

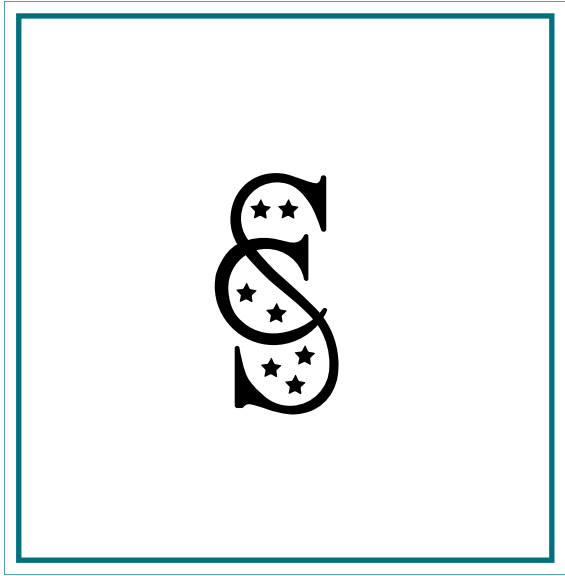
Al Saud Company Case Study

Saud Bin Majid's Dilemma



SHEIKH SAOUD BIN KHALID
BIN KHALID AL-QASSIMI
CHAIR IN FAMILY BUSINESS AT AUS

AUS | الجامعة الأميركية في الشارقة
American University of Sharjah



Al Saud Company Ltd.





Arrows when apart are fragile but
bound together are unbreakable



A saying attributed to Ma'n ibn Za'ida, an 8th-century Arab general.





Sultan Sooud Al Qassemi,
Managing Director of Al Saud Company

Foreword

Upon returning to the UAE in the fall of 1998 at the age of 20 after a four-year stay in Paris and unexpectedly assuming a role with substantial responsibilities in the firm my family founded about 20 years ago, I realised I was out of my depth.

I proceeded to enrol in short-term courses and conferences that discussed the challenges faced by family businesses in the region. I had the opportunity to listen and learn from many leaders, but above all else, the candid and frank talks by members of leading family businesses who shared their experiences of dealing with conflict had the largest impact on me.

In reality, nothing can completely prepare a young man or woman for the responsibilities that a role in a family business entails. However, I realised that being armed with as much knowledge as possible of other cases in which disagreements had arisen can significantly help in resolving issues or avoiding them altogether.

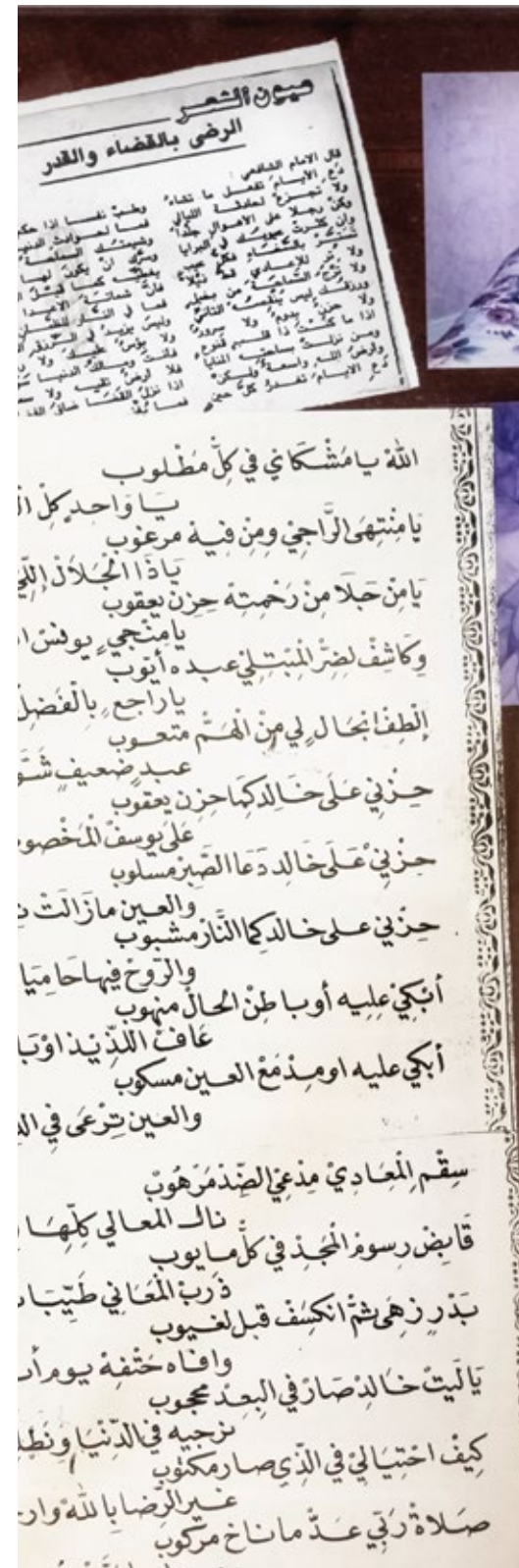
Furthermore, philanthropy had always been a major component of my father's beliefs. He had urged us throughout our lives to support numerous causes around the world. Upon his passing and based on one of his final wishes, we decided to allocate money to an educational cause in the UAE. We realised that many family businesses that do an equal amount of good are approaching a point of inflexion at which the businesses are being handed over to second- and third-generation members who, like me in my younger years, are not aware of the complexities of running a family business. As a result, many of these businesses end up closing down due to misunderstanding between family members.

Education has always featured prominently in my family as well. When my maternal grandfather passed away in 1958, my maternal grandmother insisted on sending her granddaughters to

school to pursue their education despite it being somewhat frowned upon by society in the 1950s. As a result, in the past few years, my mother, Na'ama Bint Majid, and my aunt, Mahra Bint Majid, have been recognised as the first teacher and the first school director in the UAE, respectively. My mother's and my aunt's success added to the impetus of funding an educational chair at a local university. The American University of Sharjah, being a leading educational institution, was the ideal home for such an initiative.

My family has always envisioned this initiative to be larger than a single classroom and to be targeted to the wider community. We are pleased to see leading members of family businesses being invited to speak and exchange views with each other as well with students and to witness wider initiatives, such as the Family Business in the Arab World Conference.

Securing the future of family businesses, which account for the majority of establishments and employers in the region, also means securing a better future for the region. In fact, several years since the establishment of the Sheikh Saoud bin Khalid bin Khalid Al-Qassimi Chair in Family Business, additional courses are still needed throughout the region for us to minimise the risk of potential misunderstandings within family businesses.







Al Saud Company Case Study



Saud Bin Majid's Dilemma



Rodrigo Basco

Sheikh Saoud bin Khalid bin Khalid
Al-Qassimi Chair in Family Business
American University of Sharjah

Tor Brodtkorb

Department of Management
American University of Sharjah



Like digging small canals that flow into a larger river, my investment policy entails making small investments in a variety of firms



A saying attributed to the late Sheikh Saoud bin Khalid, founder of Al Saud company.

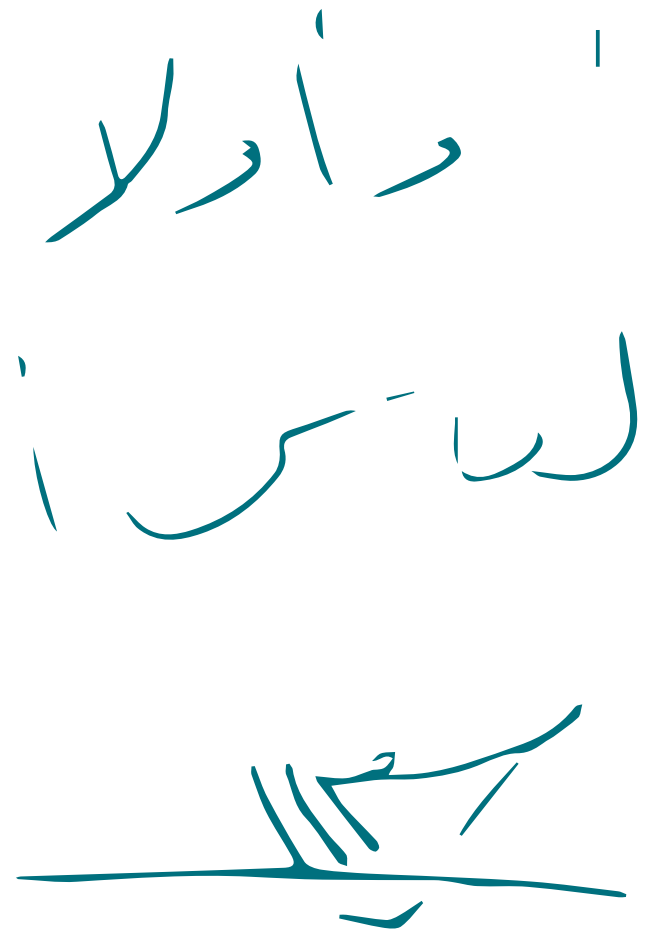
سازمان راجی و کلیه راجی

Introduction

Saud Bin Majid, grandson of the founder of Al Saud Company, walked through the long corridor that leads to the main offices and stopped in front of the last door. Having knocked on the door two times without receiving a reply, he opened it cautiously. From the portrait above the mantel, he felt the gaze of Sheikh Saoud Bin Khalid Bin Khalid Al Qassimi, his grandfather and the founder of the firm. In the office, everything was just as it had been when his grandfather was alive. Saud looked over his shoulder, making sure that no one was observing him. Stepping in, he closed the door and dropped down onto the sofa. The time for the succession had arrived, and he was to take over management of the Al Saud Company. The die was cast, and events that could not be reversed were now in motion. Saud Bin Majid had long known he was expected to take over the family business and had worked hard, first at other firms and then within the Al Saud Company, to develop his own confidence and to earn the trust of the other family members.

Nevertheless, today, he reflected on the daunting task he had inherited. He asked, "How can a young man with a young man's limited experience in business and even in life manage the future of a firm and a family? How can I integrate the interests of the first, second, and third generations into a new balance between my family and our family business? How can I introduce necessary changes while maintaining respect for the legacies of our founder and the second generation of managers? Will I make my future within this firm? Do I have a future outside it?"

The Al Saud Company is a family firm established in the late 1970s by Sheikh Saoud Bin Khalid Bin Khalid Al Qassimi in



أحمد
السعود
٥/٤/٧٧

the Emirate of Sharjah in the newly established country of the United Arab Emirates (UAE). The new country enjoyed rapid development, and Saud Bin Majid took part in the boom by opening a firm that did business in the construction and real estate sectors. As the years passed, the company continued to grow, benefiting from the opportunities offered by the rapid growth of the UAE and the surrounding Gulf Cooperation Council (GCC) region.

In 2004, the family faced a crisis: Sheikh Saoud fell ill, and it was suddenly apparent that the issue of succession had not been adequately addressed, leaving the future of the firm uncertain. However, the family pulled together after Sheikh Saoud's death, uniting around the firm. More than 10 years later, the Al Saud Company is again in a state of transition, now to the third generation of leadership. The transition period occurs amid the backdrop of significant changes in the family and in the business environment and will demand leadership if the continuity of the business is to be maintained while continuing to satisfy the growing number of shareholders.

The Family and the Business

The origins of the family firm can be traced to Dallal Street in Colaba, Mumbai (then known as Bombay), where Sheikh Saoud spent part of his childhood living in humble circumstances with his grandmother, Ummi Mariam. He had moved to India for medical care that was unavailable in Sharjah at that time. After spending seven years in Mumbai and two years in Sharjah, at the age of 14, he moved to Kuwait, spending his time with his mother, Fatima; his grandmother, Mariam; and his maternal uncle, Ibrahim. In 1964, he got married after returning to Sharjah to work in the accounting department of the Kuwaiti Office in Dubai.

Settling in Sharjah, he started his own business building small shops in the rapidly developing coastal districts, renting rooms above the shops, and finally building apartments for middle-income families. Sheikh Saoud's business was developing at a time of rapid economic growth in the Emirate of Sharjah. He was able to recognize opportunities and exploit them. In the beginning, Sheikh Saoud accepted risks as a necessity in his attempt to escape from poverty and to create, expand, and then consolidate his firm, earning a respected name in society throughout the process.

Sheikh Saoud and his wife Sheikh Na'ma had seven children. All the children were granted shares in the firm from the time of their birth. After the death of their father in 2005, there was a shift in the percentages of ownership, and a family charter was drawn up to ensure that the family remained together, united through the firm. Two brothers, Majid and Sultan, took control of business operations. Saud's father, Majid, became the chair of the firm, while Sultan took over as the managing director.



قصائد في بيت

يحضر الشعر العربي بأنه يحوي أياتاً كثيرة كل بيت منها يعادل قصيدة ... أياتاً تجري
تجري الحكمة ، وتصلح لضرب المثل ، أو للتعبير ، أو للتصريح الخفية ... يود أي عربي
متقف أن يحفظها ليزيد بها ثقافته ، ويختار لكم في هذا الباب كل مرة عدداً منها :

وما الحُسْنُ في وجه القنَى شرفٌ له إذا لم يكن في فعله والخلق
(القيس)

رجو النجاة ولم تسلك مسالكها إن السفينة لا تجري على اليبس
(أبو العلاء)

إذا صاحبت في أيام بؤس فلا تنس المودة في الإحسان
(أبو العلاء)

ولا يتفون الشر حتى يصيبهم ولا يعرفون الأسر إلا تدبراً
(أبو العلاء)

لعل له عذراً وأنت تلوم وكم لائم قد لأم وهو مَلُومٌ
(أبو العلاء)

وقلت لها اعتكلت بغير ذنب وشئ الناس ذو الغلل الجليل
(أبو العلاء)

بذا فحسب الأيام ما بين أهلها مصائب قوم عند قوم فوائد
(القيس)

انجد أخاك على أسر بهم به فالمؤمنون لدى الخيرات أنجاد
(أبو العلاء)

تعال الله يا سلم بن بكر أقل الحرص اعتاق الرجال
(أبو العلاء)

نعمرساً أنسا قليل عديداً فقلت لها إن الكرام قليل
(السرازمي)

لا تعرف الشوق إلا من يكابده ولا العصابة إلا من يعاينها
(القيس)

أحييت قومي ولم أظلم بهمهم قالوا تعصبت جهلاً قول ذي بهت
(أبو العلاء)

ومن تكلم الدنيا على الخمر أن يرى عدواً له ما من صدائقه يد
(القيس)

لا تزعوي الأنفس عن غيبتها ما لم يكن منها لها زاجر
(أبو العلاء)

إذا ساء فعل العرو سادت ظنونك وسدق ما يعتقده من توهم
(القيس)

وإذا انتك مدعى من ناقص فهي الشهادة في باني كامل
(القيس)

فلعل لها يا عز كل مصيب إذا وطئت يوماً لها النفس دلت
(أبو العلاء)

سلي إن جهلت الناس عتاً وعنتهم فليس سواء عالم وجهول
(السرازمي)

وظلم ذوي القربى أشد مضاضة على المرء من وقع الحسام المهند
(أبو العلاء)

ومن يك ذا فم مريض يجسد مرأ به الماء الزلال
(القيس)

إذا أنت أكرمت الكريم ملكته وإن أنت أكرمت اللئيم تمردا
(أبو العلاء)

سيدكرني قومي إذا الخيل أفلت وفي الليلة الظلماء ينفق البدر
(أبو العلاء)

لعل غيبك محمودة عواقبه فربما صحت الأجسام بالعلل
(القيس)

ولما رأيت الجهل في الناس فأنيت تجاهلت حتى ظن أنسي جاهل
(أبو العلاء)

إذا فعل القننى ما عنه ينهى فمن جهتين لا جهة أساء
(أبو العلاء)

أريد صلاحها وتريد قتل وشئ بين قتل والصلاح
(أبو العلاء)

والجهر أفضل لى مما أراقبه أنا الغريب فما خوفي من البقل
(القيس)

وإذا كانت النفوس كباراً تعبت في مرادها الأجسام
(القيس)

إن غبت لم ألق إنساناً يؤانسني وإن حضرت فكل الناس قد حضروا
(أبو العلاء)

لا تغترسني في الأساءة إنه شرار الرجال من سي . فيعذر
(أبو العلاء)

أسد علي وفي الحسروب نعمة فتأخر لعجل من صغير الصافر
(أبو العلاء)

فوا عينا كم بدعي الفضل ناقصاً ووا أسفاً كم يظهر النفس فاضل
(أبو العلاء)

بسم الله مالكاً خديت قال
حسب الكلام إذا قيلاً خديت على
و الله ابن خديت خديت قال
صاحبت كلام أديا



Saud bin Majid with his grandfather Sheikh Saoud bin Khalid, founder of Al Saud company, on May 13th 1990

The rest of the shareholders had minimal impact on the business's daily decision making. In the particular context of the UAE and considering the sectors in which the family firm competes, risk was the main concern. Therefore, there were two important issues to maintain the health of the firm: 1) preventing the firm from taking on financial risks that could threaten the wealth at the root of the firm and 2) maintaining a sufficient return from that wealth to keep the family united around the firm as the best vehicle to manage the family's wealth. Majid and Sultan understood the need to control risk and, consequently, developed a clear investment strategy in this sense.

Majid, having extensive experience in the business and being the eldest male in the second generation, took primary responsibility for overseeing the business, while Sultan managed and successfully strengthened the relationship between the family and the firm. Sultan persuaded family members to define specific spaces for interacting and discussing both family issues and business issues. For instance, he implemented annual family shareholder meetings as a way to keep the family informed about business activities and to debate relevant issues related to

the management of the business, the ownership structure, and the relationship between the family and the business.

Due to Sharia law, male family members hold shares representing higher percentages of firm ownership than female family members. In fact, it is not uncommon in the region for male family members to buy the shares of female family members, leaving control of the firm entirely in the hands of male descendants. The Al Saud Company, however, defied this local tradition, leaving female family members with their shares in the firm, albeit representing lower percentages of firm ownership than their male counterparts (see Figures 1 and 2). While this decision is progressive in terms of gender equality, it exacerbated issues related to firm unity and control by increasing the number of shareholders and increasing the potential for exponential expansion as the family tree continues to develop more branches. Since Sheikh Saoud's death, the firm and family cohesion required by Majid and Sultan's vision was maintained by Sultan's leadership in the family sphere, assisted by Sheikha Na'ma, who took on an important role in settling contentious issues through her embodiment of the legacy of Sheikh Saoud.

Figure 1:

Family Ownership Profile
before the Death of the Father

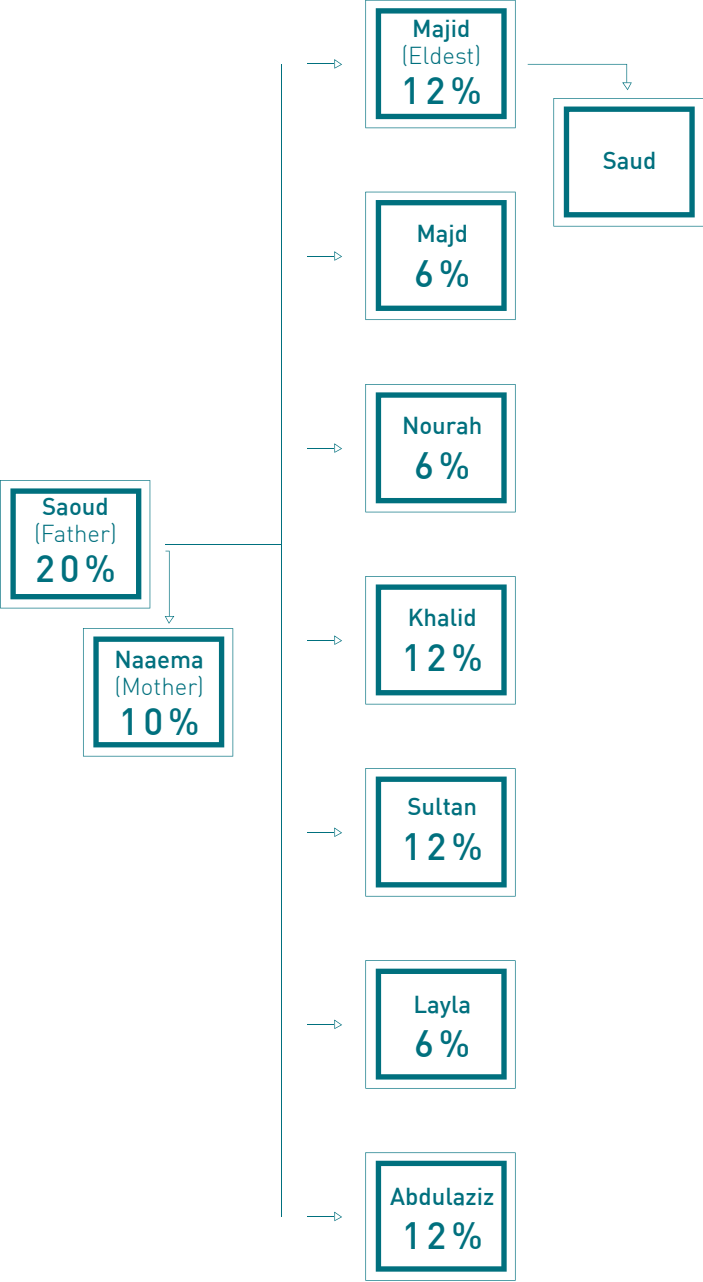
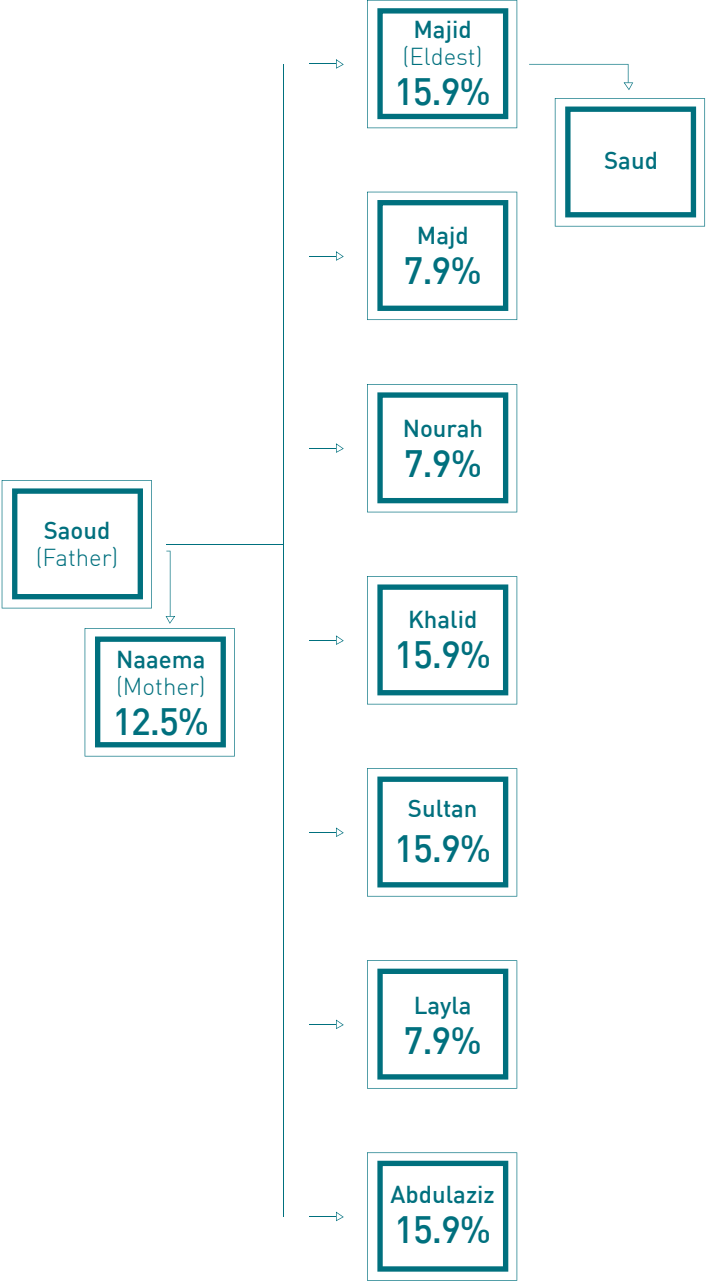


Figure 2:
Family Ownership Profile
after the Death of the Father



The Business Model

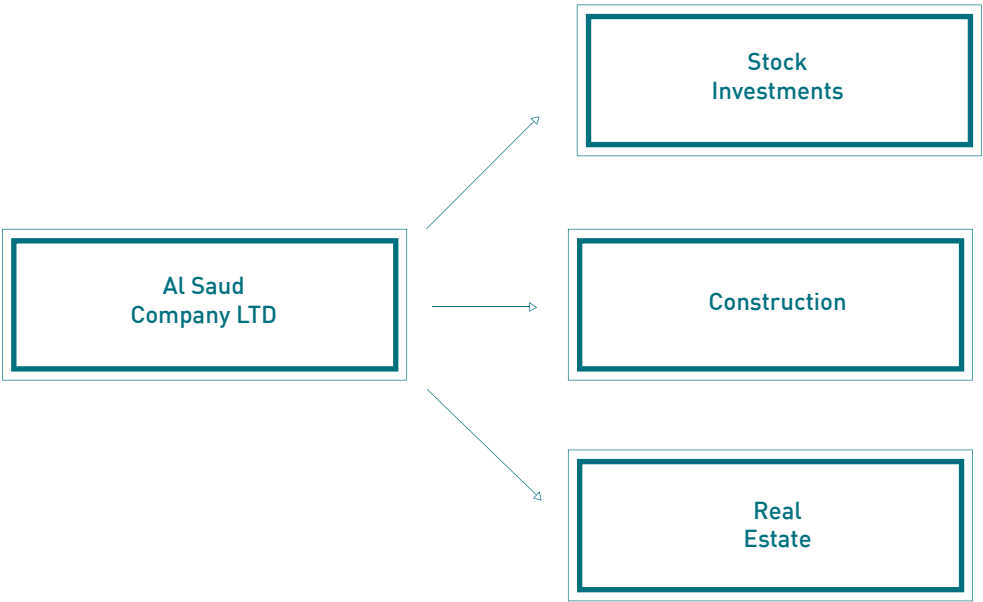
When the firm began its operations in the 1970s, it was focused on the real estate and construction sectors. However, over the years, this model has been diversified through the redirection of profits into stock investments. While real estate and construction were focused within the Emirate of Sharjah, stock investments were focused within the GCC region. Sheikh Saoud developed a specific investment strategy to diversify risk across firms, industries, and countries within the region and to ensure stability while exploiting opportunities. However, Sheikh Saoud's investment strategy was developed for a world that lacked the instant communication technologies of today, so his regional focus was necessary for him to gain familiarity with the main stakeholders and their investment positions across the region. In some cases, he invested in companies to access their financial statements and other records. With this long-term strategy, Sheikh Saoud had mapped a network of the influential investors across the GCC countries, allowing the firm to capture economic opportunities in the region while operating with businesses and individuals who were known entities.

During the 2000s, there were significant changes in the firm's business model. First, there was a shift in business activities as a source of income from construction to stock investment. Sultan convinced his father to refocus the business model by internationalizing the firm's stock investments beyond the GCC countries. Currently, stock investments are the most important source of income for the firm. As the stock portfolio grew, construction activity was correspondingly reduced in importance as the sector became more and more competitive, requiring significant amounts of new investment as well as specialized knowledge to participate, thereby potentially exposing the firm to correspondingly high risk.



Sheikh Saoud's office has been left untouched by his family since he passed away on May 30th 2005

Current
Business Model



The current generation is managing the firm under the motto “do not take unnecessary risk.” This attitude is a part of the business culture even though there is some resistance from non-executive family members who would prefer to move into investments that offer higher returns or begin new business activities, such as construction and mall administration. So far, Majid and Sultan have been able to adhere to their motto and block risky initiatives from other family members, crediting their conservative approach with having minimized the firm’s troubles during the 2008 downturn, a time when many highly leveraged companies in the GCC faced disaster. In terms of investments, the company does not invest in technology companies, such as Facebook or Uber, because Majid and Sultan believe the sector is not mature, that current market valuations are not supported by P/E ratios, and that the rapid growth

in share price for such companies is premised upon uncertain future growth. Similarly, the construction projects the company engages in are modest and make use of existing capital assets, avoiding any need to leverage construction costs against anticipated profits from the project under construction. The weight of the company’s business activities according to their capacity to generate income is as follows: stock investments = 72%, real estate and construction = 27%, and earnings on cash deposits = 1%. Since stock investment activities are the main source of income, the firm’s income growth is highly dependent on market fluctuations. Consequently, the company has a policy to distribute income from investments only when dividends are paid by the companies in which they are invested so that the income of the company’s shareholders does not directly benefit from capital gains in its investments.

Figure 3:
Total Income Growth
(annual calculation)

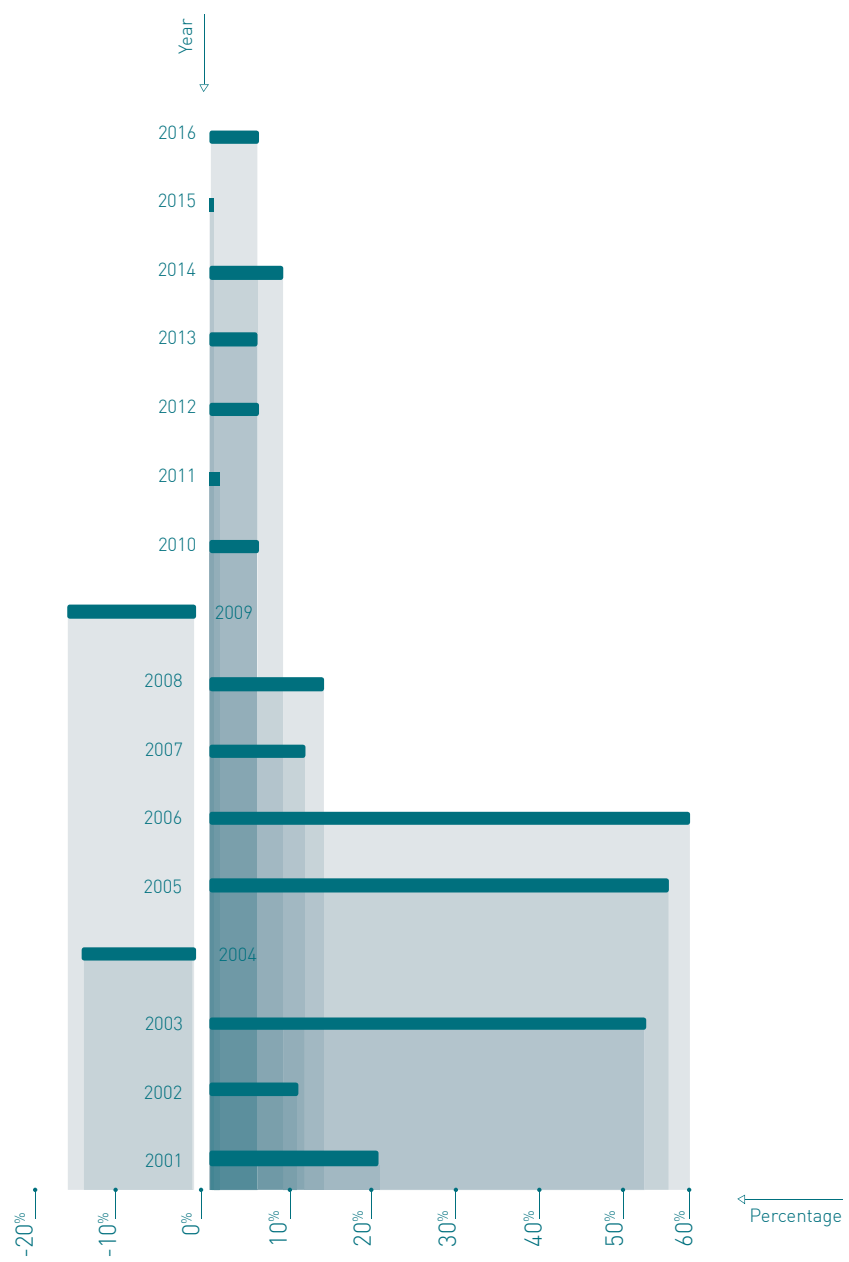
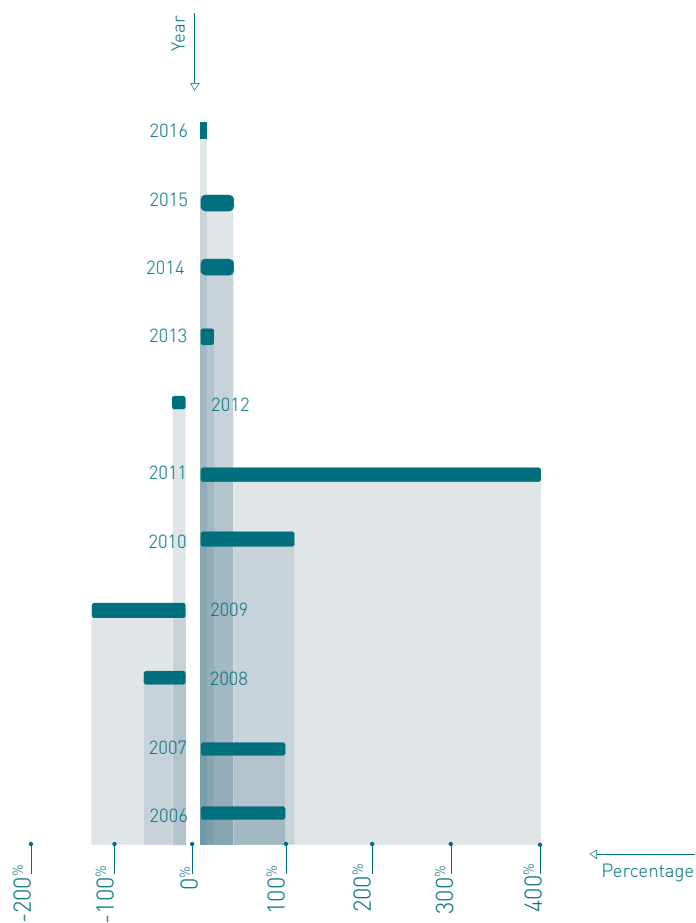


Figure 4:
Growth Paid to Shareholders
(annual calculation)



A Change in Leadership

Things changed when Sheikh Saoud fell ill. His son, Sultan, joined the firm in the late 1990s to spend time with his father. During this time, he also learned a lot about the business. Sultan introduced several changes in the firm to modernize economic activities, strategies, and the family-business relationship by separating ownership and management structures to avoid operational conflicts. Although Sultan introduced changes in the firm, he remained very risk averse, and he did not believe the firm should enter into risky markets or new business ventures that could jeopardize its survival.

When Sultan and Majid became the leaders of the firm, they not only managed and controlled the daily operations, but they were also able to control voice in the ownership meetings with the support of their mother. They established a family charter to ensure that the firm and the family would stay together, even convincing family members to restore company assets that Sheikh Saoud had distributed before passing away. Sheikh Saoud believed that “arrows when apart are fragile but bound together are unbreakable,” a saying attributed to Ma'n ibn Za'ida, an eighth-century Arab general, that was also important to Sultan. Sultan has been the primary peacemaker between the family members, which—like any family—had its share of disagreements. An important part of the family constitution is the buy-and-sell agreement, which prohibits family members from selling their shares outside the family and discourages even sales of shares within the family by setting the price of shares to be transferred at 25% below market value.



NO NEW BANK ACCOUNTS

NO IPOS

NO STRUCTURED PRODUCTS

NO FUNDS, PERIOD

NO LEVERAGING

NO PRIVATE EQUITY

NO LIFETIME OPPORTUNITIES

NO FINANCIAL FORECASTING

NO CURRENCIES





المكتب	المكتب	المكتب
5691111	5691112	5691113
5691114	5691115	5691116
5691117	5691118	5691119
5691120	5691121	5691122
5691123	5691124	5691125
5691126	5691127	5691128
5691129	5691130	5691131
5691132	5691133	5691134
5691135	5691136	5691137
5691138	5691139	5691140
5691141	5691142	5691143
5691144	5691145	5691146
5691147	5691148	5691149
5691150	5691151	5691152
5691153	5691154	5691155
5691156	5691157	5691158
5691159	5691160	5691161
5691162	5691163	5691164
5691165	5691166	5691167
5691168	5691169	5691170
5691171	5691172	5691173
5691174	5691175	5691176
5691177	5691178	5691179
5691180	5691181	5691182
5691183	5691184	5691185
5691186	5691187	5691188
5691189	5691190	5691191
5691192	5691193	5691194
5691195	5691196	5691197
5691198	5691199	5691200

المكتب	المكتب	المكتب
5691201	5691202	5691203
5691204	5691205	5691206
5691207	5691208	5691209
5691210	5691211	5691212
5691213	5691214	5691215
5691216	5691217	5691218
5691219	5691220	5691221
5691222	5691223	5691224
5691225	5691226	5691227
5691228	5691229	5691230
5691231	5691232	5691233
5691234	5691235	5691236
5691237	5691238	5691239
5691240	5691241	5691242
5691243	5691244	5691245
5691246	5691247	5691248
5691249	5691250	5691251
5691252	5691253	5691254
5691255	5691256	5691257
5691258	5691259	5691260
5691261	5691262	5691263
5691264	5691265	5691266
5691267	5691268	5691269
5691270	5691271	5691272
5691273	5691274	5691275
5691276	5691277	5691278
5691279	5691280	5691281
5691282	5691283	5691284
5691285	5691286	5691287
5691288	5691289	5691290
5691291	5691292	5691293
5691294	5691295	5691296
5691297	5691298	5691299
5691300	5691301	5691302

5691733 خاص
5691112 علم
5691114 فاكس

5697733 خاص
5691112 علم
5691114 فاكس



Despite its restrictions, the charter enjoys broad support among the siblings because it is seen as honouring and preserving Sheikh Saoud's legacy, and no family members have been so dissatisfied with the management of the firm that they have availed themselves of the buy-and sell agreement.

In the second generation, the firm consisted of eight shareholders with a high degree of consensus among them to maintain the status quo, allowing for the adequate management of any conflict. However, the increased number of owners under the third generation and the potentially vast expansion in the number of future owners jeopardizes the stability of the firm and the family, because the numerous new shareholders will bring new ideas, intentions and expectations. In the 2016 annual meeting, all owners agreed that the children of the current shareholders, who represent the future of the firm, should attend the meeting as observers (no voice and no vote).

Sheikh Saoud's desk has been left untouched by his family since he passed away on May 30th 2005



The Future

Majid and Sultan are still involved in the firm, but their interventions in daily operations are decreasing. Majid's son, Saud, being the natural successor, was socialized and trained to assume the future leadership of the company. Saud Bin Majid has been trained to handle business operations and family relationships by his uncle, Sultan. In 2011, after finishing his university degree in finance, he worked in HSBC in Dubai and then at a local bank before joining Abraaj Capital for 18 months, which included six months in Singapore.

While it was Saud Bin Majid's choice whether to take on the leadership of the firm, there was significant pressure to do so, implicitly or explicitly, from general culture and the family itself. He occupies a prominent position among the siblings and cousins—the eldest son of the eldest son, which has a special meaning in Arab culture. Just before starting his undergraduate studies, his father and his uncle made clear their desire to see Saud join the firm. Even more, the desire of Sheikh Saoud Bin Khalid Bin Khalid Al Qassimi, his grandfather, was that Saud Bin Majid would one day run the company.

Saud Bin Majid is facing a tough situation as he will have to manage a large number of shareholders while keeping the family united. He is optimistic about the future of the firm but believes that some changes are needed to maintain the unity of the family while implementing new initiatives to consolidate the firm's strategic position. As the family and the number of shareholders continue to grow, the business will need to produce more income to satisfy these shareholders' expectations. If the income produced through Majid and Sultan's risk-averse strategies fails to keep up with these expectations, that itself will pose a risk to





ng Address

Saud Bin Majid Al-Qassimi
Managing Director
Company LLC

SHOUKAT SAOUD BIN KHALED
BIN KHALED AL-QASSIMI
CHIEF FINANCIAL OFFICER OF AUM

SPECTRA

the future of the firm. Further, if the shareholders believe they could get a higher return by managing the investments differently, then even the 25% penalty for selling will not keep them from cashing out of the family business. Saud Bin Majid will need to manage tradition and innovation to maintain the family and the business.

“Without a change, the company risks stagnation. The prioritization of stability above all else could prevent any improvement to the way things are done. When my father and Uncle Sultan took over the company from my grandfather, they made a lot of changes, and it was the right thing to do. I believe the market now is different from my uncle’s period. Now, it may demand calculated risk taking to succeed. I really don’t want to risk this company. It is well established, it provides for the family, and it keeps the family together. Saud Bin Majid’ thoughts.

Saud Bin Majid then articulated his dilemma “So, while I see a need for change and a need to take on risk, I don’t want change for the sake of change or risk for the sake of risk. I don’t want to be the one responsible for damaging or ruining the company. Any changes would need to be introduced gradually, in a way that retains the consensus of the second generation.”

During one of Saud Bin Majid’s visits to his grandfather’s office, his eyes wandered upon some of the newspaper clippings Sheikh Saoud had saved under the large glass panel covering the desk. “White Elephant” read one clipping, “A business term that indicates a giant commercial project that turns out to be pipe dream.” Another saved clipping was reminiscent of a remark Saud Bin Majid once heard from his Uncle Sultan, “If you maintain the cohesion of the firm, it will naturally grow.” That newspaper clipping read “Beware of the erosion of blessings, not every stray is an opportunity.” Saud Bin Majid’s challenge may ultimately be to balance the risk-averse status quo and the wider range of existing opportunities.



Al Saud Company Case Study



Saud Bin Majid's Dilemma



Note to Instructors



1.

Synopsys of the Case

This case study focuses on Al Saud Company, an Emirati family-owned firm established in late 60s. The case tells the story of Al Saud Company and the family behind it, emphasizing the origin of the firm, family relationships, and transitional succession periods. Al Saud Company's story is told at the particular moment of time in which the leadership is moving from the second to the third generation. Specifically, the case uses the perspective of the third generation. Based on the trajectory of the firm, the case study raises the dilemma that any potential successor has: Do I have to introduce changes or maintain the status quo in terms of the firm's strategy and family involvement in the firm? What kind of changes do I need to introduce: family changes and/or business changes?

2.

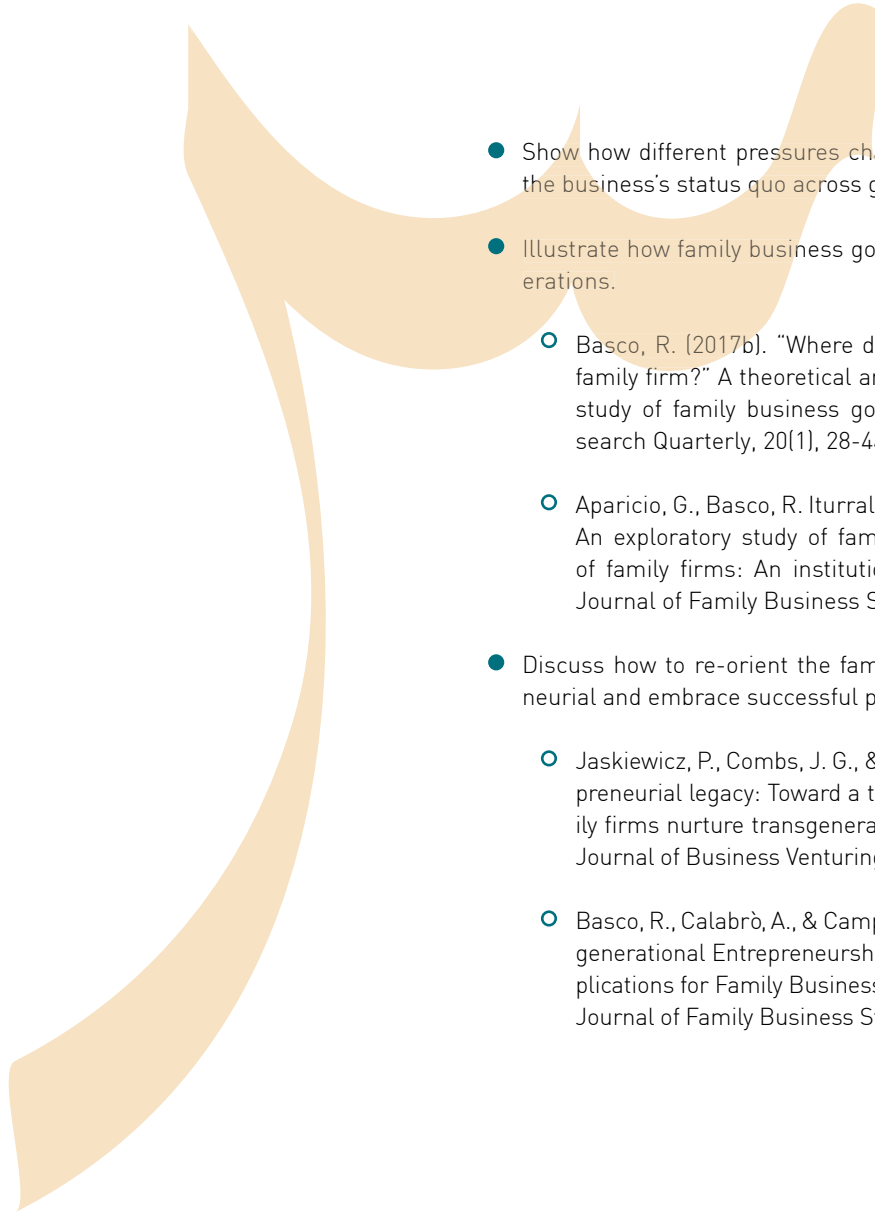
Target Group

The case is suitable for basic and intermediate courses in family business and family entrepreneurship because it enables educators to introduce not only general topics specific to the family business classroom, such as succession, family and business structures (i.e., corporate governance), and family business evolution, but also specific topics, such as family business goals, succession intention, and family and business changes across generations. The case is written in a way to maintain the tension of the storyline, and it uses general lenses to describe and explain the trajectories of both the family and the firm thus far. For these reasons, the case could be used for undergraduate and graduate students from different disciplines. Additionally, the case could be used to help business families begin the succession debate and to put students' own experiences into perspective.

3.

Learning Objectives and Key Issues

- Provide a general understanding of the nature of family business.
- Illustrate how the family and the business balance their needs across generations. The case serves to explore how the family business develops specific orientations: family-first, family-enterprise first, or business-first orientations.
 - Basco, R., & Pérez Rodríguez, M. J. (2011). Ideal types of family business management: Horizontal fit between family and business decisions and the relationship with family business performance. *Journal of Family Business Strategy*, 2(3), 151–165.
 - Reay, T., Jaskiewicz, P., & Hinings, C. R. (Bob). (2015). How Family, Business, and Community Logics Shape Family Firm Behavior and “Rules of the Game” in an Organizational Field. *Family Business Review*.
- Contextualize family business in the Arab World.
 - Basco, R. (2017a). Epilogue: The Multiple Embeddedness of Family Firms in the Arab World. In S. Basly (Ed.), *Family Businesses in the Arab World: Governance, Strategy, and Financing* (pp. 247–256). Cham: Springer International Publishing.

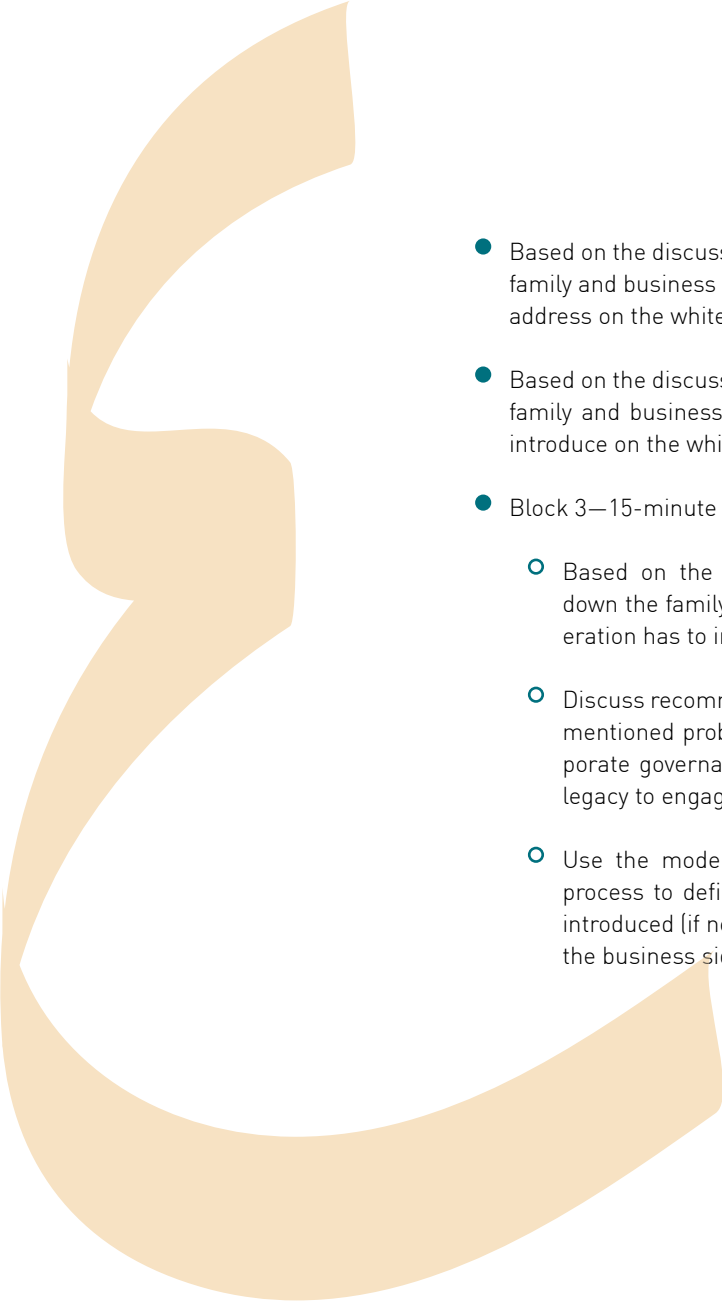
- 
- Show how different pressures challenge the family's and the business's status quo across generations.
 - Illustrate how family business goals change across generations.
 - Basco, R. (2017b). "Where do you want to take your family firm?" A theoretical and empirical exploratory study of family business goals. *BRQ Business Research Quarterly*, 20(1), 28-44.
 - Aparicio, G., Basco, R. Iturralde, T., Maseda, A. (2017). An exploratory study of family goals in the context of family firms: An institutional logics perspective. *Journal of Family Business Strategy*, 8(3), 157-169.
 - Discuss how to re-orient the family firm to be entrepreneurial and embrace successful practices
 - Jaskiewicz, P., Combs, J. G., & Rau, S. B. (2015). Entrepreneurial legacy: Toward a theory of how some family firms nurture transgenerational entrepreneurship. *Journal of Business Venturing*, 30(1), 29-49.
 - Basco, R., Calabrò, A., & Campopiano, G. (2018). Transgenerational Entrepreneurship around the World: Implications for Family Business Research and Practice. *Journal of Family Business Strategy*, forthcoming.

4.

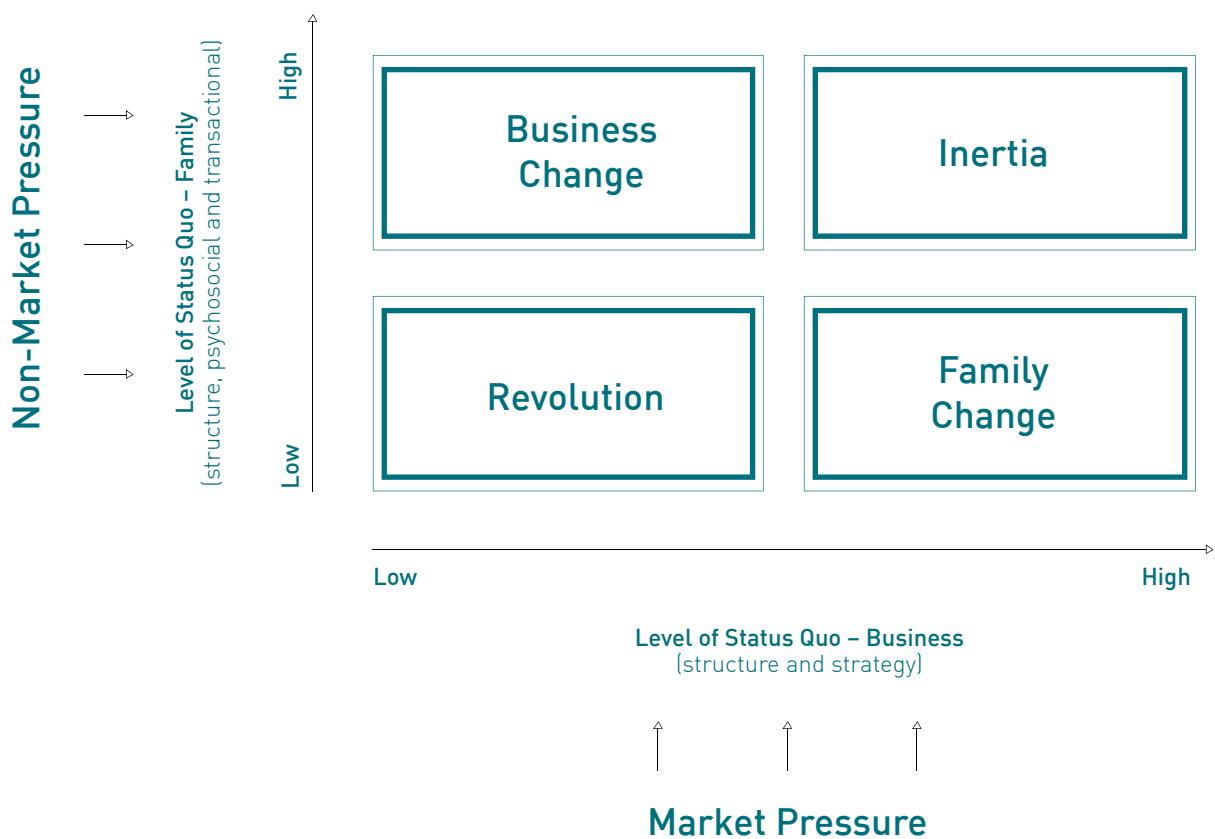
Teaching Strategy

Ask students to read and prepare the case before class. A class of 75 minutes can be divided into three blocks:

- Block 1—20-minute discussion:
 - Question for students: Who is/are the main character(s) in the case study? Based on the students' discussion, write the list of main and secondary characters on the whiteboard.
 - Question for students: What is/are the problem(s) in the case study? Based on the students' discussion, write the list of problems the case study raises on the whiteboard. Try to separate general problems from the specific problem.
 - Question for students: When does this story occur, and Where does the story happen? Link the case study with the specific context of the United Arab Emirates. Based on the students' discussion, write the most important historical, temporal, and contextual characteristics on the whiteboard.
- Block 2—40-minute discussion:
 - With the students, define the problem to be addressed: Will the firm be able to support the family's lifestyle if it is passed from seven family members (the second generation) to more than 25 family members (the third generation)? Will the conservative wealth-management strategy developed by the second generation be able to support the third generation?

- 
- Based on the discussion with the students, write down the family and business challenges the new generation has to address on the whiteboard.
 - Based on the discussion with the students, write down the family and business changes the new generation has to introduce on the whiteboard.
 - Block 3—15-minute discussion:
 - Based on the discussion with the students, write down the family and business changes the new generation has to introduce on the whiteboard.
 - Discuss recommendations for how to solve the aforementioned problem(s): introduce/implementing corporate governance structures and creating a family legacy to engage the forthcoming generation.
 - Use the model of changes during the succession process to define what kinds of changes should be introduced (if necessary) on the family side and/or on the business side.

The model of changes during the succession process



Main Concept for the Model

- **Non-Market pressure:** Non-Market pressure entails those forces coming from the family that may affect the firm's pattern of actions. This pressure could be related to changes in the structure of the family (i.e., changes in the number of family members); changes in the roles that individuals play in the family and in the firm; and changes in the activities and actions that strengthen or reduce family ties, commitment, and the family legacy.
- **Market pressure:** Market pressure entails those forces coming from the environment within and outside the sector in which the firm competes. These forces include economic, social, cultural, political, and legal factors that can change the competition of the industry and affect the firm.
- **Level of status quo:** The level of the status quo represents the extent to which the new generation of family members recognize market and non-market pressures and introduce (or not) changes on the family side to maintain the harmony of the family-business relationship or changes on the business side to maintain firm competitiveness.

Reactions to Market and Non-Market Pressures

- **Inertia:** The new generation of family members is not able to recognize the market and non-market forces, or if they do recognize these forces, they decide not to introduce changes either in the family or in the business. The new generation prefers maintaining the status quo.
- **Family Changes:** The new generation of family members is able to recognize the non-market pressures (family) and decides to introduce changes to anticipate challenges that may jeopardize family harmony while maintaining the status quo on the firm side (e.g., via corporate governance or firm strategy).
- **Business Changes:** The new generation of family members is able to recognize the market pressures and decides to introduce changes to preserve firm competitiveness in the market while maintaining the status quo on the family side (e.g., via family corporate governance)
- **Revolution:** The new generation of family members is able to recognize that market and non-market forces can jeopardize family and firm survivability, and they decide to introduce changes on both the family and business sides.

5.

Team Homework after the Class

- Propose an action plan for the firm to define future family and business corporate governance structures (family-business relationship).
- Propose a transgenerational entrepreneurship plan to define the shift from a wealth-conservation strategy to an entrepreneurial strategy.

Photo credits:

Christina Dimitrova
Kamran Farooqui
Family album

