

Chapter 14

Who Will Be Next? The Challenge of Family Business Planning

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EXECUTIVE SUMMARY

This case is about a family business, Taybeh Brewing Company (TBC), with strategic and succession planning issues including the need to prepare the second generation of decision makers to take over. It covers the centralization of control and issues that arise when it is time for a founder of a company to relinquish control or share in the decision making process. It also deals with the lack of interest by the second generation to continue what others initiated as a family legacy. The business has been approached to become listed on the stock exchange, but the owners have not made a decision. By reading about the small family business, students can learn about business structure that is proper for a company's future, the pitfalls of founder's syndrome, and succession planning, which according to Muna and Khoury (2012) becomes imperative for the first and second generations to take seriously.

ORGANIZATION BACKGROUND

The Taybeh Brewing Company was founded in 1994 by David and Nadim Khoury as a family business that deals with the production, marketing and distribution of a single beverage (Taybeh Beer). TBC was the first microbrewery in the Middle East and continues until today, to be the only Palestinian beer in the market. Taybeh, which translates to “delicious” in Arabic, is the name of the product and the name

of the village in which it is produced. It has enjoyed great success in the market, competing with international brands such as Carlsberg, Amstel and Heineken. Taybeh also competes with several local Israeli products. Taybeh is distinguished in the market place since it is a local microbrew created in small batches and produced with natural ingredients. TBC's ability to produce beer in smaller quantities, as opposed to mass-production, allows the product to be delivered to the market fresh, and free of preservatives or additives. Taybeh is considered unique since it is the only beer in the region that follows the German Purity Law of 1516, which concerns the standards for the sale and composition of beer. TBC buys the finest ingredients available worldwide: malted barley from Belgium and France; hops from Bavaria and Czech Republic; and yeast from London. The company uses local spring water and local labor.

The Khoury brothers' goal was to create a high quality Palestinian beer so that locals could support their own economy by consuming local products and create jobs among the Palestinian people. The Khoury's also hoped to create a nationalistic feeling towards Palestinian products similar to that of neighboring countries, like Egypt, Lebanon and Syria. TBC created its own recipe and specifications to be uniquely Palestinian and not re-produce an already existing label, which was seen by some industry observers as a risky move. The product was first sold throughout Palestine and Israel in 1995. Since then, TBC introduced several different styles of beer marketing them with its well-known slogan "*The Finest in the Middle East.*" TBC focuses on using a direct distribution method, but is slowly changing to having various distributors throughout the districts.

TBC is operating in the Palestinian region in the West Bank, occupied by Israel. It sells its products in a predominately conservative society. A majority of the population for religious purposes and one reason or another do not consume alcohol. TBC sells 60% of its production in the West Bank; 30% in Israel and 10% to the international market, mainly Japan and a number of European countries. Furthermore, TBC highly relies on tourism for a greater part of the business. It was noticed that there is a direct correlation between the number of tourists and the consumption of beer. The fluctuation in the number of tourists is related to:

1. **Religious Holidays:** TBC is located near Jerusalem, a city that is considered home by all Abrahamic religions.
2. **The Political Situation:** The stability of the political climate greatly affects the number of tourists. If the political situation becomes more unstable than usual, the number of tourists decreases.

In 2001, the company diversified into bottling extra virgin olive oil to help the local farmers who were experiencing severe border closures in addition to meet-

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