

# Family Business in Saudi Arabia: Literature Review and Research Agenda

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## Abstract

Most family businesses in Saudi Arabia end with the third generation of the founder's death. This study provides an overview of family business literature in Saudi Arabian. We conducted a literature review of 24 papers on Saudi family business. We found a lack of literature discussion on family business in the Saudi context. In addition, our findings show that the literature has focused mainly on family business performance and succession planning, followed by ownership, management, and corporate governance. Finally, we provide future research agenda to support future research on Saudi family business.

Keywords: literature review, Saudi Arabia, family business, research agenda

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## Introduction

According to the National Center for Family Businesses, at the end of 2017, there were approximately 538 thousand family businesses operating in the Kingdom. The percentage of the contribution of family businesses to the gross domestic product (GDP) was estimated at approximately US\$215 billion. They created approximately 7.2 million jobs, thereby contributing significantly to employment generation within the Kingdom (Alshahrani et al., 2021).

The economy of Saudi Arabia is driven not only by the petroleum industry but also the manufacturing sector, agriculture, the fisheries, and many others. Family businesses are part of such industries. In other words, family business is an essential aspect of the country's economy and plays a significant role in its growth.

According to the Riyadh Chamber of Commerce & Industry, 92% or more companies are family-owned businesses. They contribute about US\$216 billion to the Saudi GDP (Alriyadh, 2021).

Family businesses in Saudi Arabia contribute to all economic activities in the country, with most franchises being owned by at least the top 100 family businesses (M. Ramady, 2005). Even though these enterprises play a significant role in the country's economy, limited research has been undertaken on the family businesses in Saudi Arabia and less data has been gathered till date. Family business literature has been mainly published in the United States, England, and Europe (Moser, 2021). (Samara, 2021) emphasized the need to explore the family business in different contexts.

## Family Business

According to (Miller & Breton Miller, 2003, p. 127), family business is defined as one in which a family has enough ownership to determine the composition of the board, where the CEO and at least one other top executive is a family member, and where the intent is to pass the control of the firm on to the next generation. Ownership is defined as having voting shares or power because it better describes family business behavior and structure (Ward & Dolan, 1998). The ownership structure of family firms is classified into three types, controlling owner, sibling partnership, and cousin consortium (Gersick et al., 1997). (Brundin et al., 2014) indicated that the complexity of family ownership is beyond juridical

and financial aspects and challenges in providing interest to all shareholders and addressing later generation's needs (Thomas, 2002). (Brundin et al., 2014) conducted a study of 20 cases of family ownership governance and identified seven core characteristics of family ownership logic: active and visible ownership, stability in ownership and power, industrial and long-term focus, multiple ownership goals, autonomy toward capital markets, flexibility in governance structures and identification.

Compared to non-family businesses, family businesses face additional challenges in managing business (Steier et al., 2015) while at the same time preserving their culture and values (Campbell et al., 2007). Maintaining harmony among these might negatively impact their business growth (Ferrari, 2020). (Ward, 1997) identified the six challenges for the family business for long-term growth; the first four are related to business issues, such as business maturity, limited capital, inappropriate successors, and entrepreneurial inflexibility, followed by two family issues—conflict between siblings and different goals and values.

Literature has conceptualized business succession as a lengthy and complex social process. (Corbetta & Montemerlo, 1999) conducted a comparative study between family businesses in the United States and Italy. The authors found that the biggest challenge is succession. Although the importance of succession planning is emphasized (Handler, 1994; Lansberg, 1988), many studies find the absence of such planning in Portugal (Porfírio et al., 2019), and high planning in Greece (Porfírio, Carrilho, Hassid, & Rodrigues, 2019). Also (Lussier & Sonfield, 2012) conducted a comparative study of succession planning in seven countries and found more planning in Croatia, Egypt, and Kuwait than in Kosovo, France, and the US, with India in the middle.

## Methodology

In this paper, we conducted a literature review to examine the current state of Saudi family business research. Our search period was performed between March and June 2022; we used the Scopus database to search the literature by using combinations of keywords such as “family business” and “Saudi”, “family firm”, and “Saudi” in the title abstract and keywords in the English language. The findings showed a total of 39 papers. We excluded repeated and unrelated papers for reasons such as papers that are not about the family business, for example, women entrepreneurs. The total articles become 24, as shown in Table 1, representing the paper title, category, and methodology.

Table 1. Overview of Saudi Arabian family business literature review

	Author	Type	Title	Category	Methodology
1	(M. A. Ramady, 2005a)	Book	The Saudi Arabian economy: Policies, achievements and challenges	Economy	-
2	(Kaslow, 2006)	Book	Handbook of family business and family business consultation: A global perspective	Consultation	-
3	(Alhebbri & Al-Duais, 2020)	Article	Family businesses restrict accrual and real earnings management: Case study in Saudi Arabia	Firm performance: Accrual earnings management and real earnings management	Quantitative
4	(Aloulou, 2018)	Article	Examining entrepreneurial orientation's dimensions – performance relationship in Saudi family businesses: Contingency role of family involvement in management	Firm performance	Quantitative
5	(Abdullah A. Al-Dubai et al., 2014)	Article	Family involvement in ownership, management, and firm performance: Moderating and direct-effect models	Ownership, management, and firm performance	Quantitative
6	(M. A. Ramady, 2005b)	Book	The Saudi Arabian economy: Policies, achievements, and challenges: Second Edition	Economy	-
7	(Al-Dubai et al., 2014)	Article	Family business definition: A matter of concern or a matter of convenience?	Ownership and firm performance (ROA)	Quantitative
8	(Al-Dubai, Ismail, et al., 2015)	Article	Are family members expropriated-monitoring shareholders? Non-linear evidence from the Saudi Arabia	Shareholders	Quantitative
9	(Ramady et al., 2010)	Article	Assessing the role of Family business in promoting economic growth: Perspectives from Saudi Arabia	Economy	Qualitative
10	(Alrubaishi, McAdam, et al., 2021b)	Article	Culture, Islamic capital and the entrepreneurial behaviour of family firms in Saudi Arabia	Culture, Religion & behaviour	Qualitative
11	(Bodolica & Spraggon, 2020)	Article	Almajid Limited: the tumultuous journey of a multigenerational enterprise in Saudi Arabia. Case study: Parts A, B, C and D	Management	Qualitative
12	(Alrubaishi, 2020)	Conference Paper	Reputation and social relationships for family business continuity	Reputation and social relationships	Qualitative

13	(Ragmoun & Alwehabie, 2020)	Article	Sustainable human resource management (SHRM) and corporate social responsibility (CSR): An Integrated Mediated Moderation Model of dynamic capabilities (DC) on family business industry	Human resource & corporate social responsibility	Quantitative
14	(Ekanem & Alrossais, 2017)	Article	Succession challenges facing family businesses in Saudi Arabia	Succession planning	Qualitative
15	(Alrubaishi, 2017)	Book chapter	Succession planning in family SMEs in Saudi Arabia: A descriptive study	Succession planning	Quantitative
16	(Al Kayid et al., 2022)	Article	Defining family business efficacy: An exploratory study	Business efficacy	Qualitative
17	(Alrubaishi, Haugh, et al., 2021)	Article	Socioemotional wealth, generational involvement, and the manifestation of entrepreneurial orientation within Saudi family firms	Socioemotional wealth	Quantitative
18	(Kamaludin et al., 2020)	Article	Moderating effects of family business on audit committee diligence and firm performance: A middle eastern perspective	Firm performance	Quantitative
19	(Almadani et al., 2018)	Conference Paper	Impact of employees motivation on succession planning in family owned businesses	Succession planning	Qualitative
20	(Sahni et al., 2017)	Article	Corporate governance in family business: Evidence from Saudi Arabia	Corporate governance	Mixed methodology
21	(Piesse et al., 2012)	Article	Is there a distinctive MENA model of corporate governance?	Corporate governance	Qualitative
22	(Alrubaishi, Alarifi, et al., 2021)	Article	Innovation heterogeneity in family firms: Evidence from the date industry in Saudi Arabia	Innovation	Qualitative
23	(Alheabri et al., 2021)	Article	The influence of independence and compensation of the directors on family firms and real earnings management	Real earnings management	Quantitative
24	(Al-Dubai, Ku Ismai, et al., 2015)	Article	Does family involvement on board of the directors contribute to firm profitability? An empirical evidence from Saudi Arabia	Firm performance	Quantitative

## Overview of Saudi Arabia Family Business Research

There is limited discussion on Saudi Arabian family business in the literature. For instance, (Samara, 2021) conducted a systematic review of 70 papers in the Arab Middle East from 2000 to 2018 and found only five papers about family business in Saudi Arabia. The author found that the nature of research on family business in the Middle East is unfocused, decontextualized, and still in a nascent stage.

The literature has focused mainly on the performance of family businesses, such as financial performance and the impact of the audit committee on family performance. (Al-Dubai et al., 2014) examined different family ownership styles with firm financial performance through 75 non-financial public listed companies on the Saudi Stock Exchange (Tadawul) for the period 2007–2011. The authors found no difference between ownership cut-offs and family financial performance. (Alhebri & Al-Duais, 2020) investigated earnings management and real earnings management of Saudi Arabian family businesses. The authors suggest that family firms are capable of manipulating earnings. (Kamaludin et al., 2020) examined the impact of the audit committee on family business performance through 485 firm-year observations from the Saudi Stock Exchange (Tadawul) for the period 2012–2016. The finding supports the socio-emotional wealth argument, where family owners' primary concern revolves around meeting the family's effective needs at the expense of the firm's performance.

In addition, considerable research has been conducted on succession in a family business. (Alrubaishi, 2017) conducted a descriptive study of succession planning based on 285 questionnaires. Findings indicate that most of the responses have marginal to no succession planning. (Ekanem & Alrossais, 2017) conducted a qualitative study, examining the challenges of succession planning in six Saudi family businesses and found that most of them do not have a succession plan, primarily because of socio-cultural issues such as mistrust and conflicts among family members. Apart from this, no evidence of management and training, difficulty to monitor the performance of the family members in the business, lack of women's contribution to the business, and the conflict in succession planning because the owner has more than one wife, also contribute to obstacles in succession planning.

Studies have also examined corporate governance, business efficacy, and other major forces influencing the family business. (Sahni et al., 2017) studied corporate governance of

Saudi family business; they observed low disclosure and transparency. The authors identified issues such as the lack of corporate governance in terms of written mechanisms, processes, and procedures. A qualitative study in Saudi Arabia and the UK (Al Kayid et al., 2022) identified eight dimensions of family business efficacy, consisting of family control, goal consensus, communication, business knowledge, efficient decision-making, effort, and endurance, external relations, and mastering challenges. (Ramady et al., 2010) identified major forces influencing family business in Saudi Arabia, that is, cultural factors, hereditary forces, family relationships, religion, social class, and other group membership forces.

The remaining studies explored the Saudi context by examining socio-emotional wealth, culture, and religion. For instance, (Alrubaishi, Haugh, et al., 2021) surveyed 241 family businesses in Saudi Arabia to examine the impact of socio-emotional wealth on Saudi family firms' entrepreneurial orientation. Findings indicate a positive impact of socio-emotional wealth on entrepreneurial behavior. (Alrubaishi, McAdam, et al., 2021b) conducted 10 qualitative interpretive case studies. Findings reveal family ties as the primary factor influencing entrepreneurs' behavior in the family business. It was observed that the cultural context consists of Islamic values, kinship ties, family structure, and preservation of good manners. (Alrubaishi, 2020) also explored the unique resources of Saudi family business; findings suggest the importance of reputation and social relationships for the firm's competitive advantage. (Alrubaishi, McAdam, et al., 2021a) examined the role of religion in Saudi family businesses using an interpretive case study of 10 firms. Findings indicate that Islamic concepts guide family firms' ethical behavior.

## Conclusion

This study examined the current state of Saudi Arabian family business research. Our findings show that the literature has focused mainly on the family business performance aspect without looking into the details of non-financial aspects, which is considered one of the core concepts for understanding family businesses, such as social-emotional wealth. Also, literature has focused on examining the existence or absence of succession planning without examining successful succession cases in detail. Additionally, little literature discussed ownership, management, and corporate governance. Finally, our study highlights the lack of research in proportion to the existence of family-owned companies that significantly influence Saudi Arabia's economy. We propose the following five future research

agendas. First, many works of literature recommend changing family business governance to a joint-stock company to overcome challenges in succession, governance, and institution; we address the need to discuss the advantages and disadvantages of these recommendations and measure their effectiveness on the survival of the family firm. Second, the literature has examined the state of succession planning in the family business; we recommend more research on successful succession planning to provide guidelines suitable for the Saudi Arabian context. Third, research on culture and religion is few compared to the global content; we need research that examines the uniqueness of the Saudi Arabian context and the impact of culture and religion on the family business. Fourth is the need for research that discusses the legal status of ownership, as family businesses in Saudi Arabia follow Islamic law, which directly affects the succession process and internal family relationships. Fifth is the need for more research on the role of women and their impact on Saudi Arabian family businesses.

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