Yes/No</td>
</tr>
<tr>
<td>6</td>
<td>Credit markets</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Family wealth</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>State owned capital</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Sources of family wealth</td>
<td>TBD</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Economic resilience</td>
<td>Low/High</td>
<td>Allen (2004, p. 105), ‘it is the structure of the national economy, not the differences between firms that largely determines the actions of firms.’</td>
</tr>
<tr>
<td>11</td>
<td>Role of human capital</td>
<td>Coordination with labour</td>
<td>Low/High</td>
</tr>
<tr>
<td>12</td>
<td>Knowledge capital</td>
<td>Low/High</td>
<td>Level of knowledge capital within a national context determines how organisations engage with employees</td>
</tr>
</tbody>
</table>
Table 6-3 presents an initial institutional matrix derived from the discussion. It is designed for the purpose of categorising contexts with a focus on family business sustainability. It aims to increase understanding of the impact of context on the sustainability of family businesses, facilitate comparison of contexts, and help identify similarities to promote knowledge sharing. Identifying the status of each institutional dimension for each context, from the perspective of national family businesses, will

<p>| | | |</p>
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<tbody>
<tr>
<td>13</td>
<td>Family business advisors</td>
<td>Yes/No</td>
</tr>
<tr>
<td>14</td>
<td>Generalised trust</td>
<td>Low/High</td>
</tr>
<tr>
<td>15</td>
<td>Culture influence on family businesses</td>
<td>Low/High</td>
</tr>
<tr>
<td>16</td>
<td>Ownership concentration</td>
<td>Yes/No</td>
</tr>
<tr>
<td>17</td>
<td>Family ownership</td>
<td>Yes/No</td>
</tr>
<tr>
<td>18</td>
<td>Family intervention in management</td>
<td>Low/High</td>
</tr>
<tr>
<td>19</td>
<td>Investment friendly law</td>
<td>Yes/No</td>
</tr>
<tr>
<td>20</td>
<td>Flexibility of inheritance law</td>
<td>Low/High</td>
</tr>
<tr>
<td>21</td>
<td>Dispute resolution centres</td>
<td>Yes/No</td>
</tr>
<tr>
<td>22</td>
<td>Efficiency of the legal system</td>
<td>Low/High</td>
</tr>
</tbody>
</table>
help grow taxonomies, adding to knowledge of family businesses and business systems and yielding practical benefits. In gauging the different institutional dimensions, the use of yes/no or high/low could be interchangeable. It could also be expanded to high/medium/low if necessary. What constitutes yes/no or high/low could be further refined through developing the process, although consistency is essential.

6.6 The taxonomy development process

As with other BST models, the following is a suggested process for the development of a taxonomy focusing on family businesses sustainability: The proposed process seeks to categorise contexts and develop a taxonomy, as suggested in Figure 6-3 below.

6.6.1 Contexts selection

In selecting contexts, the targets could be the list of countries, regions, or cities of interest. It could be cities within the same country or cities across multiple countries and follow or be based on the predominance of family businesses. The process could follow the approaches of Hall and Soskice’s (2001) ‘Varieties of Capitalism (VOC)’, Whitley’s (1999) ‘National Business Systems (NBS)’, Fainshmidt et al.’s (2016) ‘Varieties of Institutional Systems (VIS)’ or any other model using GDP or GDP per capita.
6.6.2 Qualitative study

Regarding data collection, as with most BST models, developing questionnaires, conducting focus groups or elite interviews are suggested to derive qualitative input for analysis (Witt and Redding, 2013). The sample should encompass family businesses principals and members, and perhaps experts and government officers. The difference between this model and most BST models is the emphasis on national family businesses.

6.6.3 Quantitative survey

A survey could be developed based on the output of the qualitative study, to add to the robustness of the outcomes. The challenge, however, is to gain mass access to national family businesses principals and elicit genuine views.
6.6.4 Configurations

In accordance with other BST models is a suggested methodological approach is to adopt an analytical procedure based on a generalised design model, to translate qualitative data into categorical data for quantitative analysis and two-step cluster analysis (Srnka and Koeszegi, 2007; Ronen and Shenkar, 2013). An example is Fainshmidt et al. (2016, p.313).

6.6.5 Taxonomy

The results should suggest a taxonomy of varieties of institutional systems focusing on family businesses sustainability that could be either for academic or practical use.

6.7 Summary of chapter

The research was able to answer the two main questions: what external challenges face Emirati family businesses’ sustainability and governance in Dubai; and what is Dubai’s business system from the perspective of Emirati family businesses?

The study identified that many governance and sustainability challenges faced by Emirati family businesses are commonly shared with family businesses globally. They share many sustainability influencing variables such as the maturity of governance, succession planning, the role of external professional management, dispute resolution, cultural ideologies, women’s role, the business environment, sources of capital, and government support. The research also suggests that there are variables and challenges that are unique to Emirati family businesses such as Dubai’s regional position as a trade hub and a tourist destination, the currency peg with the US dollar, the sensitivity of Dubai’s economy to regional geopolitics, government competition with the private sector, the low tax regime, the Emirati population being a minority, the influence of
Sharia principles on business practices and the legal system, the nature of the civil law structure, the multi-jurisdictional nature of Dubai, and the multicultural population. Each differentiated context, like Dubai, has its own particular variables that influence family businesses dynamics.

The results analysis also identified Dubai’s business system characteristics as a developmental state, whereby the government is a dominant player in the economy, yet with a limited intervention in the private sector. State and family businesses ownership in Dubai is dominant. The banking system plays an important role and the public market is still evolving. Dubai has a high level of knowledge capital albeit mostly imported expertise. While it lacks labour unions, it has laws and regulations in favour of employees. There is a high level of trust between society in general and family businesses and the government. Ownership concentration is dominant, family ownership is high as is family intervention. An interesting finding is the difference between UAE and Dubai in the institutional matrix of the VIS model which categorises Dubai and the UAE differently. Dubai is unlike any other country in the list and does not fall naturally into any specific category. This could reflect different state/city level government roles and strategy, different sources of income, diverse social perceptions, or evolutionary paths. The closest comparable countries are Singapore, Taiwan, Algeria, Azerbaijan, and Morocco, all of which have a developmental state, with direct state dominance, high trust, and high family ownership. This finding suggests that a city within a country does not necessarily share the same category, especially in a federal state system where states or cities’ governments have substantial policy freedom and different evolutionary paths. The apparent similarities between Dubai and other countries or cities merits further investigation and observation.
Finally, it suggests building a taxonomy of contexts (countries, states or cities) based on their suitability for national family businesses sustainability. The matrix suggested in Table 6-3 introduces additional institutional dimensions to address key variables that could help identify the suitability and support level of a context for national family businesses sustainability. Additional institutional dimensions include the nature of the relationship between the state and national family businesses, the sources of family wealth, the resilience of the economy, the availability of advisory bodies or experts, cultural influences on decisions, and governance practices. The matrix has also introduced the role of the legal environment, focusing on investment law, the availability of dispute resolution centres, the flexibility of inheritance law, and the efficiency of the legal system. Finally, the process of undertaking the exercise of generating the taxonomy has also been described, encompassing context selection, qualitative study, quantitative survey, configuration identification, and taxonomy development.
Chapter 7. Conclusion and recommendations

This chapter summarises the study’s findings and contributions, starting with the outcomes in relation to the objective of the thesis. The main research contributions to the body of knowledge and potential practical implications are outlined, together with the limitations of the study. There are recommendations for future research and, finally, some closing remarks.

7.1 Research objectives

The research aim was to investigate empirically the sustainability challenges facing Emirati family businesses based in Dubai. The challenges of interest were those imposed by Dubai’s context. Another related objective is to characterise the business system of Dubai and consider the application of business systems theory (BST) for family business sustainability research. These aims were to be pursued through investigation of the following research objectives:

1- Examination of the impact of Dubai’s context on Emirati family businesses sustainability.
2- Identification of the characteristics of Dubai’s business system in terms of the structure and practices of state agencies, financial organisations, labour-market actors, and social dynamics, from the perspective of Emirati family businesses.
3- Suggestion of a BST model that focuses on developing a taxonomy of contexts in relation to family businesses sustainability.

7.2 Study contribution

Family businesses are major contributors to the economies of many countries. The instability of those families and businesses is a threat not only to the wellbeing of those families, but also to the economies in which they function. The academic field of family
businesses studies has evolved in recent decades and is growing progressively. It seeks to understand the dynamics of family businesses, the way they behave and are governed, and the factors affecting their sustainability. The family business and the economies within which they function are living bodies that are evolving and changing all the time. The variables involved in this process are extensive and hence the continuous need for academic investigation and coverage, to better explain and assess the dynamics of family businesses behaviour and sustainability. This study is intended to develop understanding of the challenges imposed on Emirati family businesses by Dubai’s context, adding to family businesses studies in general and, more specifically, in the context of Dubai, and offering practical suggestions. In addition, the research has explored the characteristics of Dubai’s business system comparing it with other business systems. The outcome should also contribute to knowledge as Dubai has not been analysed in this manner before. Such analysis should again have practical implications. Finally, the thesis has suggested the use of a BST model to characterise contexts with regard to suitability for family businesses sustainability, ideally, enabling comparability and the development of taxonomies. This could lead to a fresh academic approach to investigating family businesses contexts in future studies. The model may serve as a guide and a base for practical use. The academic and practical contributions are presented below.

7.2.1 Contributions to the existing body of knowledge

7.2.1.1 External challenges to Emirati family businesses’ sustainability imposed by Dubai’s context

This research suggests that Emirati family businesses play a critical role in Dubai economy, and as such their sustainability is important for its resilience. Many
governance and sustainability challenges faced by Emirati family businesses are shared with family businesses globally, including variables such as the maturity of governance, succession planning, role of external professional management, dispute resolution, cultural ideologies, women’s role, business environment, sources of capital, and government support. The research also suggests that there are variables and challenges that are unique to Emirati family businesses in Dubai’s context such as Dubai’s regional position as a trade hub and a tourist destination, the currency peg with the US dollar, sensitivity to regional geopolitics, government competition with the private sector, a low tax regime, the Emirati population being a minority in Dubai, the influence of Sharia principles on business practices and the legal system, the civil law structure, the multi-jurisdictional nature of Dubai, and its multicultural population. The Emirati family sample in some instances is structured: there is a board, the roles of individuals are clear; there is an understanding of sustainability risks, an awareness of prevailing issues, and a moderate sense of optimism about the future of Dubai. The other side of the sample, however, tends to be less structured: the patriarch is still in control, there is a lack of governance and succession planning, a limited understanding of risks, and a less optimistic view of Dubai’s future. This has a number of academic implications. First, Dubai-based Emirati family businesses are facing sustainability challenges and a number of which are external. Second, the majority of those challenges are commonly addressed in family business research. Third, a number of those challenges are related to the context of Dubai and are not covered by research. Fourth, it is derived from this that the variables that concern family businesses potentially differ according to context and hence, it is important to consider the characteristics of the contexts within which they function.
7.2.1.2 Dubai’s business system

The results analysis also identified the characteristics of Dubai’s business system as a developmental state, in which the government is a dominant player in the economy, yet with limited intervention in the private sector. State and family business ownership is dominant in Dubai. The banking system plays an important role and the public market is still evolving. Dubai has a high level of knowledge capital, albeit mostly imported expertise. Despite its lack of labour unions, Dubai has developed laws and regulations which protect employees. There is a high level of trust between the society in general and family businesses and the government. Ownership concentration is dominant, family ownership is high, and likewise family intervention. The study suggests a difference between the UAE and Dubai in the institutional matrix of the VIS model. This could be attributed to many variables including different government roles and strategies, different sources of income, diverse social perceptions and evolutionary paths. This is primarily from the perspective of Emirati family businesses. The same applies in comparing Dubai with other countries covered by Fainshmidt et al. (2016). Dubai is unlike any other country in the list although the nearest comparisons are Singapore, Taiwan, Algeria, Azerbaijan, and Morocco, all of which feature a developmental role of state, direct state dominance, high trust, and high family ownership. BST models such as VOC, NBS, and VIS take a snap-shot of a country at a stage of its evolution, but classifications change overtime (Hall and Gingerich, 2009; Hotho, 2014). In addition, states or cities might develop a differentiated classification within a country, through different roles of state, financial markets, social capital, human capital, or governance. All of these aspects have been addressed qualitatively with reference to Emirati family businesses principals, government officials, and
experts, representing a wide variety of views. The findings contribute to the existing body of knowledge in a variety of ways. First, the characteristics of Dubai’s businesses system are identified. Second, this enables the use of this understanding in future taxonomy studies including comparisons across contexts. Third, Dubai’s business system is recognised as different from the UAE’s business system. This finding suggests that a city within a country does not necessarily fall into the same category, especially in a federal state system where state or city governments have substantial policy freedom and distinct evolutionary paths. Fourth, the apparent similarities between Dubai and other countries/cities would merit further investigation, perhaps suggesting the need to examine contexts differently. Most of the taxonomies popular in BST studies looks at country level contexts, but models should flexible in their approach to contexts.

7.2.1.3 A conceptual model of business systems for family businesses sustainability

A conceptual model of business systems for family businesses sustainability is suggested, building a taxonomy of contexts (for countries, states or cities) based on their suitability for national family businesses sustainability. The institutional matrix suggested in Table 6-3 introduces additional institutional dimensions. These address key contextual variables that could help characterise a context for the purpose of identifying the suitability and support level of a context to national family businesses sustainability. They include the nature of the relationship between the state and national family businesses, the sources of family wealth, the resilience of the economy, the availability of advisory bodies or experts, and cultural influences on family businesses decisions including governance practices. It has also introduced the role of legal
environment, and in particular the nature of investment law, the availability of dispute resolution centres, the flexibility of inheritance law, and the efficiency of the legal system. Finally, the process of generating the taxonomy has also been described, starting from contexts selection, through qualitative study, quantitative survey, configuration identification, and so to taxonomy development. This adds to the body of knowledge in a variety of ways. First, this study suggests a BST model considering new variables that concern family businesses sustainability. Second, this is one of few attempts to develop a taxonomy to classifying contexts, based on family businesses sustainability. Third, it outlines the steps involved in developing the taxonomy. Those steps could guide future research and add consistency in building knowledge in the field of family businesses sustainability. Finally, the value added of such a taxonomy could offer new direction and encourage efforts to develop a global understanding of the impact of context on national family businesses sustainability.

7.2.2 Contribution to practice
The author’s interest in the research was primarily driven by practical challenges. To identify the Emirati family businesses challenges that are shared with families globally and the ones that are more specific to Dubai has a number of practical implications. First, it adds clarity to the risk profile of Emirati family businesses. This could encourage better management of the variables in practice. Emirati family businesses might follow sustainability best practices in many respects, but they need to be aware of the particularities of Dubai’s context and hence evolve additional practices to manage them. For example, Emirati family businesses recognising that the inheritance law applicable in Dubai is based on Sharia principles dictates the wealth and succession planning method necessary to achieve their objectives. Another example, is the
understanding that the government of Dubai is in competition with the private sector, which could determine the family business’ relationship with the government, the long-term diversification philosophy, and venues for investments in the city. Dubai’s position as a trade hub and its sensitivity to regional geopolitics could also influence investment strategies and exposure to the region. Understanding the legal jurisdiction of the country is a key factor in shaping the legal structure and governance of the family business. Recognising the Emirati population and its position within a multicultural context is another factor influencing the strategic planning of the family business. On the other hand, the different stakeholders within Dubai, including government, could pursue policies and best practices to support Emirati family business. They could introduce agencies to better support such families with knowledge and tools. The private sector could also better serve Emirati family members with products and services that are custom made for their needs and are based on sound understanding.

For example, consultants and legal firms could better advise Emirati families, with methods to support them, and the banking sector could custom design financial solutions to cater for Emirati family business’ needs.

Understanding the characteristics of Dubai’s business system has a number of practical implications. Through comparisons with other countries and cities its government could strengthen its position with better design of the role of the state, financial markets, human resources, social capital, and governance, so as to support Emirati family businesses. This would also enhance academic coverage of the city, improving the transparency and accessibility of data, and influencing policy making and initiatives across the board. The practical implications of a conceptual model of business systems for family business sustainability could be vast. Such a model could guide family
businesses in recognising territories that are better suited for their sustainability and hence could influence their strategic choices; it could enable countries to position themselves as destinations to attract family businesses by designing policies and initiatives accordingly; and it could equip advisors to better guide their clients in the market.

Utilising the advanced family businesses sustainability model suggested in Figure 6-1 on Emirati family businesses as per the findings in the literature review as well as this study, Table 7-1 below would summarize the key variables, challenges, and potential sustainability measures.

<table>
<thead>
<tr>
<th>Role</th>
<th>Challenges</th>
<th>Sustainability measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>Regional geopolitics and conflicts</td>
<td>Proper wealth management and diversification</td>
</tr>
<tr>
<td></td>
<td>Fluctuating market dynamics</td>
<td>Succession plan</td>
</tr>
<tr>
<td></td>
<td>Lack of succession planning</td>
<td>Strategic business plan</td>
</tr>
<tr>
<td></td>
<td>Financial mismanagement</td>
<td>Corporate governance measures</td>
</tr>
<tr>
<td></td>
<td>Lack of strategic planning</td>
<td>Annual reports</td>
</tr>
<tr>
<td></td>
<td>Weak governance</td>
<td>Talent management and retention</td>
</tr>
<tr>
<td></td>
<td>Low risk appetite</td>
<td>Authority matrix</td>
</tr>
<tr>
<td></td>
<td>Lack of reporting and transparency</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lack of proper allocation of HR</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lack of decision making</td>
<td></td>
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<tr>
<td></td>
<td>Lack of professional management</td>
<td></td>
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<tr>
<td>Family</td>
<td>Family conflicts</td>
<td>Family charter</td>
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<tr>
<td></td>
<td>Generational misalignment</td>
<td>Sharia education</td>
</tr>
<tr>
<td></td>
<td>Sharia misunderstanding</td>
<td>Vision alignment</td>
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<td></td>
<td>Informal arrangement</td>
<td>Conflict resolution process</td>
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<td></td>
<td>Resistive to change</td>
<td>Communication management</td>
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<td>Family values</td>
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<td></td>
<td>Power struggle</td>
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<tr>
<td></td>
<td>Lack of trust</td>
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<tr>
<td></td>
<td>Cultural restrictions</td>
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<td>Government</td>
<td>High dominance</td>
<td>Wealth diversification</td>
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<td></td>
<td>Government competition</td>
<td>Government lobbying</td>
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<td>Lack of support agencies</td>
<td>Partnership with government</td>
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<td>Financial</td>
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<td>Alignment with government agenda</td>
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<tr>
<td>capital</td>
<td>Weak banking and public market</td>
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<td>Limited sources of funding</td>
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<td>Banking restrictions</td>
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<td>Currency strength</td>
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Table 7-1. Emirati family businesses challenges and sustainability measures
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<tr>
<th><strong>Social capital</strong></th>
<th><strong>Social positioning</strong></th>
<th><strong>Multicultural population</strong></th>
<th><strong>Women’s role</strong></th>
<th><strong>Reputation management</strong></th>
<th><strong>Cultural identity preservation</strong></th>
<th><strong>Women empowerment</strong></th>
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<td><strong>Human capital</strong></td>
<td><strong>Lack of labour unions</strong></td>
<td><strong>External professional management</strong></td>
<td><strong>Underpaid family employees</strong></td>
<td><strong>Labour rights protection</strong></td>
<td><strong>Talent management</strong></td>
<td><strong>Family employment &amp; HR policy</strong></td>
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<tr>
<td><strong>Corporate governance</strong></td>
<td><strong>Immaturity of governance</strong></td>
<td><strong>High ownership concentration</strong></td>
<td><strong>High family dominance</strong></td>
<td><strong>Extended family intervention</strong></td>
<td><strong>Governance code and structure</strong></td>
<td><strong>Public listing</strong></td>
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<tr>
<td><strong>Legal environment</strong></td>
<td><strong>Lack of family dispute resolution centres</strong></td>
<td><strong>Inheritance law</strong></td>
<td><strong>Changing laws</strong></td>
<td><strong>Confusing multi-jurisdiction</strong></td>
<td><strong>Unfamiliar civil law jurisdiction</strong></td>
<td><strong>Mandatory agency configuration</strong></td>
</tr>
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</table>

This exercise enabled a more customised look at a family and its business within a given context. It looked at Emiratis and their businesses based in Dubai. This enabled a structured examination of their challenges and respective sustainability measures which are both compatible and linked to their context. This will enable the development of a set of governance codes and practices which are relevant and meaningful and can be adopted by those family businesses and governments. The sustainability of family businesses based on this model can be viewed as those measures necessary to enable the continuity of a family and its business across generations within a business system.

Upon adoption of the suggested sustainability measures by Emirati family businesses operating in Dubai, those families should ideally have a more balanced wealth risk profile, one that is less susceptible to geopolitical turbulence, market fluctuations, and currency movements. They should have effective succession planning and talent management thereby ensuring smoother cross-generational handover and better resilience against sudden leadership departures. Having improved strategic planning and corporate governance should assist in the formulation of clear targets and direction with a better understanding of roles and responsibilities in a more transparent way.
environment. The family could achieve a better internal alignment in terms of their vision, values, and roles. They could achieve greater communication and harmony enabling minimum conflicts and power struggles. Understanding the role of the government in the economy will enable a more advanced understanding of the key strategies needed to avail government support and focus necessary lobbying efforts. Understanding the limitations of financial capital and the role of family businesses and the government as sources of capital dictates the necessity of forging partnerships with other families and the government as well as the need to develop other sources such as banks, public markets, and FDI. Appreciating the impact of human resources on Emirati family businesses emphasises the need to secure labour rights and to maintain and attract talents. This, in turn, necessitates involved HR policies and talent management. Reputational management, cultural identity preservation practices, and the active involvement and empowerment of women are all necessary for Emirati family businesses to preserve a level of trust within society and with the government in order to secure long-term support. Adopting proper governance practices with authority matrices and utilising such measures as public listing could provide Emirati family businesses with better support and ensure more transparent business practices, thereby enhancing their performance and sustainability. Finally, ensuring an optimised legal structure as well as inheritance planning for Emirati family businesses should better protect their long-term wealth and protect against turbulence.

Succeeding in enhancing the sustainability of Emirati family businesses can enhance family businesses in Dubai and the UAE. Hence the importance and the value added by the models suggested in this study. Replicating this across different contexts and, hopefully, across key global economies may help to grow the sustainability scores of
family businesses as suggested in Figure 6-2. This potentially would involve an evolution of the sustainability indices of family businesses in guiding families to choose competitive economies and governments which are favourable towards enabling family businesses.

7.3 Research limitations

Although this research has followed the necessary rigorous methodology and methods procedures, several limitations should be acknowledged:

1- The number of interviewees was limited, whether family principals, government officials, or consultants. Additional interviewees could naturally contribute new variables.

2- Self-reporting naturally introduces subjectivity in the interviewees’ responses. Measuring performance against objective metrics should be targeted in future studies.

3- The lack of public information and non-biased reports about Emirati family businesses renders it challenging to cross reference certain data input.

4- As the study was conducted over a period of time, new policies have been introduced that could alter Dubai’s business system. For example, the UAE government on 23rd November 2020, prior to the submittal of this report, has abolished the mandate of having a local sponsor. This has not yet been implemented and the implications are not as yet fully understood.

5- Dubai’ business system characteristics have been compared using taxonomies developed some years earlier, but business systems change over time.

6- The interview tool often reproduces common opinions rather than substantial knowledge about a subject (Kvale and Brinkmann, 2008).

7- The outcomes of this research cannot be generalised beyond the limited scope of Emirati family businesses based in Dubai.
7.4 Recommendations for future research

Building the sustainability Emirati family businesses is a journey. Focusing on the context of Dubai was a means to understand the external challenges of a specific and important market. A quantitative survey would probably be the natural next step to add rigour to the research. The context could also be expanded to cover all the emirates within UAE. As many variables are shared between families in the UAE and the GCC, such a study could cover a wider region. As this thesis has initially focused on Emirati family businesses external sustainability challenges, it has constructed an extensive list of variables and challenges that need further investigation and qualification. Exploring the institutional dimensions of Dubai’s business system suggested certain characteristics but these would merit further and more rigorous research. The exercise also revealed a difference between the business systems of Dubai and the UAE. A fresh study of the UAE’s institutional dimensions could yield important insights. As highlighted earlier, business systems evolve over time. A similar study on other Emirates within the UAE could also reveal additional variables concerning Emirati family businesses sustainability. More importantly, new methods might emerge to address family business studies, such as the use of BST as suggested in this study. The conceptual model of business systems for family businesses’ sustainability requires further scrutiny and a wider use covering a variety of contexts. This will facilitate new taxonomies upon which governance practices and policies can be developed to support family business sustainability.
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266


269


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Annex 1. Informed consent form

**Information and purpose:** The research, in which you are being asked to participate, is a PhD research study that is focused on examining the effect of the context in which Emirati family businesses operate in Dubai and its impact on their governance. The purpose of this study is to gain a better understanding of how the different variables of the context (e.g., law, economy, culture) affect the ways Emirati family businesses govern themselves to be able to survive.

**Your participation:** Your participation in this study will consist of allowing ‘Adil Alzarooni’ a PhD researcher at the British University in Dubai (BUiD) to use you as an expert interviewee to gain information that serves the purpose of the research. Each interview will last approximately 45-60 minutes. You will be asked questions regarding your experience, views, and organisation. You are not required to answer the questions. You may pass on any question that makes you feel uncomfortable. At any time, you may notify the researcher that you would like to stop the interview and your participation in the study. There is no penalty for discontinuing participation.

**Benefits and risks:** The benefit of your participation is to contribute information on the governance and sustainability of family businesses. This may play a vital role in raising the awareness of governance of family businesses and providing guidance to family businesses and government agencies that seek to diagnose and develop measures to enhance their practices.

There are no risks associated with participating in the study.

**Confidentiality:** The interviews will be tape-recorded. However, your name will not be recorded on the tape. Your name and identifying information will not be associated
with any part of the written report of the research. All of your information and interview responses will be kept confidential. The researcher will not share your individual responses with anyone other than the research supervisor.

By signing below, I volunteer to participate in a research study carried out by Mr. Adil Alzarooni, a student in the British University in Dubai (BUiD).

If you have any issue concerning this study, you can contact the researcher directly through email (2015256097@student.buid.ac.ae) or phone number (+971(50) 5591234).

Alternatively, if you wish, you can discuss anything about this research with my supervisor and director of studies, Professor Ashly H. Pinnington, email: ashly.pinnington@buid.ac.ae Tel: +971 (0)4 279 1452.

Participant Name:  
Participant Signature:  
Date:

Researcher’s Name:  
Researcher’s Signature:  
Date:
Annex 2. Proposed questionnaire

A- Proposed questionnaire for principals of family businesses
  i. What is the role of Dubai’s government in the economy?
  ii. What is the level of government ownership in Dubai’s economy?
  iii. What are the main sources of capital in Dubai? (state/family/banks/equity market)
  iv. What is the role of Emirati family businesses in Dubai’s financial market?
  v. What is the level of specialised skills available in Dubai?
  vi. What is the role of organised labour in Dubai?
  vii. What is the level of trust between Dubai’s society and government?
  viii. What is the prevalent ownership structure of key organisations in Dubai? Are they dispersed (shareholders’ ownership of 20% - 50%) or concentrated (more than 50%)?
  ix. What are the challenges facing Emirati family businesses (e.g. economy, culture, legal)?
  x. What is your opinion regarding the government’s stance on providing a level playing field in the UAE?
  xi. What is the government’s stance in terms of supporting Emirati family businesses?
  xii. What are the grants and incentives designed to meet influential family businesses’ specific needs to grow domestically and internationally?
  xiii. To what extent does the UAE government encourage innovation that enables Emirati family businesses to investigate new business models?
  xiv. Do you believe that there are enough specialised bodies that focus on safeguarding the interests and sustainability of Emirati family businesses?

B- Proposed questionnaire for government officials
  1- General Questions
  i. What are the main sources of financial capital in the UAE? Do Emirati family businesses play a role in providing financial capital? (e.g., banks, equity, market, family, state)
ii. What is your opinion on the level of trust between the UAE’s society and government institutions? (trust in the government)

iii. In your opinion what is the level of specialised skills available in the UAE economy? (knowledge capital)

iv. In your opinion what is the prevalent ownership structure of key organisations in the UAE? Are they dispersed (shareholders’ ownership of 20% - 50%) or concentrated (more than 50%)? (ownership concentration)

v. Do you believe that there is a form of organised labour in the UAE economy? (labour coordination)

vi. To what extent does the country’s culture influence family businesses? (culture)

vii. Do you believe that women should play a role in Emirati family businesses?

viii. What is your opinion of the UAE legal system’s influence on Emirati family businesses?

2- Specific Questions:

i. Where do you think is the overall focus of the UAE government in relation to the economy?

ii. What is your opinion regarding the government's stance on providing a level playing field in the UAE?

iii. What is the UAE government’s stance in terms of supporting large Emirati family businesses?

iv. What are the grants and incentives designed to meet influential family businesses’ specific needs?

v. Can you elaborate on the future strategy for supporting and developing Emirati family businesses to grow domestically and internationally?

vi. What are the systems introduced by the government that supports Emirati family businesses in obtaining long-term finance for expansion?

vii. Does the UAE government consider Emirati family businesses as a valuable co-investor for public-private partnerships that can bring value to specific sectors?
viii. What are some of the value-adding initiatives introduced by the government where family businesses can play a driving role?

ix. To what extent does the UAE government encourage innovation that enables Emirati family businesses to investigate new business models?

x. Do you believe that there are enough specialised bodies that focus on safeguarding the interests and sustainability of Emirati family businesses?

C- Proposed questionnaire for experts

1- General questions:

i. What are the main sources of financial capital in the UAE? Do Emirati family businesses play a role in providing financial capital? (e.g., banks, equity, market, family, state)

ii. What is your opinion of the level of trust between the UAE’s society and government institutions?

iii. In your opinion what is the level of specialised skills available in the UAE economy? (knowledge capital)

iv. In your opinion what is the prevalent ownership structure of key organisations in the UAE? Are they dispersed (shareholders’ ownership of 20% - 50%) or concentrated (more than 50%)?

v. Do you believe that there is a form of organised labour in the UAE economy? (labour coordination)

vi. To what extent does the country’s culture influence family businesses?

vii. Do you believe that women should play a role in Emirati Family Businesses?

viii. What is your opinion on the UAE legal system’s influence on Emirati family businesses?

2- Specific Questions:

i. What is the general structure of ownership in family businesses? Are they run by the family or are they professionalised?

ii. How is the adoption of company members from outside the family in financial management important to the success of the transfer of ownership?
iii. How would the presence of persons from outside the family in the company's top management improve the decision-making process?

iv. Do you think that family businesses in the UAE have clear succession plans?

v. How do you see the appetite of Emirati family businesses for using external consultants for structuring and succession planning?

vi. Where do you think is the overall focus of the UAE government in relation to the economy?

vii. What is your opinion regarding the government's stance on providing a level playing field in UAE?

viii. What is the UAE government’s stance in terms of supporting large Emirati family businesses?

ix. What are the grants and incentives designed to meet influential family businesses’ specific needs?

x. Can you elaborate on the future strategy for supporting and developing Emirati family businesses to grow domestically and internationally?

xi. What are the systems introduced by the government that support Emirati family businesses in obtaining long-term finance (raising funds) for expansion?

xii. Does the UAE government consider Emirati family businesses as a valuable co-investor for public-private partnerships that can bring value to specific sectors?

xiii. What are some of the value-adding initiatives introduced by the government where family businesses can play a driving role?

xiv. To what extent does the UAE government encourage innovation that enables Emirati family businesses to investigate new business models?

xv. Do you believe that there are enough specialised bodies that focus on safeguarding the interests and sustainability of Emirati family businesses?
Annex 3. Population sample for interviews

A- Dubai family businesses sample:

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<th>No</th>
<th>Trade Name</th>
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<th>Phone</th>
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<tr>
<td>33</td>
<td>AL SHAFAR GROUP OF COMPANIES</td>
<td>2185</td>
<td>3969999</td>
<td>3978888</td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>BIN SUGAT GROUP (L.L.C)</td>
<td>10170</td>
<td>2844222</td>
<td>2844111</td>
<td></td>
</tr>
<tr>
<td>35</td>
<td>EASA SALEH AL GURG GROUP (L.L.C)</td>
<td>325</td>
<td>2279666</td>
<td>2278620</td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>BIN DRAI GROUP OF COMPANIES</td>
<td>3835</td>
<td>2733755</td>
<td>2733855</td>
<td></td>
</tr>
<tr>
<td>37</td>
<td>AL SHAMSI GROUP (L.L.C) DUBAI BRANCH</td>
<td>62699</td>
<td>3435544</td>
<td>3336544</td>
<td></td>
</tr>
<tr>
<td>38</td>
<td>ALRAHMANI GROUP OF COMPANIES</td>
<td>116600</td>
<td>2953020</td>
<td>2953010</td>
<td></td>
</tr>
</tbody>
</table>

B- Legislators and government agencies:

i. Fatwa and Legislation Department: [http://ejustice.gov.ae]

A legal department that falls under the Assistant to the Undersecretary of the Ministry of Justice for Fatwa and Legislation and state issues. It was established under the Council of Ministers Resolution No. (2) in 1973. Its main functions are as follows:

a. Preparation of drafts of major legislation such as penal, civil and commercial transactions, as well as the review of draft laws required by ministries and government agencies.

b. To conduct all legal matters relating to the issuance of legal opinions to government bodies only, the formulation of the legal opinion in matters brought before it, and the preparation of studies and legal research.

c. Review of contracts entered into by the government with companies and individuals.
Fatwa and Legislation Department is located in the Emirate of Abu Dhabi - Al Buteen Area - Cabinet of the Ministry of Justice / third floor.

T: 02 6921122

F: 02 6815155

E-mail: tashreat@moj.gov.ae

The Personal Status Court has jurisdiction over the authentication of personal matters such as marriage and divorce as well as cases and matters besides personal status and money matters of Muslims and Non-Muslims. It has territorial and spatial jurisdiction. It also supervises the performance of marriage officials and authenticates the documents issued by them. These courts constitute circuits presided over by a single judge.

T: +97143347777

F: +97143344477

Email: Info@dc.gov.ae

P.O. Box 4700 Dubai, United Arab Emirates.

Address: Oud Maitha Road, Um Hurair near Dubai Public Prosecution.

iii. Department of Economic Development – Dubai (Business Registration and Licensing Section) [http://www.dubaied.gov.ae]
DED is responsible for business registration, licensing and commercial protection activities in Dubai.
Dubai Chamber [http://www.dubaichamber.com]

The Dubai Chamber of Commerce and Industry is a leading chamber of commerce in the Middle East of the Emirate of Dubai. It serves over 100,000 members and helps the business community develop their commercial activities and compete in the global market. Dubai Chamber’s mission is to represent, support and protect the interests of the business community in Dubai while its strategic objectives are to create a favourable business environment, support the development of business and promote Dubai as an international business hub. The Chamber plays a significant role in enhancing competitiveness and influencing policies of interest to its members and local, regional and international authorities. Dubai Chamber has established 24 business groups representing different economic sectors in Dubai, 39 business councils which represent the Dubai-based foreign companies according to nationality, and 70 trade centres for some countries. The Chamber’s initiatives include Mohammed bin Rashid Al Maktoum Business Award, Centre for Responsible Business, Dubai International Arbitration Centre, Credit Rating, University of Dubai, and Dubai Business Women Council.

Dubai Chamber of Commerce & Industry

Baniyas Road, Deira

P.O. Box 1457 – Dubai, U.A.E.
Toll-Free 800 CHAMBER (800 242 6237)

International  (+971) 4 228 0000

F  (+971) 4 202 8888

E-Mail: Members information

info.member@dubaichamber.com

Data and economic research

info.dataresearch@dubaichamber.com

All other inquiries

customercare@dubaichamber.com

C- Experts:
 a) Legal Firms:

Bin Shabib and Associates LLP [www.bsa.ae]

Address: Level 6, East Wing, Building 3, The Gate Precinct, DIFC

T: +971 43685555

Horizon law firm: [www. horizlaw.ae]

BURJUMAN BUSINESS TOWER

17th Floor, Bur Dubai,

P.O. Box 6516, Dubai, United Arab Emirates

T: (+9714) 3588813
b) Family Business Consulting Firms:

The Family Business Advisory Group LLC:

DIFC

P.O. Box 506503, Dubai, United Arab Emirates

T: +971 4 437 5117

SHOORA - Family Business Advisors LLC:

Office 41, Gate Village 4, Level 3, DIFC

P.O. Box 506716, Dubai, UAE

T: + 971 50 5098705
Annex 4. Analysis results

<table>
<thead>
<tr>
<th>Categories</th>
<th>Volume</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate governance and sustainability practices of Emirati family businesses</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Governance Structure**

<table>
<thead>
<tr>
<th>Description</th>
<th>Volume</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Governance Structure</td>
<td>8</td>
<td>40%</td>
</tr>
<tr>
<td>Business is conducted in old-fashioned way with no proper allocation of roles</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Lack of Structure</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Governance Structures</td>
<td>3</td>
<td>15%</td>
</tr>
<tr>
<td>Father of the family oversees the business</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Governance is in the process of establishing</td>
<td>1</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Succession planning**

<table>
<thead>
<tr>
<th>Description</th>
<th>Volume</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Clear Succession Plan</td>
<td>15</td>
<td>75%</td>
</tr>
<tr>
<td>Fear of family conflict because of lack of succession planning</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Founders believe that next generation/children are too immature to run the business</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>In Process of Formulating</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>The old generation did not have strategies to enrich newcomers to take over</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Had clear succession plan</td>
<td>3</td>
<td>15%</td>
</tr>
</tbody>
</table>

**Specialised bodies**

<table>
<thead>
<tr>
<th>Description</th>
<th>Volume</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No specialised bodies</td>
<td>15</td>
<td>75%</td>
</tr>
<tr>
<td>Having specialised bodies</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Lack of knowledge about the existence of such a body</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Lack of model that can be adapted in terms of specialised bodies</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Challenges Emirati family businesses face in attempting to adopt corporate governance practices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business management and employment of professionals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Most Employees lack Business Skills</td>
<td>3</td>
<td>15%</td>
</tr>
<tr>
<td>Business do not have professionals</td>
<td>4</td>
<td>20%</td>
</tr>
<tr>
<td>Scepticism in bringing external adviser because it could lead to conflicts with family members</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Hiring external board members is hard to implement because family members seldom give approval</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Employment of non-executive directors by family businesses</td>
<td>3</td>
<td>15%</td>
</tr>
<tr>
<td>Family businesses management by externals perform better than the ones that are not</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Family business management by non-family members are myopic and they don't look at the big picture</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Generational gap leading to conflicting investment strategies and priorities</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FB's facing challenges due to lack of models | 1 | 5%

Advisers help in achieving business sustainability | 5 | 25%

Experience in handling complex situations | 2 | 10%

Adviser help in mapping out activities of business | 1 | 5%

Most businesses do not have advisers | 2 | 10%

Final decision remains with the patriarch | 1 | 5%

Lack of knowledge in understanding the importance of adviser in lower management | 1 | 5%

Experience and preparedness is of the adviser is key in order to have success as an adviser | 1 | 5%

Hype around hiring an adviser | 1 | 5%

Young leaders in family businesses tilt towards hiring an external adviser | 1 | 5%

Advisers being expensive | 1 | 5%

Trust is important which takes years | 1 | 5%

<table>
<thead>
<tr>
<th>Advisers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advisers help in achieving business sustainability</td>
</tr>
<tr>
<td>Experience in handling complex situations</td>
</tr>
<tr>
<td>Adviser help in mapping out activities of business</td>
</tr>
<tr>
<td>Most businesses do not have advisers</td>
</tr>
<tr>
<td>Final decision remains with the patriarch</td>
</tr>
<tr>
<td>Lack of knowledge in understanding the importance of adviser in lower management</td>
</tr>
<tr>
<td>Experience and preparedness is of the adviser is key in order to have success as an adviser</td>
</tr>
<tr>
<td>Hype around hiring an adviser</td>
</tr>
<tr>
<td>Young leaders in family businesses tilt towards hiring an external adviser</td>
</tr>
<tr>
<td>Advisers being expensive</td>
</tr>
<tr>
<td>Trust is important which takes years</td>
</tr>
</tbody>
</table>

Most businesses do not have advisers | 2 | 10%

Final decision remains with the patriarch | 1 | 5%

Lack of knowledge in understanding the importance of adviser in lower management | 1 | 5%

Experience and preparedness is of the adviser is key in order to have success as an adviser | 1 | 5%

Hype around hiring an adviser | 1 | 5%

Young leaders in family businesses tilt towards hiring an external adviser | 1 | 5%

Advisers being expensive | 1 | 5%

Trust is important which takes years | 1 | 5%

Business management and employment of professionals | 3 | 15% |

Trust is important which takes years | 1 | 5%
### Challenges faced by FB’s due to generational gap

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difficulty for family members to work on the same goal because of difference in thinking</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Current generation is very liberal as opposed to the older generation which is old school and conservative</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Younger generation do not have the appetite for success as opposed to the other generation - hunger to succeed decreased through subsequent generations</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Some family members are oblivious of the business and are only interested in the dividends</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Misappropriation of funds by some family members</td>
<td>1</td>
<td>5%</td>
</tr>
</tbody>
</table>

### The challenges imposed by the context of Dubai on Emirati family businesses

### Challenges imposed by Dubai’s economy

#### Financial crisis

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 Financial Crisis impacted Family Businesses</td>
<td>7</td>
<td>35%</td>
</tr>
<tr>
<td>2008 Financial Crisis led to crash in real estate market</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Businesses move to other places from UAE due to dollar strengthening</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Cancellation of Real Estate Projects due to Financial Crisis</td>
<td>1</td>
<td>5%</td>
</tr>
</tbody>
</table>

#### Access to Finance

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Business had access to business funding</td>
<td>5</td>
<td>25%</td>
</tr>
<tr>
<td>Family Businesses used their own funds</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Family Businesses used banks to finance</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Family Businesses received funding from the government</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Government’s rebate on real estate, government fee and oil and gas to family businesses</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>No ideas about the source of funding</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Family Business provide personal guarantees that hampers financial gains for family businesses</td>
<td>1</td>
<td>5%</td>
</tr>
</tbody>
</table>
### Government competition with the private sector

<table>
<thead>
<tr>
<th>Description</th>
<th>Votes</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Competition remain a big challenge for family businesses</td>
<td>5</td>
<td>25%</td>
</tr>
<tr>
<td>Government and Family Businesses competing against each other</td>
<td>3</td>
<td>15%</td>
</tr>
<tr>
<td>Government venture in same business as family businesses leading to higher competition and losses for family businesses</td>
<td>3</td>
<td>15%</td>
</tr>
<tr>
<td>Government’s ability to reduce prices versus competition</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Government’s rebate on real estate, government fee and oil and gas to family businesses</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Government projects funded by private sectors</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Government’s ability to attract talent leading to lack of skilled labour in private sector/FB</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Government and the private sector work together</td>
<td>5</td>
<td>25%</td>
</tr>
<tr>
<td>Government includes family business in the decision making process of the government</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Government considers family businesses as the backbone of Dubai economy</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Government restrictions on project approvals</td>
<td>1</td>
<td>5%</td>
</tr>
</tbody>
</table>

### Impact of geopolitics

<table>
<thead>
<tr>
<th>Description</th>
<th>Votes</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geopolitics have impacted the business environment and family businesses</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Instability with trading partners impacts the city of Dubai</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Developed countries like USA pressurise Dubai</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Restrictive policies like money laundering by developed countries have led to a decrease in business</td>
<td>2</td>
<td>10%</td>
</tr>
</tbody>
</table>

### Government incentives

<table>
<thead>
<tr>
<th>Description</th>
<th>Votes</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government does not give any incentive to family businesses</td>
<td>5</td>
<td>25%</td>
</tr>
<tr>
<td>Dubai has relatively high fees in terms of business transactions versus other governments</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Category</td>
<td>Support</td>
<td>Percentage</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
<td>---------</td>
<td>------------</td>
</tr>
<tr>
<td>Government is unaware of how family business is conducted</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Unaware if there are any incentives</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Government has provided incentives</td>
<td>5</td>
<td>25%</td>
</tr>
<tr>
<td>Government only provides support if it feels that there is some opportunity for itself</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Government incentive in terms of corporate tax is crucial</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Rules and regulations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existence of favourable rules and regulations for family businesses</td>
<td>5</td>
<td>25%</td>
</tr>
<tr>
<td>Introduction of youth programmes to educate the younger generation</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Government rules and regulations do not support family businesses</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>There is a need to introduce sustainable business reforms</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Banking reforms are required because they do not support the business community</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Foreign investors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dubai has been invaded by foreign investors</td>
<td>5</td>
<td>25%</td>
</tr>
<tr>
<td>Full ownership of real estate affect local businesses</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Foreign investors have brought competition to locals</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Foreign owners run away once they lose money</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Government’s policy of attracting foreigners and neglecting locals</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Government has created a level playing field for doing business and foreign investment</td>
<td>5</td>
<td>25%</td>
</tr>
<tr>
<td>Level playing field has led to foreign investment</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Foreign investment has led to new technology leading to transfer for skills</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Foreign investment has led to international best practices</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>&quot;Give and Take&quot; plan in terms foreign investing has helped locals open business in foreign countries</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Entry of unethical businessmen due to foreign investment has caused chaos</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>--------------------------</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Foreign investors con legitimate businesses</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Foreign investment led to duplication of businesses adding to copycats and leading to additional competition</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Taxation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family Business faces a tough tax regime</td>
<td>7</td>
<td>35%</td>
</tr>
<tr>
<td>Rumour of introduction of Corporate Tax by the government could challenge family businesses</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Local Businesses should be exempted from corporate tax</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Corporate tax would be suicidal for the economy</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>VAT has had a negative impact on family businesses</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>VAT discouraged people to move to UAE</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>VAT impacted the competitiveness of UAE</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Family Businesses are exempted from taxes</td>
<td>4</td>
<td>20%</td>
</tr>
<tr>
<td>Challenges imposed by the Dubai legal system</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sharia principles and inheritance disputes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dubai’s business system did not have any framework for succession and inheritance disputes</td>
<td>7</td>
<td>35%</td>
</tr>
<tr>
<td>Legal framework needs to be fixed in Dubai</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Dubai’s legal system does not offer any strength</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Families helped create system that ensures inheritance is shared fairly</td>
<td>3</td>
<td>15%</td>
</tr>
<tr>
<td>Sharia law is used to resolve inheritance dispute</td>
<td>4</td>
<td>20%</td>
</tr>
<tr>
<td>Many legal systems are cohabitating as though each free zone has its own system</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Judges do not have capacity to resolve family business disputes</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Lack of precedents to solve future cases</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Family Business laws are obscure</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Statement</td>
<td>Count</td>
<td>Percentage</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
<td>-------</td>
<td>------------</td>
</tr>
<tr>
<td>No new regulation was passed in the last few years</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Sharia law should be more flexible</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Sharia law is simple and straightforward</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Maturity of the Legal System</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dubai’s legal system is outdated and there is no effort to change</td>
<td>4</td>
<td>20%</td>
</tr>
<tr>
<td>Judges are outsourced on short term contracts who don’t appreciate local policies of the country</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Dubai does not have a strong legal system</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Foreign investors look strong legal system which Dubai lacks</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Dubai Legal system is developing in the right direction</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Dubai legal system has evolved due to the recession in UAE</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Dubai Legal system is based on legal frameworks of other countries</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Status of investment laws</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dubai has poor investment laws and do not protect investors</td>
<td>4</td>
<td>20%</td>
</tr>
<tr>
<td>Investment laws do not protect investors in the bankruptcy process</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>No laws for online businesses and e-commerce</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Investment laws favour family businesses</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Efficiency of the legal processes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dubai’s legal process is slow</td>
<td>4</td>
<td>20%</td>
</tr>
<tr>
<td>Emirati family businesses support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government helps family businesses</td>
<td>4</td>
<td>20%</td>
</tr>
<tr>
<td>Government has formed special boards and committees that helped family businesses</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Government supports influential family businesses</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Government provides legal privileges to family businesses</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Government has provided subsidies to Emirati family businesses</td>
<td>7</td>
<td>35%</td>
</tr>
<tr>
<td>Government provides better credit facilities to Emirati family businesses</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Government provides incentives to Emirati family businesses to meet their specific needs</td>
<td>1</td>
<td>5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Challenges imposed by Dubai’s culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Types of business activities</td>
</tr>
<tr>
<td>Dubai’s culture limits the type of businesses family businesses can venture into</td>
</tr>
<tr>
<td>Family businesses engaged in businesses that are Shariah compliant</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Women and Emirati family businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultural beliefs and practices discriminate against women</td>
</tr>
<tr>
<td>Women are not included in business management and succession plan of family business</td>
</tr>
<tr>
<td>Family businesses have helped in defining the role of women in business</td>
</tr>
<tr>
<td>Family businesses have led in the fight for women’s rights in the economy of UAE</td>
</tr>
<tr>
<td>Families have appointed women at the board level in their businesses</td>
</tr>
<tr>
<td>Women have the right skills that are needed to run successful businesses</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Culture and succession planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to the culture, families have outdated succession plans</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Multiculturalism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need for a dialogue between local and foreign community to boost way to do business</td>
</tr>
<tr>
<td>Emiratis are becoming accustomed to the change in culture</td>
</tr>
<tr>
<td>Dubai is tolerant relevant to other cities in terms of multiculturalism</td>
</tr>
<tr>
<td>All cultures are accepted and individuals from all realms of life feel at home</td>
</tr>
<tr>
<td>Having different cultures has helped educate families significantly</td>
</tr>
<tr>
<td>No single culture is dominant in the business sphere</td>
</tr>
</tbody>
</table>
### Dubai Business Systems – Key Responses

<table>
<thead>
<tr>
<th>Categories</th>
<th>Volume</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dubai’s business system</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Role of the state</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dubai’s government in the economy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government played a positive role in building infrastructure</td>
<td>4</td>
<td>20%</td>
</tr>
<tr>
<td>Government’s priority is to build new technology for businesses</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Government provides the tools to businesses to become self-sufficient and providing opportunity to grow</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Education and Training</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government played a role in educating young people on how to run businesses</td>
<td>4</td>
<td>20%</td>
</tr>
<tr>
<td>Innovation grants should be given to small businesses which have a creative conventional business</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>School curriculum teaches business to educate children</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Government has established a system that identifies young talent to nurture and financially support them</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Business Environment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To encourage growth in the economy, the government has removed outdated rules and restrictions</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Government has contributed positively to digitising the economy</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>The government has diversified the economy - oil and gas remain a minority contributor to the economy</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Government created a conducive business environment</td>
<td>9</td>
<td>45%</td>
</tr>
<tr>
<td>Government should encourage the family businesses to collect data via digitisation</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Government should promote growth by focusing on industrial production, agriculture, and technology</td>
<td>1</td>
<td>5%</td>
</tr>
</tbody>
</table>
Government should understand its role in relation to the private sector which is the director and guide of the private sector not the owner to boost economic sustainability | 1 | 5%

Government should not focus on incentivising foreign investment and rather work on the growth of the domestic economy | 1 | 5%

Legal System

Government has established a solid and business friendly legal system | 8 | 40%

Government has introduced bankruptcy laws to protect businesses that do not succeed | 1 | 5%

Government has introduced new law for foreign ownership that can be beneficial for foreign investment | 1 | 5%

Level of government ownership in Dubai’s economy

Ownership is concentrated | 8 | 40%

Ownership is dispersed | 2 | 10%

Ownership is fragmented | 2 | 10%

Government has invested in the real estate and retail sector which has increased competition within the private sector | 1 | 5%

Real estate sector is fully controlled by the government and related entities and this has both negative and positive connotations | 1 | 5%

Family business have included some outsiders in their businesses by selling their shares to the public | 3 | 15%

Role of the Markets

Main Sources of Capital in Dubai

Primary source of capital in Dubai are Banks | 5 | 25%

Primary source of capital in Dubai is government or government-financed businesses | 4 | 20%

Primary source of capital in Dubai is investors serving as business financiers | 1 | 5%

Primary source of capital in Dubai is self-finance or personal finance | 10 | 50%

Emirati family businesses helped in building the economy | 3 | 15%

Role of Human Capital

Level of specialised skills in Dubai

Dubai has attracted skilled labour from around the world | 10 | 50%

Dubai has attracted key talent in the fields of consultancy, finance, and legal world | 1 | 5%
The attractiveness of the UAE comes from the country being modern, open-minded, orientated towards professional achievement and the entertainment of the family  
Government employees are young and highly educated  
Dubai lacks professionals  
Other countries like Germany and Singapore are far more advanced than the UAE  
There should be proper training to equip people with necessary skills  

### Role of organised labour

<table>
<thead>
<tr>
<th>Description</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is no organised labour in Dubai</td>
<td>10</td>
<td>50%</td>
</tr>
<tr>
<td>Role of trade unions are addressed through the legal system</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>The existence of trade unions, especially in terms of collective bargaining, could be disastrous for Dubai</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Government has put in place proper structures for the rights of employees in the absence of organised labour</td>
<td>4</td>
<td>20%</td>
</tr>
<tr>
<td>Dubai has made progress in protecting the rights of employees</td>
<td>2</td>
<td>10%</td>
</tr>
</tbody>
</table>

### Role of Social Capital

<table>
<thead>
<tr>
<th>Description</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residents have a lot of trust in the government</td>
<td>6</td>
<td>30%</td>
</tr>
<tr>
<td>The level of trust for UAE government has been the highest relative to any other country in the world</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Some locals or Emiratis are sceptical of the government as their suggestions to the government never materialised</td>
<td>2</td>
<td>10%</td>
</tr>
</tbody>
</table>

### Role of corporate governance

<table>
<thead>
<tr>
<th>Description</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership depends on the size of the business</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>There are several models, and the ownership structure is complex</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Ownership lies in the hands of few mainly first and second-generation</td>
<td>2</td>
<td>10%</td>
</tr>
</tbody>
</table>

### Family intervention

<table>
<thead>
<tr>
<th>Description</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Businesses have well organised board of directors</td>
<td>6</td>
<td>30%</td>
</tr>
<tr>
<td>Families have outsourced some of the services to external consultants to ensure fairness</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>No structured board of directors</td>
<td>3</td>
<td>15%</td>
</tr>
<tr>
<td>Non-formal governance structures that only include family members</td>
<td>1</td>
<td>5%</td>
</tr>
</tbody>
</table>