

# Chapter 1

## Sustainability of Family Business Entrepreneurships in the Middle East

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### **ABSTRACT**

*The sustainability of family businesses with their integral component of entrepreneurial venturing are the result of decades of developmental processes. The role that these family businesses play in any economy can only be described as massive. Therefore, understanding the factors that affect or play a role in the success and continuity of these firms is important, and assessing the level and role of corporate governance in this perspective remains a challenge. The interplay of systems, leadership, accountability, transparency and remuneration, is proving to play a role in family business sustainability.*

DOI: 10.4018/978-1-5225-2066-5.ch001

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## **INTRODUCTION**

An entrepreneur that establishes a new venture, in general, works following the logic of 'Going Concern', that is a long-term perspective of survival of the venture, and its future establishment as a market player. For this long-term perspective to survive the initiation, growth and development stages in the market, it needs to satisfy a number of criteria and factors. These criteria and factors include a creative idea, managerial skills, financing and proper financial management, etc. ..., succession planning and sustainable decision-making processes in family businesses.

The continuity of the entrepreneurship beyond the first generation of owners is adamant of one of a number of theoretical bases that the scholarly literature on family business describes.

Today, family owned and run businesses (FB) account for almost 95 percent of the firms of the Middle East, providing a major contribution to their respective national economies, and handling 62% of the total commercial exchange within the MENA (Middle East and North Africa) region (Statistics Unkind to Family Business, 2007). These facts are not far from those of many developed economies as reported from Western Europe (IFERA, 2003) and the USA (Beckhard & Dyer, 1983), FB represent similar percentages of their respective economies. Moreover, FB are today the driving economic force within the 'Transition' countries or those that moved from 'controlled economy' to 'open economy' systems such as Azerbaijan, Belarus, Croatia, Estonia, Georgia, Kazakhstan, Kyrgystan, Latvia, Lithuania, Serbia, Ukraine, Uzbekistan, etc.... (Duh, 2012; Rebernik, Tomnic, & Duh, 2007; Pistrui, Welsch, & Roberts, 1997).

Historical observation and previous studies found that one third of family businesses fail within the first four years from establishment (File and Prince, 1996; Bates and Nucci, 1990) and that less than thirty percent of family businesses survive to reach the second generation of managers (Shanker, M.C. & Astrachan, 1996; Kets de Vries, 1994). Moreover, thirty percent of FB cease operating by attrition. Therefore, it is only six to ten percent of FB that remain in the market to their third generation of ownership while almost ninety percent close before reaching that level (Statistics Unkind to Family Business, 2007; IFC, 2008; Berns, Townend, Khayat, Balagopal, Reeves, Hopkins, & Kruschwitz, 2009).

Accordingly, it is very important to see what causes these establishments to wither away with time, and how can business owners change or improve their business situations in order to sustain the operation of their companies.

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