CRANFIELD UNIVERSITY

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Knowledge Driven Strategy Formulation Process to Sustain Large Family-Based Businesses

School of Aerospace, Transport, and Manufacturing

PhD Thesis
Academic Year: 2016 – 2017

Supervisors: Dr. Ahmed Al-Ashaab and

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ABSTRACT

This thesis aims to develop a knowledge-driven strategy formulation framework for large family-based businesses in the Gulf Cooperation Council countries, to help them remain sustainable and able to deal with future external changes. Its objectives were 1) to capture best practice in the literature on developing strategies for ensuring long-term competitive advantage by promptly addressing external changes; 2) to identify the prominent factors of enterprise strategy using a literature review and industry-based case study; 3) on this basis, to develop a platform; 4) to define the knowledge-driven processes that support strategy formulation for the target businesses. Thus, the literature informs the framework and its elements, based on best practices. In parallel, 15 GCC case studies provided data on the activities, tools and influential factors affecting the strategic decisions of the strategy formulation team. In each case, CEOs and strategic managers were interviewed and corporate websites and other secondary data were analysed. The research deliverables were validated through case study methodology and evaluated by 8 experts in strategy formulation.

The key contributions to knowledge are 1) development of a strategy formulation process based on best practices; 2) creation of an instance of modelling the strategy formulation process, using IDEF0, to show the interactions and interrelationships between decision making and decision support activities; 3) construction of an influential factor model to show which influential factors are written in which reports and how they influence different decisions; 4) development of a strategy formulation team model to understand the different roles and functions of the strategy formulation team members; 5) creation of a new taxonomy of the strategic tools proposed to strategy formulation teams for enhancing the process of collecting, analysing and reporting the knowledge of influential factors.

The implications of this research are that 1) strategy formulation processes are not linear but systematic and iterative and thus can enhance the flow of information and decisions; 2) the existence of different members in the strategy formulation process enriches the decision making and decision support activities, since each has a specific role and function; 3) different report based influential factors are required in different decisions. However, the implicit preferences in understanding these influential factors are critical for decision-making.

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In the name of Allah, the Most Gracious and the Most Merciful

“Say O my Lord Increased me in knowledge” (Al Quran TaHa.114)

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PUBLICATIONS

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TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

LIST OF ABBREVIATIONS

Corp	Corporates
FBB	Family-Based Business
FBUM	Family Business Unit Managers
FMOB	Family Members on Board
KMC	Knowledge Management capabilities
KSA	Knowledge, skills, and abilities
R&D	Research and development
SBUs	Strategic business units
SOPs	Standards Operating Procedures
Stg-FP	Strategy Formulation Process
Stg-FPT	Strategy Formulation Process Team
Stg-FPTL	Strategy Formulation Process Tool
Stg-IF	Strategy Influential Factors
SWOT	Strong, Weakness, Opportunity, Threat

1 Introduction

1.1 Research Background

A family business is defined as an organisation significantly owned, controlled and managed by family members (Gebhart, 1997; Tokarczyk et al., 2007; Cano-Rubio et al., 2017). Family businesses are the backbone of many economies around the world and their sustainability is critical to global economic growth (Pedersen & Partners, 2014). It is estimated that during the next decade $1 trillion of assets globally are likely to be transferred to the next generation (KPMG, 2016). Most of the GCC region's GDP, outside the oil sector, and over 80% of its businesses, in terms of value, are either family-run or family controlled (PWC, 2012). Given the importance of Large Family-based Businesses (LFBBs) in the GCC economies.

This chapter is structured as follows. The research problem is, first, to clarify the current context and to identify the research problem that is being addressed. After identifying the research problem, the literature is scanned to show broadly how this problem is addressed. Accordingly, as part of the research motivation section, the weaknesses in the literature are next identified so as to identify the knowledge gaps. In the following section, the knowledge gaps are translated into a research question, aim and objectives. Finally, the chapter ends by outlining the thesis structure.

1.2 Research Motivation

The Gulf Cooperation Council (GCC) is a regional intergovernmental political and economic union of all the six Arab countries located in the Gulf of Arabia (Hamdan, 2012). Large family businesses contribute 95% of the GDP of the GCC region, with investments reaching $500 billion and a global wealth of $2 trillion; they employ 15 million people in total (Emirates 247, 2012). At present, these large family businesses face many strategic challenges such as sustainability (Neubauer and Lank, 2016), including succession strategies (Hamilton et al., 2017), long term conflicts between family members (Nosé et al., 2017), and international competition (Yen et al., 2017).

Sustainability is the main issue for them (Martinez-Ferrero et al., 2017). Research by the Family Business Institute indicates that only 30% of family businesses survive to the second generation and 12% to the third generation whilst only 3% endure through and beyond the fourth generation (Saaranluoma, 2017). What threatens their sustainability is the many internal disputes and conflicts of interest. According to the World Bank report, 70% of families in the GCC countries have taken legal proceedings at least once over a problem of succession. It has been found, however, that one of the solutions to this problem is to have a strategic plan for such contingencies, a family council to manage and run the family's internal affairs, and the determination to foster certain values (Del Giudice, 2017), which can be seen as critical for promoting the sustainability of family businesses (Zellweger et al., 2013).

The family business strategy can be the main vehicle for promoting family values (Carr and Ring, 2017) and can also supply the main mechanism to deal with external, internal and family influences. Accordingly, it is required to know the process required to formulate the strategy taking into consideration the relevant influential factors in GCC for large family business contexts.

1.3 Research Problem

Although the strategy of large family businesses is critical to their performance, little investigative research has been done in the context of the large family businesses in the GCC countries. However, the following papers address the strategy in family businesses elsewhere: Zellweger et al. (2013) and Block and Wagner (2014).

The strategy formulation process in family businesses are vague in the literature. Little is known about the team leading the strategy formulation process. Writers have not presented clearly enough the influential factors affecting the strategy formulation process nor linked then comprehensively to the activities. Finally, the literature does not clearly link the tools used to capture and analyse these factors to the activities and factors.

The strategy formulation process has often been studied in other contexts than family businesses (Mack and Szulanski, 2017). However, the process in this context has not been described. The literature lists three approaches to developing strategy: a) formal, top-down, written, and sequential (Chandler, 1962; Lorange and Vancil, 1976; Ansoff and Hayes, 1976); b) adaptive, bottom up, non-written and iterative (Hofer, 1973; Miles and Cameron, 1982); and c) ambidextrous and mixed (Lin and Ho, 2016). The formal top down approach has been found to be ineffective in large businesses in turbulent environments (Heyden et al., 2017). The adaptive is found to be effective but not efficient, since it needs plenty of resources (Andersen and Nielsen, 2010). A mix of the two, which is called Ambidexterity, is found to be most effective and efficient in improving both performance and competitive advantage (Chi et al., 2017; Zimmermann et al., 2017). The research on Ambidexterity is still immature, and very few papers have quantitative tested its impact (Lin et al., 2017). Lack of research has found that seeks to understand and develop qualitatively as a field study.

Strategy formulation teams in large family businesses in the GCC countries have been studied in the literature (El Agamy, 2014; Zellweger et al., 2013). El Agamy (2014) uses a qualitative study to understand and evaluate the governance structure in four large family businesses in the GCC countries which is intended to formulate strategy in an effective and efficient way. Echhade (2014) instead uses a quantitative study to investigate the directors of family businesses and their impact on strategy formulation. However, it discusses strategy as a comprehensive and generic concept but not in detailed and well-defined activities. In other words, it does not consider that the roles of the players in setting the vision may be different from setting the business objectives. Additionally, a strategy formulation team may be different from the board of directors (West and Schwenk, 1996). As Echhade (2014) states, the average board in these large family corporates meets only 4 times a year, whereas a strategy formulation team has been found to be as important as a permanent team (Beer and Gabarro, 2006). Thus, the present research is novel in investigating the roles of the strategy formulation teams of the LFBBs in the GCC countries.

The factors influencing the decisions in the strategy formulation process in non-family businesses are perceived to be internal and external factors. In the family businesses, however, family factors, such as those of succession and family values, should be taken into account and or may even be seen as having more effect on the direction of the strategy and the business than anything else (Bodolica et al., 2015). The factors affecting family business strategy on the business level in the GCC countries have been studied by Salman (2005).

Such tools as Balanced Scorecards (Kaplan and Norton, 2006; Al-Ashaab et al., 2011), knowledge maps (Bradshaw et al., 2017) and process mapping (Greasley, 2017) are addressed in the literature; they can capture and analyse these influential factors. Writers also compile taxonomies of knowledge driven activities (Al-Ashaab et al., 2016; Sun et al., 2013). However, these taxonomies do not link the tools to the strategy formulation processes. In other words, the literature review has not found a research mapping tool which covers the influential factors and the strategy formulation process.

This research looks at the most noted influential factors from the CEO and strategy manager perspective in the enterprise strategy for large family-based businesses from the GCC countries. Its purpose is to provide a knowledge-based platform to support sustainable businesses in the area and to ensure that these enterprises are prepared for the changes that the organisations will have to make as a result of globalisation.

1.4 Research Aim, Questions and Objectives

1.4.1 Research Aim

The aim is to develop a knowledge-driven strategy formulation process framework for large family-based businesses in the Gulf Cooperation Council (GCC) countries. This is aid large family-based businesses to be sustainable and to equip them to deal with the emerging changes in the global environment.

1.4.2 Research Questions

This research has two main questions:

- What process could be followed by large family-based businesses in formulating strategy?
- How do the influential factors affect the strategy formulation teams in the process of making strategic decisions for the large family-based businesses of the GCC?

1.4.3 Research Objectives

1 To capture, via an extensive literature review, best practices with regard to strategy development to address emerging changes in the external business environment, to ensure long-term competitive advantages.

2 To identify the most influential factors on enterprise strategy and to capture their knowledge via a literature review and industry case study.

3 To develop a platform using a mind-map of the knowledge of the influential factors on enterprise strategy.

4 To define knowledge-driven processes to support strategy formulation for large, family-based GCC businesses.

5 To validate the work via an industrial case study and expert judgment.

1.5 Thesis Structure

This thesis is structured as follows (see Figure 1-1). Chapter 2 defines the research philosophy including its ontological and epistemological stance and its methodology. Chapter 3 spotlights the strategy approach adopted in this research, which fits in the context of large family business in the GCC countries. This approach is operationalised into a framework in Chapter 4. Chapter 5 uses an interview guide and questionnaire to discover what are perceived to be the most important activities and most influential factors and which of these is effectively used. In Chapter 6, the strategy formulation process and team model are adjusted to comply with the interview results. In Chapter 7, also based on the interview results, the influential factors model and map are modified. Chapter 8 validates the whole approach, including the framework and its components, through a case study and expert judgements. Finally, the contributions to knowledge and discussion are clarified and discussed in Chapter 9.

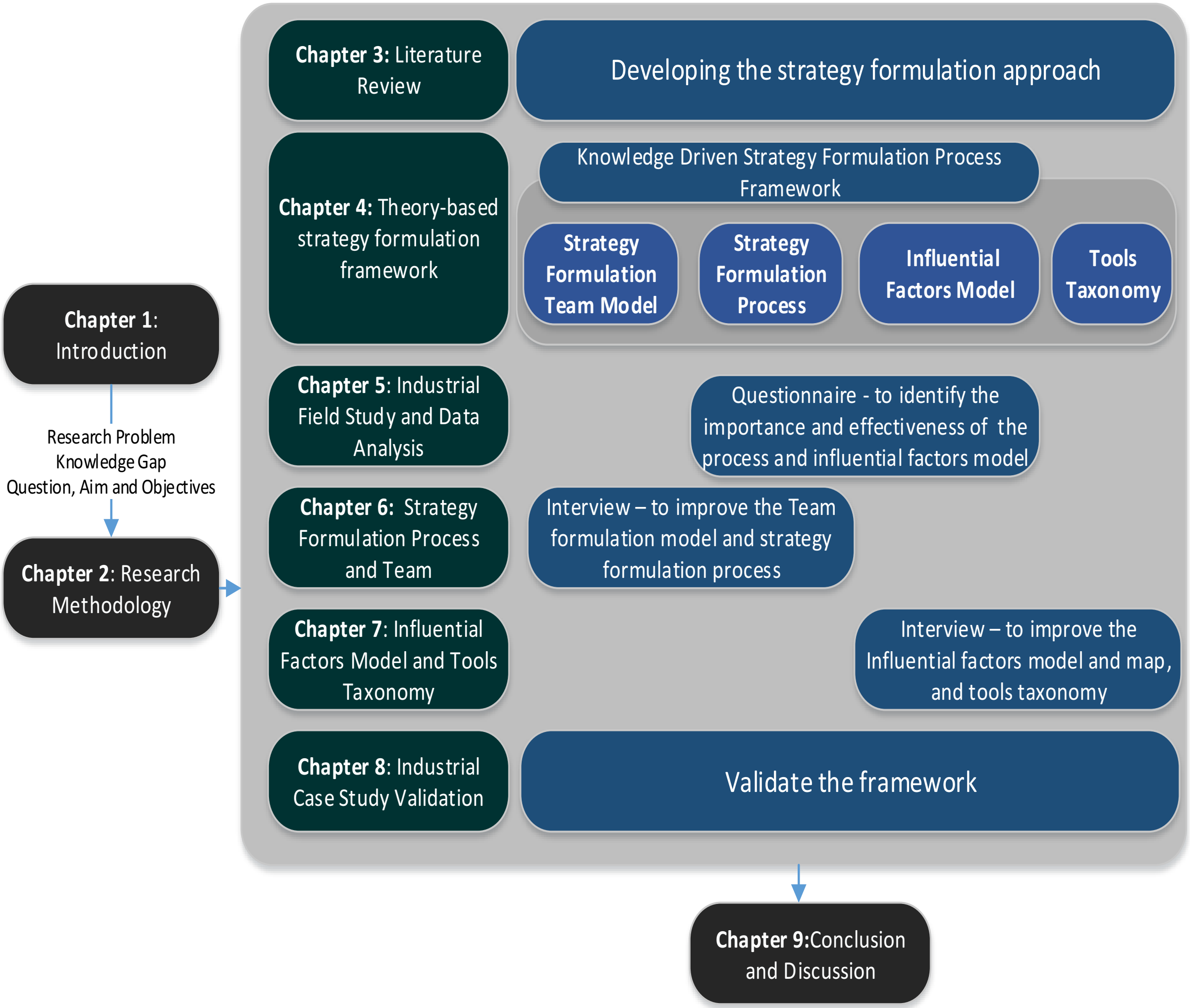


Figure 1-1: Thesis structure and chapters' objectives

2 Research Methodology

2.1 Introduction

Any research seeks valid knowledge. Thus, the research methodology is developed on the basis of the research question, aim and objectives. The focus of the present chapter is to evaluate and criticise different research paradigms so as to define the research philosophy approach, strategy and methods. To this end, the chapter is structured as follows. First, some research paradigms are evaluated and criticised in order to choose the research paradigm that fits best with the research aim. Second, the research approach is defined according to the paradigm and the research question(s). In this section, the research contributions are drawn together as a framework, a model and tools. Last, the research strategy is set out to show the stages of the research and how these contributions are developed and validated. The research methods and tools for each stage are defined.

2.2 Research Paradigm

Any research is developed on the basis of a set of philosophical assumptions, collectively called a world view. Table 2-1 illustrate the research paradigm which consists of ontological, epistemological, and axiological assumptions (Venkatesh et al., 2013). The research's ontological stance refers to the way in which the researcher perceives reality (Creswell and Clark, 2007). The first dimension of several in the definition of reality determines whether reality is conceived as single or multiple (Guba and Lincoln, 1994). A single reality implies that the same reality obtains all over the world. In other words, what exists in Saudi Arabia pre-supposes the same for Europe. This view assumes that culture including values, logics and the meaning of life are the same everywhere. However, the cultures of the West are noticeably different in many aspects from that of Saudi Arabia. The differences in culture are those of social custom, but also work culture including assumptions about planning, decision making and even the purpose of existence (Straub et al., 2013). Thus, this research argues for the existence of multiple realities in different regional contexts. Therefore, this research focuses only on the Gulf countries where the cultures and laws are similar.

The second ontological question concerns the existence of reality. Does it exist in the people's minds? Or does it not exist at all? (Guba and Lincoln, 1994). On the one hand, the positivist ontological worldview assumes that everybody knows objective reality in so far as it is mainly deducible from literature. On the other, interpretivism assumes that reality is knowable, i.e. as internal reality. Since the scope of this research is to understand the practices used in the strategy formulation process in the GCC countries, this research assumes the participants know their practices and they can report them freely.

Epistemology is defined as studying how knowledge is created (Bryman and Bell, 2015). There are two main epistemological stances: positivist and constructivist, assuming a social construction of reality. Since positivist researchers believe that reality is unknown but deduced from literature, they believe that knowledge can be gained through experiments and the testing of hypotheses. Interpretivists believe, however that reality exists in the minds of participants and reality is different from place to place (Kanellis and Papadopoulos, 2009). They gain knowledge through constructing it by capturing their respondents' views, definitions and understandings, and showing how these things are defined according to the context. For this reason, it is called the social construction of reality (Welsham, 2006). This research adopted the latter epistemological stance because the aim was not to test hypotheses from the literature but rather to develop a framework for understanding people's practices including the influential factors that they perceive as important, noting which activities are undertaken and why. The following table illustrates these and allied distinctions.

Table 2-1: Research philosophy

Paradigm	Positivist	Interpretivist
Ontology	Single Reality	Multiple Realities
Epistemology	Testing Hypotheses	Social Construction of Reality
Axiology	Objective	Subjective
Approach	Quantitative	Qualitative
Theory Making	Deductive	Inductive

2.3 Research Approach

In Table 2-1 reveal the approach to theory development that has been chosen is the adductive one. In the deductive approach, theory is developed in the literature but the aim of the data collection is to test theory (Dubois and Gadde, 2002) in the inductive approach, theory is developed from the data without the need to look at the literature. In the adductive approach, theory from the literature is drawn upon, but field study Improves upon and builds upon the theory. Thus, this research identified relevant theories, frameworks, and factors, activities, roles and tools from the literature. Then the task of field study was to improve the lists, taxonomies, models and frameworks.

The main research questions of this research are 1) what process could be followed by large family-based businesses in formulating strategy? and 2) How do the influential factors affect the strategy formulation teams in the process of making strategic decisions for the large family-based businesses of the GCC?

A framework was developed from the literature to identify the main concepts for investigation. To answer the research question, a Knowledge-Driven framework approach was adopted, the reason being that it gives comprehensive guidelines and a manual to direct decision makers. The main benefit of such frameworks lies in approach development and also in their operationalisation in terms of a list of items. Therefore, the proposed knowledge-driven framework, called here the knowledge-driven Strategy Formulation Process Framework, is concerned with the process of strategy formulation, the factors influencing it, how to capture the factors, link them to the activities, and define their roles in the process.

Thus, the purpose of this research is to answer the research questions in its four elements: the strategy formulation process, strategy formulation team functions and roles, factors perceived to influence the decisions in strategy formulation, and tools used to collect, analyse and report the data and make decisions based on these data. In order to investigate these elements, such vehicles are adopted as models, processes, and taxonomies.

A framework consists of different models abstracted from reality in meaningful ways and the spotlighting of particular relevant aspects (Sterman, 2014; Peterson and Eberlein, 1994). All frameworks consist of a set of models. Each model is built upon taxonomy of concepts, which are defined as "abstracts". Each taxonomy is built upon the analysis of the set of items. These items are not necessarily inclusive but should be representative. This defines the research approach. The sequence of the present research approach begins by identifying a list of items, classifies them as concepts in a taxonomy, and uses the concepts to build relationships in models to capture and abstract socially constructed reality and integrate the models into the framework.

In this research, the first main model is the strategy formulation process. This identifies all the activities required to formulate the organizational strategy. The strategy formulation team defines and identifies its roles and functions in a second model on the basis of the first one. This model is adopted in order to understand the interactions between team members which are regulated and influence the strategy formulation process. The influential factors influencing the decision-making activities in the strategy formulation process are also identified in a model. This model aims to understand the taxonomy of the factors, seen as concepts, and to show how these concepts influence the decision-making activities. Finally, the tools aiding in decision-making are classified into a taxonomy to clarify the relationship between them and the strategy formulation process

2.4 Research Strategy

This research took a multi-phased approach (Creswell, 2013; Tashakkori and Tiddlier, 2014). Figure 2-1 illustrates four phases for the research methodology. The first phase was to search the literature to identify the most suitable approach, the best-in-practice strategy formulation process, the roles and functions for developing this strategy, influential factors and the tools to improve this process. These outputs were extended, modified and improved through a questionnaire and interviews with CEOs and strategic managers in the GCC countries.

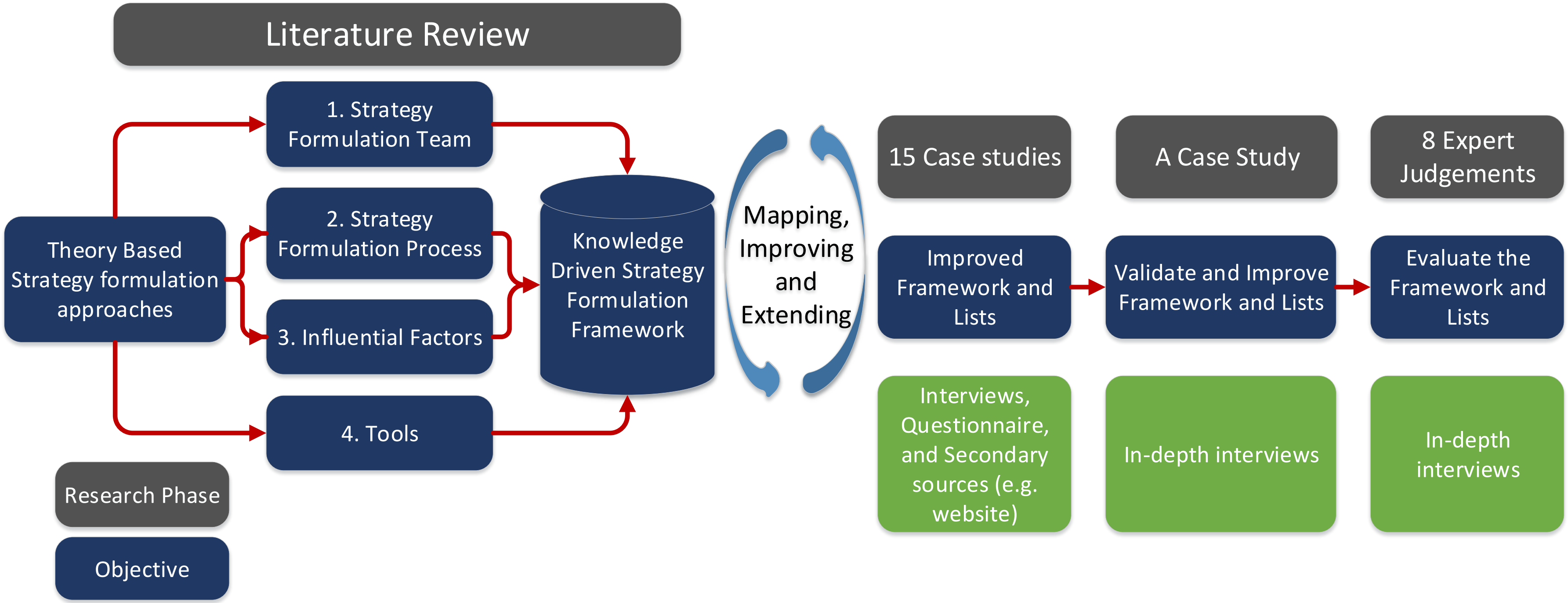


Figure 2-1: Research phases with their relevant aims and methods

The third phase was to apply the improved contributions to a single case study so that the applicability, usefulness and usability of the research contributions may be verified. Finally, experts critically evaluated the contributions to find the strengths and areas of improvement in the research contributions.

2.4.1 Literature Review to Develop the Framework

The main framework and its constituting models were developed on the basis of the literature review. Relevant theories were analysed, evaluated and criticised to develop the proposed process, the influential factors and their models. The literature review methodology was to scan all the papers that contained the terms "Influential factor", "Strategy", "Family Business", and "strategy formulation process" (see Table 2-2). All of these terms come from the research questions, aim and objectives. The literature review chapter followed Webster and Watson (2002) using backward and forward referencing tools such as Google Scholar. The first task in the literature was to build the framework. Afterwards, each model from the framework was investigated using the related literature.

Table 2-2: Literature review

Key words	Science Direct	EBESCO
Strategy formulation process	1763	354
Large Family Business	177	189
Influential Factors and Strategy formulation process	None	None
Strategy formulation process in family businesses	1	None
Strategy formulation process in large family businesses	None	None

2.4.2 Industrial Case Studies to Extend the Framework

In order to extend and map the framework with all its components, case study research was selected. Case studies enables an author to understand a context in depth (Yin, 2014). Each company is a case in itself with its own system, culture, norms, values and structure (Krishna et al., 2004). Thus, each company should be investigated in such a way as to understand how its key persons perceive the strategy formulation process, the team involved, influential factors, and tools used. By analysing the discourse of the key persons, the case is contextualised so that the implicit (i.e. the family's culture) and explicit elements (i.e. indicators and KPIs) of the influential factors can be better understood.

Each case study in the present research had three methods: Website analysis, interviews and a semi-structured questionnaire. The website was studied to understand the nature, vision, mission, identity and policy of each case. The questionnaire was used to verify the lists predefined in the literature. I.e. the relevant influential factors summarised from the literature and mentioned in the questionnaire. Interviews were used to investigate and extend the framework.

2.4.2.1 Cases Selection

According to the National Institute of Statistics and Economic Studies, a large business is defined as “a company employing over 5,000 people or a company with fewer than 5,000 employees but an annual turnover greater than 1.5 billion Euros and a balance sheet total of more than 2 billion Euros” (Insee, 2017). While such a definition, classifying according to a firm’s size, is clear and quantitative, it has no equivalent among family-based businesses. Thus, this research had to use this definition.

To select the cases for investigation, this research set up certain conditions. The main conditions were being a large family business and allowing access to the CEO and strategy manager. To tell the truth, interviewing the CEOs of large family businesses is extremely difficult. The author finally met 15 such CEOs in four of the GCC countries as illustrate in Table 2-3. All the large family businesses corporate websites were scanned to discover their size, sectors, history, vision, and mission. The research data, i.e. the influential factors and structured processes, were revealed by questionnaires, which were completed by the strategy manager. The CEOs were asked questions face to face in in-depth interviews so as to elicit information not covered in the literature. In addition, in the analysis, the questionnaire answers and the interview results were considered together with the secondary data of each company. Thus, each pair, with its secondary data, was treated as a case study.

Table 2-3:List of the family based businesses in the GCC countries

No.	Country	City	Activity	Size – Number of employees
1	Kuwait	Kuwait	Multi sectors, Real estate	120,000
2	Kuwait	Kuwait	Multi sectors, Real estate	5020
3	Qatar	Doha	Real Estate	6200
4	Qatar	Doha	Automobile	8000
5	UAE	Dubai	Multi sectors, Automobile	42000
6	KSA	Riyadh	Oil	10,000
7	KSA	Riyadh	Multi sectors, building solution	10,000
8	KSA	Jeddah	Investments	100,000
9	KSA	Jeddah	Multi sectors	28,000
10	KSA	Riyadh	Food industry	5000
11	KSA	Jeddah	Multi sectors, construction and building materials	41,000
12	KSA	Jeddah	multi sectors, medicine	20000
13	KSA	Riyadh	investment	7000
14	KSA	Jeddah	Multi sectors, manly construction holding company	120,000
15	KSA	Damam	Multi sectors, bio-chemical	12,000

2.4.2.1 Semi-Structured Questionnaire Design

The questionnaire is structured by two main elements. The first shows the demographic features of the respondents. The second is the checklist of the main strategy formulation process activities, influential factors, and tools chosen by the respondents, each one guiding subsequent questions. The respondents were asked to comment on their answers. Fifteen strategy managers from the fifteen companies answered these questions in their interviews. Because the sample size is less than 30, the normal distribution is questionable. Therefore, these data did not enable advanced analysis such as ANOVA or regression analysis to be conducted and thus restricted the analytical methods to descriptive analysis. In addition, it was not practical to extend the sample size since these target respondents were too busy to answer written questions such as those in the questionnaire. Besides, the aim was not to provide quantitative analysis but to understand the nature, mechanism and rationale of using the activities and tools, and to track all the influential factors.

2.4.2.2 Interview Guide

The CEOs were asked to give interviews in order to reveal their perspectives in depth. The questionnaire may have been used in the interview, but in fact the main tool here was the interview guide, shown in the Appendix A. Its questions mainly began "What", "How" or "Why" as show in Table 2-4, the aim being here is to explore things not found in the literature. The average interview took an hour and was often one of several required to reach a theoretical saturation level (Charmaz, 2014). The questions mainly focused on exploring each CEO's perspective on the process, tools, and influential factors of strategy formulation.

Table 2-4: The questions of the interview guide

Question	Rationale
Q1. Do you have a formal process to formulate strategy? Please describe it briefly.	To explore in his own words how the CEO defines, explains, and focuses on strategy formulation and the team involved in the process.
Q2. How do you form the team that will define the strategy	
Q2.1. Do you involve the employees, functional managers or only the board and top managers in strategy formulation? And why?	To get more in-depth understanding of the strategy formulation team
Q2.2. Do you contact consulting companies? if yes, why?	To understand if any external help contributes to the strategy, and why such help s sought.
Q3. What are the typical influential factors that are present during the strategy formulation? How do you identify these factors?	To explore how the CEO defines, explains, focuses on and perceives different influential factors.
Q4.1. Is planning the succession considered in the family vision? How?	To understand the family related factors
Q4.2 During goal setting, do you consider the historical development of the company?	To understand how the main strategic mechanisms (the vision, mission, goals, and policy) are developed
Q4.3. How are the family values, interest, prestige and commitment defined during strategy formulation? How do they influence corporate policy?	
Q4.4. How do the family values, interest, prestige and commitment defined during strategy formulation influence the setting of the corporate portfolio objective?	
Q5. Would a detailed knowledge of these factors be available during the strategy formulation process? If so, what form does it take and how do you present it?	To explore the most common tools used in the strategy formulation process.

2.4.3 Case Study to Validate Framework

Validation tests and expert judgement are used to confirm the findings and the extended framework with its lists, taxonomy, and models in a case study. First, the findings of an industry-based case study of family-based businesses in the Kingdom of Saudi Arabia (KSA) are validated, bearing in mind the limits of time and resources within a PhD study. A case study is planned in three steps. First, a possible case is proposed and then a company is chosen to help provide the case study. Second, data on the case study are collected. Finally, the application of Stg-FP Physical, a simulation app of Stg-FP, leads to the simulation of the results and finally the results themselves are obtained.

2.4.3.1 Case Selection

The targeted case study is a large family business operating in one of the GCC countries. A target case study should have a dedicated strategic planner responsible for organising the process of strategy formulation. This strategic planner may be a reference point to help the process of data collection. In addition, one of the criteria was that the company would have made some effort to develop and implement its strategies so that they could map their current Stg-FP against what is proposed in this research. The aim of these criteria was thus to collect convincing data from the company to simulate the process of formulating strategy that was developed, in order to validate this process. This added details of each of the activities, tools and influential factors that had been identified as influential for the strategy formulation process; the result could be compared with current practice in order to highlight the importance and power of the process.

After filtering the suggested companies, a collaborative company was proposed which met the criteria. The author contacted the Strategy and Business Excellence manager who showed interest in the overall research and encouraged the case study.

2.4.3.2 The Interviewees

The strategy formulation process is generally developed by the board of directors, other directors, and middle managers (see Table 2-5). Therefore, the strategy and business excellence manager was interviewed first. The author was then referred to other managers who worked on strategy formulation. These were the CEO, regional talent acquisition and talent management manager, marketing manager, and the VP of sales and operations (thus including finance, operation and production managers), all of whom were interviewed. It is worth noting that this corporation does not rely on external consultants in its strategy formulation process. It only buys reports from marketing research companies. Therefore, no consultants were interviewed. Relevant documents such as the corporate's history, vision statement, mission statement and values were shared.

Table 2-5: The interviewees

Interviewees	Role based on strategy and description by the business excellence manager
CEO	Responsible for leading the strategy formulation process. They should review any significant changes in the strategy before proceeding. New products or new markets should be introduced through the board of directors led by them.
VP of Sales and Operations	Responsible for aligning business objectives of different lines of business and setting the targets for these businesses.
Strategy and Business Excellence Manager and HR	Organizing, facilitating and following up the strategy formulation process by choosing actors, collecting relevant data and measuring the performance of the implementation.
Regional Talent Acquisition and Talent Management Manager	Responsible for collecting internal information about the weaknesses of the personnel skills in the organization, for preparing strategies and plans to improve knowledge, skills and abilities (KSA) of the staff, and for the manpower plan.
Marketing Manager	Responsible for collecting external information about market changes and trends and for preparing strategies and plans to sell products efficiently and effectively.

2.4.3.3 Interview Guide

Of the two parts to the interviews, the first used open ended questions to explore the context, whereas the second was more structured, using a semi-structured questionnaire to map the processes, tools, and factors influencing the formulation of strategy. As presented in Table 2-6, at the outset open-ended unstructured interviews were used. The formless interviews were guided by aims, not by particular questions. The topics covered the existence, origins, and description of each of the strategy formulation processes, namely, which are the vision, mission, policy, portfolio management, reviewing strategy, scanning of the external and internal environment (Environment Analysis), setting business level goals for each product line, and functional plans. The main questions were when and how to go about activities in order to map them. Questions were also asked about the influential factors and the tools used for monitoring and analysing them.

It is worth mentioning that not all questions are put to all interviewees. For instance, the CEO was asked only about corporate level activities (mission, vision, policy and portfolio). The executive manager was asked about the functional plans, whereas the marketing manager was asked about scanning the external environment and marketing plans. The reason for this is that the quality of validation can be improved if relevant questions are put all the informants.

Table 2-6: Interview questions guideline

Question	Rationale
1) Do you use each sub activity? Under which activity is it grouped? When?	To map the sequence of activities by identifying the timing of each
2) How do you carry out this sub-activity?	To understand each activity in terms of inputs (influential factors), process (decision making) and output (decision making); to identify the various roles in the strategy formulation team.
3) How does this sub-activity contribute to the strategy formulation process	To map the activities of inputs and outputs
4) What are the influential factors affecting this activity/sub-activity? Do you agree or disagree with my list of the influential factors?	To investigate in more depth; to match and compare the interviewee's perceived influential factors with the influential factors proposed in this research
5) Do you have any tools for monitoring these influential factors or for analysing the activity?	To identify, match and compare the tools used by the interviewee and those proposed in this research.

2.4.4 Expert Judgment to Evaluate the Framework

The purpose of asking for expert judgment is to have the research contributions evaluated in terms of applicability, usability, usefulness, weaknesses and areas of improvement. The selection of the experts was based on need. Because the case study validated the findings from people with a professional and practitioner background, the experts were selected mainly from a consultancy background. The consultants, had more than 10 years' experience in developing strategies for family businesses in the GCC countries. Additionally, one of the practitioners leads the strategy of one of the biggest family businesses in the region and owns one of its largest family businesses. This owner has a PhD in strategy management, and has been applying the academic concepts of strategy management to the management of his family business. Thus, it was believed that he would be able to make recommendations from the perspective of a professional, practitioner, owner, and academic.

This part of the validation proceeded by sending the experts all the research outputs with a brief explanatory summary. It was followed by a 30-minute presentation of the results. Then a structured interview was held to address the strengths, weaknesses, and areas of improvement. This was supported by a printed form to be completed by hand or an email. Consequently, the feedback received was both spoken and written. All of the feedback was co-ordinated and analysed in subsequent sections.

2.4.5 Chapter Summary

The purpose of this chapter is to identify the research paradigm, strategy and methods in this research. This thesis is a multi-phased study. It starts with the literature, using the approach to make sense of selecting and developing the best-practice process activities, team functions and roles, tools and influential factors. The developed framework is mapped and improved, using case study research on 15 cases, each an LFB in a GCC country. Next, the framework is validated through a single case study. Finally, eight experts in the course of in-depth interviews complete the evaluation of the results.

3 Literature Review

3.1 Introduction

The focus of this chapter is to identify the relevant theories that could help in developing the strategy formulation in family businesses and to identify the knowledge gaps in the data. This chapter consists of six sections. The first section gives an overview of definitions of strategy. Based on the chosen definition, the second section illustrates several approaches in developing the strategy. The third and fourth sections set the theoretical foundations for understanding the unique characteristics and nature of strategy formulation in a family business. Before closing the chapter by identifying and summarising the knowledge gaps, the fifth section defines the modelling tools that can be used in this research and chooses some of them.

3.2 Strategy Overview

Strategy is an expression that comes from the Greek strategia, meaning “generalship”. Liddell Hart (1960, p.68) defines strategy as "the art of distributing and applying military means to fulfil the ends of policy”. From this definition, it is clear that to win the war, leaders should observe the internal and external forces affecting the organization’s capabilities (Lichtenthaler, 2009). By applying the notion of warfare to business, Chandler (1990) proposes that strategy means the articulation of a firm’s objectives, allocating resource and engaging in activities to achieve them by taking into account changes in the external and internal environment. Further, Rumelt (1984) showed that a successful company’s strategy relies upon the internal consistency of the strategy, aligning the internal with the external environment, identifying and exploiting one or more competitive advantages, and employing all the available skills and resources.

To sum up, the concept of strategy is defined in this research as the process of defining the organization’s direction decisions (Andrews, 1980; Tregoe and Zimmerman, 1980) through fitting the organization into the environment (Helfat et al., 2009; Barney et al., 2011) by continuously observing, monitoring and controlling the forces in the environment (Beer, 1994), which this research calls 'influential factors'.

3.3 Developing the Strategy Formulation Approach

There are three main approaches to develop strategies (Jarzabkowski et al., 2015). They are the formal strategy formulation process (Chandler, 1962; Lorange and Vancil, 1976; Ansoff and Hayes, 1976), i.e. the rationalistic and mechanistic view of strategy formulation (Chaffee, 1985); the adaptive strategic planning process (Hofer, 1973), i.e. autonomous strategy (Miles & Cameron, 1982); and the viable system approach (Beer, 1994), i.e. the dynamic and systemic approach to strategy (Whittaker and Beer, 2009) (see Table 3-1). Each of these approaches has its pros and cons. The formal written strategy formulation process is rigid and found to have no effect on performance in a turbulent environment (Powell, 1992) but can have an impact in a stable environment (Ocasio and Joseph, 2008). Because the plan in itself is not useful, the review of the plan is more important than the plan itself (Dvir and Lechler, 2004). In reaction, the adaptive strategy planning process is based on the continuous revision of the plans and receiving the feedback of the customers, employees and other stakeholders (Gimbert et al., 2010). However, there are no dedicated roles for monitoring the external and internal environment (Miles & Cameron, 1982). The monitoring process is delegated to line managers, but not to a specific position (Castells, 1997). For large corporations, it would be ineffective to ask line managers to monitor the environment by themselves (Child, 1996). It should be a dedicated centralised research/excellence centre for capturing, analysing and disseminating relevant information to the decision makers, policy makers and the strategy formulation team (Govindarajan and Trimble, 2010).

The viable system approach is concerned with integrating the organization into another external system through the work of a dedicated strategy formulation team (Beer, 1994). The task of this team is to integrate the organization in the external environment so as to make the organization more agile and more responsive to the changes in the environment (Puche Regaliza et al., 2017). This is illustrated in the summary of these theories in Table 3-1. Indeed, it has been found that mixing two of these approaches may create an ambidextrous strategy formulation process (Andersen, 2000), which has been found to improve the performance significantly (Andersen and Nielsen 2010). However, there were no clear guidelines or a clear map of the process to deliver this strategy. Hence, this research proposes a new strategy formulation process to reflect this mix.

Table 3-1 :Development of the strategy formulation process approach

	Description	Strength	Criticism	How reflected in the proposed strategy formulation process
Formal Strategy Approach	The strategy is a structured, deliberate formal and rational process (Ansoff et al., 1988)	Vision, objectives, and a scanned environment are parts of a systematic process (Collis and Montgomery, 2005)	1. It does not help in a turbulent environment (Ocasio and Joseph, 2008). 2.The formal written strategy does not affect performance (Miller and Cardinal, 1994) 3.Customer feedback is not considered (Gimbert et al., 2010)	The steps of Vision, Mission, portfolio management, set business goals, create plan.
Adaptive Strategic Approach	Strategy is a continuous process which adapts to fit changes in the environment (Miles and Snow (1978)).	Utilises bottom up planning approach (Andersen and Nielsen, 2010). Adaptability comes from setting corporate policies to direct business level strategies (Grant, 2003) Adaptation is through periodical review meetings (Dvir and Lechler, 2004)	It does not improve the organization's innovations and processes (Andersen, 2000).	Review strategy (at current level) – periodical meetings to review the current strategy and set the strategy focus of the business level strategy – define policy and guidelines
Viable System approach	Strategy is a dynamic process integrated with external and internal environments. Different systems work closely together to reflect and react with the external environment	Dedicated role for continuous evaluation of the environment. Its flexibility and agility are the highest. A dedicated information systems to continuously capture the influential factors on time (Beer, 1994)	No structured management approaches.	Dedicated consultants and strategy formulation team to follow up and monitor external and internal environment continuously. The feedback loop embraces customers, employees and other stakeholders

3.3.1 Formal Strategy Approach

The strategy formulation process is a purposeful, linear, sequential, and deliberate exercise to realise the organization's vision and its mission (Collis and Montgomery, 2005), as illustrated in Figure 3-1. It does so by analysing and understanding the influential factors which affect the organization in its ecosystem and influence the organization's ability to observe, monitor and assimilate those factors (Bilgili et al., 2016). The final output of the strategy formulation process is a method of configuring the business activities, resources and operations to achieve the corporate vision and mission (Gimbert et al., 2010). In this conventional approach, which is called prescriptive or the design school of thought (Gimbert et al., 2010), the strategy is centralised, led by the top management team and based on the rationale of the Decision Support process (Grant, 2003; Lozeau et al., 2002; Mintzberg., 1994). Once the strategy is formulated centrally at the corporate level, the objectives are sent to the business level (Mintzberg and Waters, 1985).

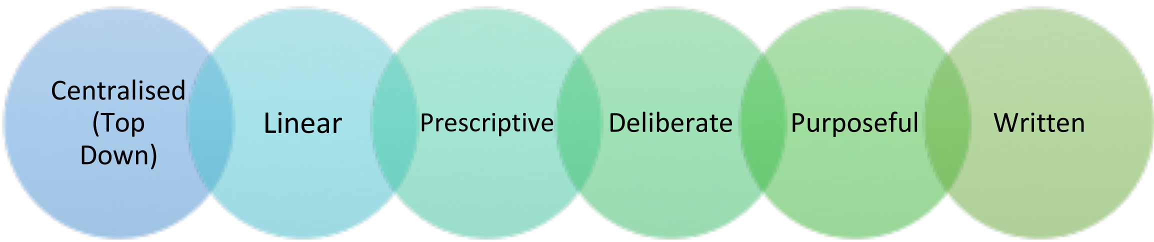


Figure 3-1: The elements of the formal strategy approach

Descriptions of the formal approach to strategy management list the steps in the strategy formulation process. Wheelen et al. (2017) break it down into internal and external scanning, defining the vision, mission and objectives, developing corporate strategy and developing functional strategies. Others, such as Pearce and Robinson (2011), list the steps as: define vision, mission and objectives, scan environment, and develop business strategy and then functional strategies. The main weaknesses of these approaches are their rigidity and the difficulty of introducing adaptiveness to the organization that uses them.

It is not surprising to find in the research that this approach is not useful in turbulent environments (Powell, 1992), though it is helpful in a stable environment and for new product development (Andersen, 2000) or making changes in the internal environment (Grant, 2003) when conditions are calm (Ocasio and Joseph, 2008). The formality of being a written approach does not affect the performance nor competitive advantage (Miller and Cardinal, 1994). Moreover, no clear evidence supports the value of a mission statement to the organizational performance of the family business (Aaken et al., 2017). Planning and continuous revision are the main thing (Dvir and Lechler, 2004). The other critique of this conventional school is the failure to make use of feedback from customers or stakeholders (Gimbert et al., 2010). Its perspective should consider the iterative process involving experimentation and feedback; this involves greater overlap and interplay between strategy formulation and strategy implementation.

3.3.2 Adaptive Strategy Approach

Strategy is something that people do, which is significantly different from conventional and formal concepts of strategy formulation (Jarzabkowski et al., 2015). The main reason is the wide perception of the inconsistency between the formal strategy formulation process and an often-turbulent environment (Grant, 2003), and any structured and systematic approach with linear steps (Jarzabkowski and Silince, 2007; Whittington, 2006). The adaptive strategy looks to agility and an organic structure for flexibility and adaptability (Andersen, 2000) Figure 3-2. The adaptive approach to strategy emerges from a complex, multi-level process of organizational decision-making.

This is an approach built on decentralisation, autonomy and responsiveness (Castells, 1997; Child, 1996). The movement towards the adaptive strategic approach started in the 1980s when the design and emergence approaches to strategy formulation and implementation were combined (Andersen, 2000). In the General Electric Company (GE), strategic planning has remained integrated with corporate-level strategic development and decision-making. A recent in-depth study into GE's strategic planning practices highlights the fact that strategy development, operational planning and manpower planning are activities that are tightly linked to decision-making channels integrating participants from different organizational levels. GE's approach stresses strategic planning as a responsibility that can be effectively shared between corporate executives and operating unit managers (Ocasio and Joseph, 2008).

A strategic objective conveys its user's idiosyncratic vision of the organization and rationale for using them. This intention may differ from the intention embedded in the strategy tool and be linked instead to individual agendas or perceptions of the way in which the organization should operate (Jarzabkowski and Kaplan, 2015). For example, Grant (2003) shows that oil companies' strategic plans served to foster collaboration between decentralized business levels rather than formulating ex-ante corporate strategies.

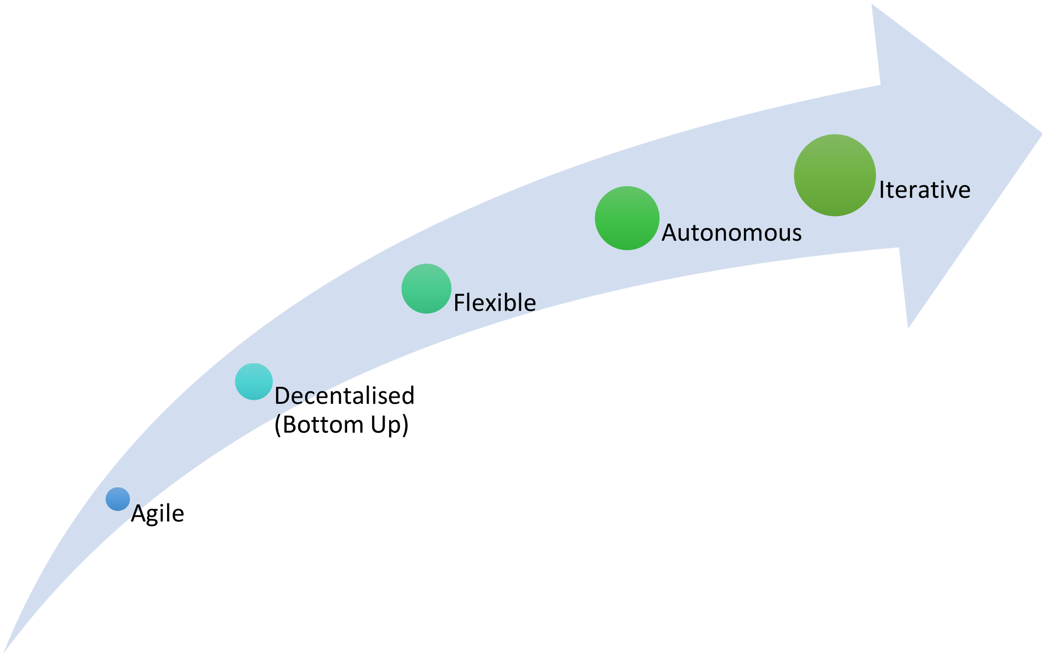


Figure 3-2: The elements of the adaptive strategy approach

To sum up, the main strength points in the adaptive strategy are that it takes feedback into consideration, continuous revises plans, makes bottom up decisions, and uses policies and guidelines to control the decision support process at subsidiary levels (Brandl and Schneider, 2017). However, its main weaknesses are the inefficiency of the process and its unsystematic character.

3.3.3 Viable Strategy Approach

The ability to understand and to interact with external environment in the Adaptive Strategy Approach is limited to periodical reviews and feedback. The Viable System Approach offers a more proactive approach in dealing with the external environment (Sergeev and Tribolet, 2016). The Viable System Approach reserves the “strategy management function” for monitoring and understanding the influential factors and their implications and disseminating them to top management and to the line managers concerned. According to Kilmaan and Beer (1982), the organizations should be dynamic enough to adapt to the changes in its external and internal environment. This continuous alignment process results from having a position dedicated to monitoring the environment, named by Beer the “eye” of the organization (Whittaker and Beer, 2009). The Viable System Approach considers different departments and levels as different systems interacting together. Each system has its own function. When this idea is applied to strategy formulation, the highest system is called the “Normative system”; this imposes the policies, guidelines, vision and mission (Levine et al., 2013) which all come from the business family identity (Neubauer and Lank, 2016).

3.3.4 Ambidextrous Strategy Approach

Ambidexterity in organizations means their ability to improve efficiency, effectiveness and innovation (Lin and Ho, 2016) (seeFigure 3-3). Building on the discussions of combined strategy modes (Hart, 1992; Hendry, 2000), the integration between different approaches may improve performance (Andersen, 2000). Elements of adaptive strategy-making can coexist (Andersen and Nielsen, 2010) with the rational waterfall strategy formulation process (Mintzberg, 1978; Mintzberg and Waters, 1985). The emergence of initiatives conceived as arising from within the organization (Mintzberg, 1994; Bower, 1982) and influencing corporate decisions (Denison, 1990; Dutton, 1995) also captures central aspects of social practice (Hendry, 2000; Johnson et al., 2016). Consequently, the adaptive strategy-making model speaks to the notion of strategy as practice (Jarzabkowski et al., 2015), as is discussed in more detail with other influential factors).

The realised strategy is thus the outcome of two simultaneous processes: on the one hand, the execution of the strategy as conceived by the top management team (deliberate strategy) and, on the other, the cumulative effect of day-to-day decision-making in a changing environment which eventually results in the formation of emergent strategies (Gimbert et al., 2010) Hence, empirical analysis shows the significant effect that ambidextrous strategy formulation can have on performance (Andersen and Nielsen, 2010). This research develops its strategy formulation process on the basis of this theory.

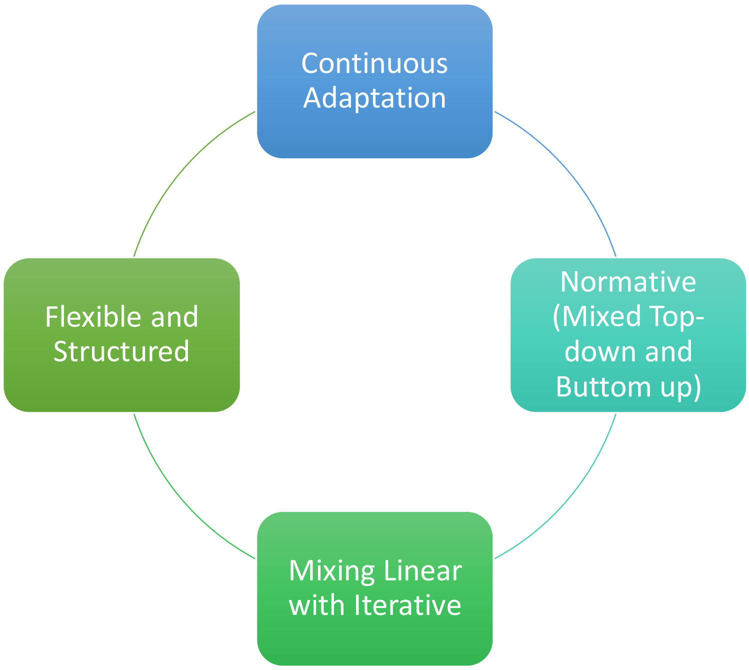


Figure 3-3: The elements of the ambidextrous strategy approach

3.4 Theoretical Foundations for Understanding Family Business in Strategy Formulation

Families play a critical role in formulating their corporate and business strategies. Businesses based on Familiness (defines on p.16, below) (Tokarczyk et al., 2007) naturally make decisions and business strategies under the influence of family factors (Nosé et al., 2017). Socio-emotional, self-conflict, sustainable family business, social capital and family social identity theories, according to literature review, all seek to describe the influence of the family on its strategy formulation process (see Table 3-2).

In the literature family business governance is defined by the level of family ownership, of control, and of management of the business (Arregle et al., 2016). The Familiness of the family is the degree of power exerted by the family members in directing the corporate strategy and investment initiatives (Melin & Nordqvist, 2007). Indeed, the level of Familiness has an inverse U-shaped relationship with corporate financial performance (McGuire et al., 2012). The greater the Familiness of the business, the higher the financial performance expected because of the family's role of monitoring and controlling the business activities (Zattoni et al., 2015) and safeguarding and building the family's business identity (Pindado and Requejo, 2015). Family members have a more long-term outlook than non-family members. Such a long-term orientation induces a willingness to invest in the future of the firm, often by forming win–win relationships with stakeholders (Breton-Miller and Miller, 2016). However, at a certain point, the more the Familiness of the business, the less the financial performance because of the lack of independence (Anderson and Reeb, 2004; Wong and Karia, 2010) and the inability of independent directors to work effectively (Chung and Luo, 2012; Breton-Miller and Miller, 2016).

Table3-2: Theoretical foundations for understanding the involvement of family businesses in strategy formulation

Theory	Description	References
Family identity theory	The business selects new investments based on social values and the norms of the family; rejecting investments which contradict these values	Block and Wagner (2014)
Socio-emotional theory	The selection criteria for new business initiatives are not imposed merely for financial reasons but also for family related reasons including the family reputation	Zellweger et al. (2013)
Self-Conflict theory	Improving the family image takes priority over financial objectives	Campopiano et al. (2014)
Sustainable family business theory	Selection of new investments is based on the sustainability of the family business taking into consideration social responsibility and social capital (relations with other external stakeholders). A family business selects business with more long-term orientation than a non-family business does.	Fitzgerald et al. (2010) and Amann et al. (2012)
Social Capital Theory	Pressures of stakeholders affect the preferences of the business in selecting new investment initiatives. The familiness of the business exerts power on the stakeholders' interests and powers	Huang et al. (2009) and Mitchell et al. (2011)

3.4.1 Family Identity Theory

The identities of social systems correspond with the collective self-concepts of the system (Memili et al., 2010) and are based on self-descriptions (Frank et al., 2016). These self-descriptions are generated in communication processes (Luhmann, 1995). Self-descriptions exceed self-observations and constitute a special accomplishment of the social system (Hernes and Bakken, 2003); that is, a system generates joint stable reference points that can become decision premises. Social identity consequently leads to decisions that are congruent with this identity and enhance the further stabilization of the social identity (Ashforth and Mael, 1989; Barnett et al., 2009; Zellweger et al., 2012). Therefore, family business identity can influence the organization's strategic decisions in general and the strategic formulation process in particular (Zellweger et al., 2010).

The vision and mission of the family business are different from those of the non-family business in that they address the family business identity. Family business identity is perceived in the literature to be critical for sustaining the business (Frank et al., 2016). The identity, indeed, originates as soon as the owner founds the company and attaches his/her family name to it (Galvin et al., 2014). Identity also includes the family institutional logics and values leading to success (Suddaby and Young, 2015). The firm's identity can be diluted by time due to family succession (Bodolica et al., 2015). Therefore, to guard against the loss of family identity, family members are expected to take part in social work performance (McGure et al., 2012). The connections may be with external or internal environments. Therefore, some non-financial decisions and investments by the firm are made not for financial reasons but mainly to protect the firm's identity; (Zellweger et al., 2012; Deephouse and Jaskiewicz, 2013). Furthermore, it aims to increase the value of its corporate identity in the market (De Massis et al., 2016). Recently, Zellweger et al. (2010) suggested that adding organizational identity to the involvement and essence comes close to capturing the influence of the family precisely and distinguishing "when the family is a substantive part of the firm, versus merely a symbolic or supportive element that is not integrated into firm behaviour or the organization's structure" (p.56).

3.4.2 Socio-emotional Theory

The strategic decisions made in family firms are thus complex, incorporating both economic and non-economic objectives concomitant with socio-emotional wealth and financial wealth (McGuire et al., 2012). One of the main aspects influencing how family businesses define their strategy direction is their socio-emotional wealth (Zellweger and Astrachan, 2008; Gomez-Mejia et al., 2011). This is defined as “nonfinancial 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” (Gomez-Mejia et al., 2007, p.106).

Socio-emotional wealth theory is rooted in behavioural agency and prospect theories (Tversky and Kahneman, 1991; Wiseman and Gomez-Mejia, 1998); this fact helps to understand the Decision Support process, taking into consideration the emotional factors. Emotional wealth theory shows that non-economic investment decisions are higher in family business than in non-family businesses (Zellweger et al., 2013). Thus, businesses build up socio-emotional wealth by having nonfinancial portfolios (Patel and Chrisman, 2014). The reason for this is that family portfolios (Berrone et al., 2010), ultraism (Gomez-Mejia et al., 2007), and reputation (McGuire et al., 2012) are all viewed with more sympathy in family businesses than in non-family businesses.

3.4.3 Self-conflict Theory

According to socio-emotional theory, a family can put family prestige ahead of financial decisions (Kellermanns et al., 2012). There is a conflict between the desire of the family members to foster their family identity and the claims of financial performance. This conflict is investigated and can be explained by Shefrin and Thaler, (1981) self-control theory. In self-control theory, family members in business strike a balancing by reserving some resources to improve their family business image and foster the family identity, even if this perceived to jeopardize the financial performance (De Massis et al., 2016).

An obvious example can be seen when a firm engages in socially favourable activities which may not lead directly to better business but improve the family name (Berrone et al., 2010). Thus, family business can be seen as more socially responsible than others (Campopiano and De Massis, 2015), for instance by spending more on charitable donations to the community than non-family businesses do (Campopiano et al., 2014). Thus, family firms tend to pursue non-economic goals to satisfy the family, even though this pursuit may result in entrenchment, nepotism, cronyism and using the firm’s resources to obtain private non-financial benefits (Kellermanns et al., 2012).

3.4.4 Sustainable Family Business Theory

A family business often anchors itself with other ecosystems, such as large institutions, so as to preserve its sustainability (Breton-Miller and Miller, 2016). Thus, one of the objectives of the family business is to value, cultivate and exploit the social capital that the members have built up with their direct and indirect stakeholders (Allouche and Amann, 1998; Uhlaner et al., 2004). Family businesses more than others are focused on future generations, which is reflected in their long-term vision; non-family firms tend to be more short-sighted (Brigham et al., 2014).

3.4.5 Social Capital Theory

The social capital of the family business in terms of relationships between family members or with other stakeholders can be seen as one of its critical resources (Pearson et al., 2008; Sirmon and Hitt, 2003). Indeed, it can be seen as the main source of competitive advantage for the family business (McGuire et al., 2012). According to Siegel (2009), the better the social performance of the family business, the higher the financial performance. The reason for this is that family businesses are based on relationships with key stakeholders in the community which can be a safeguard in difficult times (Miller et al., 2008).

Unlike external social relationships, those within the firm with employees and other direct stakeholders are covered by stakeholder theory. Stakeholder theory shows that the pressures of stakeholders affect the preferences of a business in selecting new investment initiatives (Mitchell et al., 2011). The Familiness of the business exerts power over the stakeholders’ interests and capacities (Huang et al., 2009). However, the relationships with external and internal members may both influence the strategic formulation process.

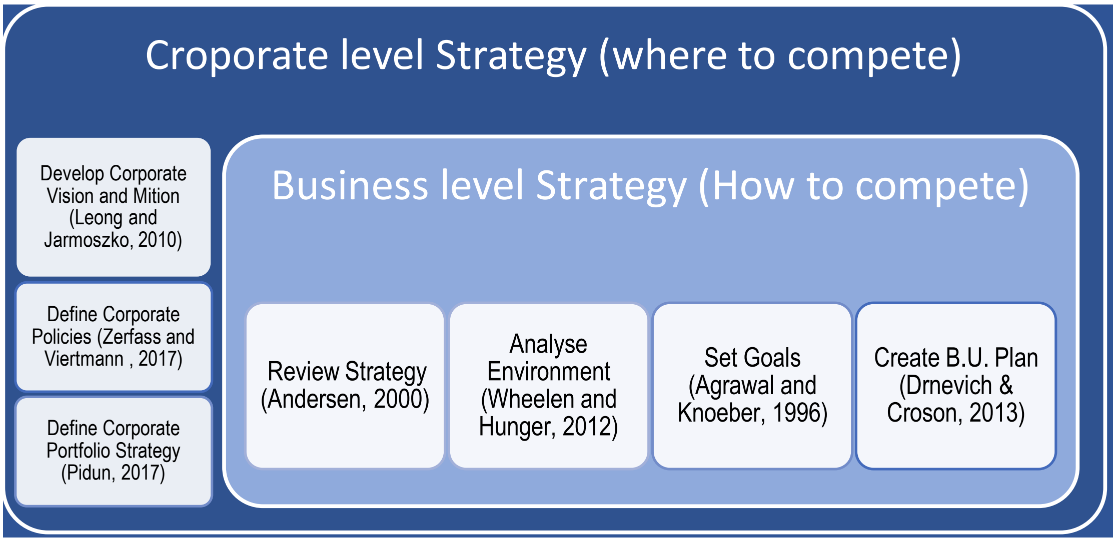
In the next step, Arregle et al. (2007) and Pearson et al. (2008) introduce social capital as a specifically important resource for the creation of competitive advantage in family businesses. Social capital can be considered a resource (Field, 2008), and as such can be seen as part of the resource-based view (RBV) as a basis for competitive advantage lies primarily in the application of a bundle of valuable tangible or intangible resources at a firm's disposal (Wernerfelt, 1985; Rumelt, 1984, Penrose, 1959).

3.5 Strategy Formulation Process in Family Business

For businesses, including large family-based businesses, the organizational strategies are of two kinds: corporate level strategy and business level strategy (Beard and Dess, 1981; Klettner et al., 2014). Corporate level strategy focuses on the firm's identity (Bartholmé and Melewar, 2014), vision (Leong and Jarmoszko, 2010), purpose (Goffee, 2015), goals (Zerfass and Viertmann, 2017), portfolio of investments (Pidun, 2017), policies for controlling subsidiaries (Brandl and Schneider, 2017; Zerfass and Viertmann, 2017) and business level objectives (Klettner et al., 2014).

Corporate strategy represents the highest level at which ideas can be formulated and polices deployed. While the larger environment (e.g. society, stakeholders, and shareholders) exerts some influence, corporate strategy is a fundamental reflection of the overarching vision of a company with respect to its ethos and value propositions. It is generally long-term in scope and relates fundamentally to the company's fiscal health and sustainability (Steyn and Niemann, 2010; Leong and Jarmoszko, 2010) (see Figure 3-4). It is different from the business strategy, being concerned with where to compete (i.e. portfolio strategy) (Puranam and Vanneste, 2016) whereas business strategy determines how to compete in each industry (Pearce and Robinson, 2011).

Business-level strategy is positioned between the upper management layer and front-line operations (Agrawal and Knoeber, 2016). According to Andrews (1980), the functionality of strategy development at this level should be focused on decision-making and deployment. This involves the prioritization and allocation of resources for profit and long-term market position (Drnevich and Croson,2017). The present research assumes that corporate level strategy takes a proactive step in formulating strategy, whereas business level strategy takes a reactive one. In other words, on the one hand, corporate level strategy is responsible for actively seeking and continuously analysing the internal and external environment, while business, on the other, is responsible for delivering the firm's products and services efficiently and effectively (Pride et al., 2014; Wheelen and Hunger, 2012; Gupta and Govindarajan, 1984). Customer dissatisfaction at unexpected poor performance can be a trigger to start a new Business level strategy.



* Adapted from the adaptive strategy formulation theory scholars

Figure 3-4 Relationship between corporate and business level strategy

3.5.1 Corporate Level Strategy in Family Businesses

Corporate level strategy is "the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities" (Andrew, 1980).

At the corporate level, there are three main activities in formulating strategy. First, the firm sets the corporate vision and mission so that all subsequent activities are regulated and governed in an aligned and consistent way (Neubauer and Lank, 2014). Second, the strategy formulation team defines the corporate policy and guidelines for its subsidiary businesses so that the norms and accepted behaviour and criteria for decisions become clear to all business level managers; it then sets the portfolio strategy (Ittner and Larcker, 1997). The portfolio strategy, third, is devised to convert the vision and policy into set of financial and nonfinancial objectives (Zwellger et al., 2013; Block and Wagner, 2014) required from the portfolio of businesses as a whole and from each business in particular (Fitzgerald et al., 2010).

3.5.1.1 Develop Corporate Vision and Mission

Vision can be defined as a sense of where the organization wants to be in the future (Lant and Shapira, 2008). Mission is the articulation of the vision to demonstrate the firm's reason for existence (Wheelen and Hunger, 2012). Family firm theorists find a significant difference between the content and the direction of the vision of family and of non-family firms (Barnette et al., 2012). The reason for this is that a family vision is imposed through the power of its members and the owners of the firm (Chrisman et al., 2005; Chua et al., 1999). This is what is called the familiness of the business (Frank et al., 2016).

3.5.1.2 Define Corporate Policy

The vision and mission themselves are found not to affect the performance of the corporate strategy; rather, embodying the mission in a corporate policy is the main task (Andres et al., 2017). Policies are the protocols and guidelines that the organization determines to further its strategy and to monitor and ensure its saturation in the organization (Ittner and Larcker 1997). Similarly, Miller et al., (2008) in their study of Canadian businesses show that private family firms outperform those run by lone entrepreneurs, in part because of their more enlightened and far-sighted policies, their mentorship and generous benefits for employees, and their ability to form closer and more enduring relationships with clients.

Miller and Le Breton-Miller (2005) conclude that for family businesses the policy always focuses on cultural and religious values, win-win policies with other stakeholders and being good citizens. Family businesses seeking sustainability through their policies, which focus on having good relations with all direct and indirect stakeholders, and society at large (Laszlo & Zhexembayeva, 2011; Porter & Kramer, 2006). Thus, as Arregle et al. (2007) notes, families in business have a clear intention that their policies should build social capital and invest in long-term associations with their stakeholders.

3.5.1.3 Define Corporate Portfolio Strategy

Portfolio strategy can be defined as the process of screening, prioritizing, selecting, and reviewing the optimal investment opportunities that maximise shareholder wealth (Wheelen et al., 2017). The definition can, however, be criticised for focusing mainly on shareholder wealth. In a family business, another type of wealth, emotional wealth is considered (Zellweger et al., 2012). This definition is customised in the present study to fit the family business context; here it refers to the process of screening, prioritizing, selecting, and reviewing the optimal investment opportunities to maximise both the shareholders' wealth and the family's emotional wealth. The criteria for choosing between shareholder wealth and family emotional wealth depend on the Familiness of the business (Agrawal and Knoeber, 1996). Therefore, the portfolio family strategy takes account of two considerations: non-financial family objectives and financial objectives.

3.5.1.3.1 Non-Financial Objectives

Families exert their power to influence their businesses' non-financial objectives. As noted, non-financial objectives such as family pride, reputation and care for its identity can sometimes be more important for a family business than financial objectives (Duran et al., 2015) (see sections (3.4.1) and (4.5.1.2).

3.5.1.3.2 Theories about Financial Objectives in Portfolio Strategy

Several business-related theories explain the basis for selecting new initiatives, with the aim of maximizing shareholder wealth by improving the organization's competitiveness (Porter, 1996). Table 3-3 summarises a number of these initiatives. The first looks mainly at the market while the others look at current business lines and ways of improving performance. The market-based initiative may focus either on markets with competitors or markets without them. In the first type of market, Porter's 5-forces theory can be used for understanding the market dynamics (Porter, 1985). According to Porter, the relative bargaining power of the market players shape the organization's ability to compete and survive in the market. The 5 forces are the relative bargaining power of the competitors, customers, suppliers, and expected new entrants. In other words, if the competitors' powers are stronger than those of the new business, it would not be an effective decision to build a new business in this market. Likewise, if there are few customers and they have enough substitutes (i.e. if customers' relative bargaining power is higher), it would not be a valid ambition to penetrate this market because power belongs to the customers.

Bearing in mind Porter's theory, searching for a market with no direct competitors may be more beneficial and lead to more competitive advantage (Jaworski et al., 2000). According to Kim and Mauborgne (2017) the first mover strategy has many benefits for whoever is the first to gain the market resources and the first to be known by customers. The blue ocean strategy, as they dub it, has some weaknesses such as the skills needed to persuade customers to change their behaviours and lifestyle to fit with the new products, called a "liability of newness" (Yang and Aldrich, 2017).

The alignment theory (Kaplan and Norton, 2006) focuses on what a business has and how to improve its current performance by investing in new business. This can be done by vertical integration (through buying in suppliers) or by horizontal integration, investing in different but related products. The aim of vertical integration is to reduce cost by buying in the suppliers or logistics or buyers. This may enable firms to improve their competitive advantage by developing unique competences through their supply chain. In contrast to vertical integration, the outsourcing prefers collaboration between suppliers and provides a governance mechanism to control, manage and improve the performance of the supply chain in order to perform better than those who buy in suppliers. Given their pros and cons, neither vertical nor outsourcing strategies is a clear winner.

Unlike the centric strategies, which focus on a single market or a single product range, conglomerate theory claims that diversification may improve financial performance by reducing the financial risks (Day et al., 1979). It has been found a centric strategy may improve performance in the short run, but the conglomerate strategy still leads to a U-shaped performance (Andres et al., 2017;

Henderson et al., 2006). In theory, by investigating the financial relationship between the current business lines and the expected business line, a firm can choose a new business line without financial correlations. This is a way to hedge financial and market risks.

Table 3-3: Financial-objectives-related theories in portfolio strategy

	Theory	Description	Reference
Market View	5 – Forces	To enter a new market, 5 sets of relative bargaining powers should be analysed.	Porter (1985)
	Blue Ocean Strategy	It is better to enter an untouched market with no competitors, than be in a market with many customers but many competitors.	(Kim and Mauborgne, 2017)
Internal View theories (Improving the existing business performance)	Centric Strategy	To focus on a certain production line and its varieties gives a company competitive advantage.	(Day et al., 1977)
	Diversified/ Conglomerate	Diversifying the portfolio on investments in different unrelated markets tends to reduce the financial risks Family businesses are more oriented to diversified portfolios	(Andres et al., 2017) (Henderson et al., 2006).
	Horizontal	Focusing on similar products in the same category enables an organization to make the best use of its brand and reputation in the existing market.	(Wheelen et al., 2017)
	Vertical	To cut down costs, but to increase the financial risks, a company can invest upstream and downstream activities and businesses.	
	Alignment theory	To invest in a business can improve the current business through synergy.	(Kaplan and Norton, 2006)

3.5.2 Business Level Strategy in Family Business

The aim of a business level strategy is to define how a business should compete in its market (Porter, 1985). Therefore, as shown in the adaptive strategy formulation (see Table 3-4), the revision of the strategy from time to time may be the main starting point, especially following feedback from stakeholders, including customers and business line managers (Andersen and Nielson, 2010). Next, the internal and external environment can be scanned systematically, taking into consideration different markets and economic and political factors, as discussed in detail in the section n influential factors. The goals are formulated to reflect the way in which the organization positions itself in the market based on guidelines from the corporate and what it finds from analysing the environment. With these goals, each functional manager formulates his/her own department plan to construct a business level and a corporate level strategy (Andrew, 2005).

Table 3-4: Business level strategy in family business

Activity	Description	Reference
Review Strategy	The aim is to review the current performance and take feedback into consideration when planning new strategy	(Andersen and Nielson, 2010)
Analyse Environment	Scanning the external and internal environment to identify strengths, weaknesses, opportunities and threats	(Pearce and; Hunger, 2016)
Set Goals	Business level strategy sets the firm's vision, mission and objectives based on the corporate vision, policy and goals defined by the firm.	
Create Baseness Unit Plan	Functional level strategies are defined to fulfil the business objectives	(Andrew, 2005)

3.6 Knowledge Management in Strategy Formulation Process

KM involves the application of knowledge through the operationalization of organizational practices to collect, process, store and disseminate knowledge (Alavi and Leidner, 2001). Knowledge management has been perceived as one of key determinants of successful strategy formulation outcomes (Snyman and Kruger, 2004; Halawi et al., 2006; Matos et al., 2013). There are different reasons for that. Knowledge is perceived as strategic resources for organisations (Storey and Barnett, 2000) and a strong enabler for achieving sustainable competitive advantage. For instance, Pawlowsky and Schmid in 2012 has studied 3401 organisations and found a strong significant correlation between the knowledge-oriented management and performance.

Organisations can see and articulate their external and internal environments through an effective KM system (Zack, 1999; Teece, 2000). Several researchers (Dawson, 2000) show that to survive in complex and competitive environment, organisations are expected to manage their knowledge resources and "knowledge has come to represent the key to sustained competitive resources" (Storey and Barnett, 2000). The interdependence between strategic management and the knowledge management have been illustrated in different papers (see for instance Snyman and Kruger, 2004). Snyman and Kruger (2004) based their work on the axiomatic argument that for enterprises to be successful in the exploitation of their knowledge assets, an appropriate “fit” between the organization’s mission and objectives and its environment. Any proposed strategic management framework shall consider the knowledge management in how to analyse of the external and internal environment.Therefore, KM are perceived to be key in strengthening organizations’ competitive position (Halawi et al., 2006; Bagnoli and Vedovato, 2012) and maintaining their sustainability (Storey and Barnett, 2000; Zack, 1999; O’Dell and Grayson, 1998; Hansen et al., 1999; Halawi et al., 2006; Bagnoli and Vedovato, 2012).

3.7 Overview of Process Modelling

In this research, the strategy formulation process consists of a set of iterative and sequential activities. Some activities are a source of knowledge whereas others can bring into play the use of the knowledge. Thus, because the number of activities is relatively high, and the number of influential factors also relatively high, a structured method is needed for modelling all these activities, showing their inputs and outputs and the relationships between them (Curtis et al., 1992; Berman et al., 1988). But the greater the complexity of the system in terms of its factors, dependences and activities, the greater the need for models to structure the relationships (Belmondo and Sargis-Roussel, 2015). Knowledge construction and sharing require four main tools, namely, concept maps, mind maps, conceptual diagrams, and visual metaphors (Eppler, 2006). The key tools in making models are mind maps and concept maps; conceptual diagrams and visual metaphors are used for developing conceptual frameworks, not for mapping processes (Eppler, 2006). For the processes of mapping and simulating business, a variety of modelling tools is available, such as System Dynamics, Discrete Even Simulations, and Role Activity Diagrams.

Integrated Definition for Function Modelling (IDEF0) is a modelling technique used for developing structural graphic representations of processes or complex systems such as enterprises (IDEF, 2003). It is used to specify function models, which answer the question ‘‘what do I do?’’ (Aguilar-Saven, 2004). Therefore, IDEF0, besides being a graphical presentation, was adopted in the present study to cover all the inputs and outputs from all activities, taking into consideration their mechanisms and control (Kusiak et al., 1994). Furthermore, the top down hierarchical method of the IDEF0 helps in organising information and knowledge to make it accessible and readable. Nevertheless, the main weakness of the IDEF0 is being relatively difficult for professionals to interpret (Aguilar-Saven, 2004). IDEF0 has been used before in strategy formulation process as a way to automate the strategy process and make it more intelligent by considering the learning loop (Waissi et al., 2015). Waissi et al. (2015) research focused only one 4 planning activities but this research spotlights and model the strategy formulation process on corporate and business level.

Hence, mind maps are used to supplement the IDEF0, because of their simplicity and clarity among professionals and non-academic readers (Abi-el-Mona and Adb-El-Khalick, 2008). However, its simplicity may allow useful information to be missed (Jamieson, 2012; Serrat, 2017). For this reason, IDEF0 should come first and mind map should be enlisted in its support.

3.8 Strategy Formulation in the GCC Large Family Businesses

Strategy formulation teams in large GCC family businesses in the GCC countries have been studied in the literature (El Agamy, 2014; Zellweger et al., 2013). Qualitative studies were to understand and to evaluate the governance structure in four large family businesses in the GCC countries which is intended to formulate strategy in an effective and efficient way (El Agamy, 2014). Other quantitative studies are to investigate the directors of family businesses and their impact on strategy formulation (Echhade, 2014) and to assess the impacts of employees participations, political behaviour, and strategy formulation approach on the effectiveness of the plans (El Banna and Fadol, 2016). Additionally, in GCC contexts, it has been found the strategic orientation of the firm has an impact on the business performance (Al-Ansaari et al, 2015). However, they discuss strategy as a comprehensive and generic concept but not in detailed and well-defined activities. In other words, it does not consider that the roles of the players in setting the vision may be different from setting the business objectives. Additionally, a strategy formulation team may be different from the board of directors (West and Schwenk, 1996). As Echhade (2014) states, the average board in these large family corporates meets only 4 times a year, whereas a strategy formulation team has been found to be as important as a permanent team (Beer and Gabarro, 2006). Thus, the present research is novel in investigating the roles of the strategy formulation teams of the LFBBs in the GCC countries.

The factors influencing the decisions in the strategy formulation process in non-family businesses are perceived to be internal and external factors. In the family businesses, however, family factors, such as those of succession and family values, should be taken into account and or may even be seen as having more effect on the direction of the strategy and the business than anything else (Bodolica et al., 2015). The factors affecting family business strategy on the business level in the GCC countries have been studied by Salman (2005). Moreover, the other factors such as internal governance and government influences are the most critical influential factors in the Mid-range economies including GCC (Hoskisson et al, 2015).

Few studies have covered the strategy formulation tools. For instance, a case study conducted in Emirates using the balanced scorecard (BSC) for monitoring the internal KPIs (Guidoum, 2000). BSC is a strategic tool used in different contexts (Kaplan and Norton, 2006; Al-Ashaab et al., 2011), knowledge maps (Bradshaw et al., 2017) and process mapping (Greasley, 2017) are addressed in the literature; they can capture and analyse these influential factors. Authors also compile taxonomies of knowledge driven activities (Al-Ashaab et al., 2016; Sun et al., 2013). However, these taxonomies do not link the tools to the strategy formulation processes. In other words, the literature review has not found a research mapping tool which covers the influential factors and the strategy formulation process.

3.9 Research Gaps

Closing the knowledge gap is necessary for formulating and implementing any strategy based on knowledge. Family-based businesses face challenging, global economic conditions and the internal transition to new generations of family management make these changes all the more critical and timely. The minimal academic investigation of the strategic formulation process and the scarcity of knowledge about it mean that certain knowledge gaps exist, as follows:

1. Although the topic of strategy development is well established and the volume of literature in this area has grown considerably, the factors influencing its formulation and deployment, which should be better understood, have not been well addressed.
2. The knowledge associated with these influential factors is not comprehensive and cannot be effective unless it is detailed.
3. There is a scarcity of research to address the knowledge gap for family-based businesses, which need to more knowledge before they can understand the strategy formulation process.
4. Too little research has been done on defining strategy for large family-based businesses in the GCC in a manner that may aid their sustainability and growth. These large family-based businesses cannot sustain themselves effectively and profitably way unless they have appropriate strategies.

4 Theory-Based Strategy Formulation Process Framework

4.1 Introduction

The focus of this chapter is to develop a knowledge driven framework for the Strategy Formulation Process that would fit with large family businesses in the GCC regent. The chapter consists of five sections. The first defines the knowledge driven framework for formulating strategy. This framework has four aspects: team, process, influential factors and tools. The second, third, fourth and fifth sections, respectively, cover these aspects Knowledge Driven Strategy Formulation Process Framework

4.2 Knowledge Driven Framework

When knowledge management is combined in the strategy formulation process, the possibility of increasing the success of the strategy and competitiveness of the organisation (Dayan et al., 2017). The Knowledge Driven Strategy Formulation Process is defined in this research as a systematic and integrative process of gathering, analysing and disseminating relevant and timely knowledge (reports) to a strategy formulation team to improve the quality of its strategic decision-making. This definition rests on a set of assumptions. The first assumption is that if the strategy formulation team makes correct decisions in the strategy formulation process, the organization will be able to achieve its mission, vision and objectives effectively. The second assumption is that the strategy formulation process consists of a set of interdependent activities. Each activity implies a set of decisions. In other words, choosing the organization’s objectives can be seen as a decision-making process. The budgeting process for funding the functional plans is seen as a strategic decision-making process. Following this line of argument, a strategy formulation process consists of a set of a set of decisions. The third assumption is that the correct information on the right time can be seen as an influential factor on the decision-making activities. When the correct information is used at the appropriate time, it improves the quality of decisions (Lyles and Schwenk, 1992). As detailed in section 4.5, below, the influential factors are those affecting the results of the decision making in the strategy formulation process. As this section reports, the influential factors can be external factors, internal factors, or family factors. All of them have implications and consequences for the results of the decisions (Drew, 1999).

The knowledge driven Strategy Formulation Process Framework consists of four main components (see Figure 4-1). First, the strategy formulation team (Stg-FT) component and structure are the main drivers of the strategy; they absorb the related influential factors and decision-making is based on them. Second, the strategy formulation process (Stg-FP) is developed from the literature using the three main approaches to strategy formulation, namely the formal strategy approach, the adaptive strategy approach and viable system approach. Third, after re-creating the strategy formulation process, one of the influential factors (Stg-FIF), as a set of activities, the relevant theories are discussed to understand which factors to consider in making decisions during each activity. Finally, the strategy formulation tools (Stg-FTL) are used to collect, analyse and report data about the influential factors in a systematic and organised way so that the strategy formulation teams can make the correct decision at the appropriate time, based on correct information

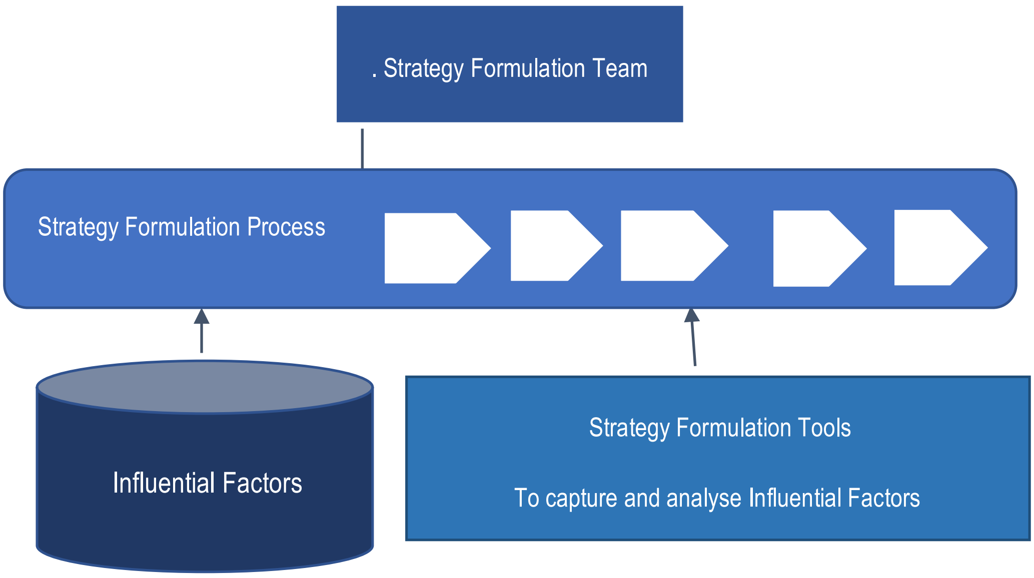


Figure 4-1: The conceptual knowledge driven strategy formulation process framework

4.3 The Review of the Strategy Formulation Team

A strategy formulation team is proposed by this research as part of the viable systems approach. In a traditional strategy formulation process, the strategy is centralised and formulated all at once by top management with no clear revision strategy. However, the adaptive strategy formulation stipulates that the strategy should be periodically formulated and revised, as a more decentralised approach to formulating and implementing the strategy (section 3.3.2). In the viable systems approach, the strategy formulation team is a dedicated group of full-time and part-time members, who are assigned to monitoring the environment continuously to integrate the firm in its society and adapt more consistently to changes in the environment. This approach calls for the team to include a dedicated member of management who is responsible for organising the meetings and workshops and prepares analysed data for periodical presentation to top management. The team is responsible for working with consultants and with other internal managers to study the external and internal environment and make recommendations to inform the strategic decisions of top management.

A strategy formulation team is the first element of the framework as illustrated in Figure 4-1 and is defined in this research as a group of senior level managers, members of the board and relevant consultants who set the organization's strategy. The strategy formulation team consists of the board of directors (including family members, independent members and professional members), and some non-board directors (including middle level managers and internal and external consultants). As set out in the literature, (see sections 4.3.1 and 4.3.2) and as shown in Table 4-1.

In Table 4-1, each category has its own role. Thus, a full selection of either family or non-family executives is essential to secure the managerial talent required to pursue the complex blend of business, social, and family objectives that characterize many family firms (Miller et al., 2016).

Table 4-1: The review of the strategy formulation team

	Position	Description of the role	Reference
Board of Directors	The Chief of Executive Officer (CEO)	Representing the shareholders including family interests on the board.	(Boling et al., 2015)
	Independent Member	Oversees the governance structure in terms of number of independent directors, structure of ownership and control mechanisms that affect corporate performance	(Steier et al., 2015).
	Family Member	Protects and guards the family identity	(Pindado and Requejo, 2015)
	Professional Members	Compensate for the technical weaknesses in the independent and family members' skills and capabilities.	(Chung and Luo, 2013)
Non-Board Directors	Middle Level Managers	Receive continuous feedback about bottom line operations	(Andersen and Neilsen, 2010)
	Internal Consultants	Give insightful ideas about current performance and areas needing some improvement to fit with the external environment	(Smith et al., 2014).
	External Consultants	To improve the strategic changes of the business and ensure adaptation to changes in the industry.	(Oehmichen et al., 2016)

4.3.1 Board of Directors

The main job of the board of directors is corporate governance (Finkelstein and Mooney, 2003; Forbes and Milliken, 1999). Corporate governance is the way in which organizations create strategies, allocate the budgets, and designing the portfolio of the business (Toms and Wright, 2002). Boards meet periodically and consist of family members and other interdependent groups of people (Zattoni et al., 2015). Because of their characteristics, boards, more than other groups, face Influence and interactions, which complicate their ability to foresee the future and define the vision of the firm (Hambrick et al., 2008). In these circumstances, board effectiveness is likely to profoundly depend on social-psychological processes, particularly those relating to group participation (effort norms), coordination (use of knowledge and skills), and open discussion (cognitive conflicts) (Finkelstein and Mooney, 2003; Forbes and Milliken, 1999; Hambrick et al., 2008). The person who most influences the Stg-FP and its critical decisions is the Chief Executive Officer (CEO) (Boling et al., 2015). As proposed by Hambrick and Mason (1984) in their upper-echelons theory, the demographic and educational background of the CEO is one of the determinants of the strategic decisions.

The governance structure, in terms of the number of independent members and structure of ownership, affects corporate performance (Steier et al., 2015). Thus, the greater the independence of the members in the board, the higher the financial performance (Kuo and Hung, 2012). Similarly, the greater the dependence, the lower the financial performance (Klein et al., 2005). This is because such dependence results from some level of dominance by the family members to safeguard the culture and identity of the family (Loderer and Waelchli., 2010). Therefore, an optimal point must be found between the familiness and non-familiness of the business and also between the number of independent directors and the number of family members on the board (Steier et al., 2015). Sometimes, family business board members appoint professional technocrats to compensate for the weaknesses in the experience and knowledge of the independent and family members (Chung and Luo, 2013).

4.3.2 Non-Board Members

The members who are not on the board of directors can be members of the strategy formulation team (Smith et al., 2014). Their function is mainly to give advice and expertise on specific points (Haleblian and Rajagopalan, 2006) perhaps on internal performance issues (Andrews, 1980), external changes in the market (Kor and Misangyi, 2008), or ways of deploying certain resources to react to market changes (Rajagopalan and Spreitzer, 1997). The middle level managers and internal consultants are full time consultants who collect, analyse, report and improve the performance of the current business strategy processes (Smith et al., 2014). From another perspective, the middle level managers give continuous feedback about bottom line operations (Andersen and Nielsen, 2010). Both middle level managers and internal consultants can give boards of directors insightful ideas about the main weaknesses and strengths in the current business operations (Smith et al., 2014).

The external consultants are recruited for specific projects (Easterby-Smith et al., 1991). The main function of the consultant is to bring industry expertise to the firm (Kor and Sundaramurthy, 2009). This has been found to affect significantly the strategic changes of the firm and make it easier to align it with changes in the industry (Oehmichen et al., 2016). Companies may turn to a strategy consultant from outside for help in formulating a strategy (Smith et al., 2014). Their role is to provide companies with advice on their goals and future direction so that effective growth strategies can be planned. These consultants use expertise, industry experience and analysis to help their clients identify strategies that will increase revenue and market share by improving competitive advantage (Oehmichen et al., 2016).

4.4 The Review of the Strategy Formulation Process

In Chapter 3 section 3.3, relevant strategy formulation approaches were reviewed to develop a research approach to strategy formulation. The strategy formulation process is the second element of the framework as reveal in Figure 4-1. Highlights stage 1 with respect to some best practices for theory formulation processes, stage 2, where the researcher has reviewed and analysed the references, and stage 3, which will be the theory-based strategy formulation process for strategy development at the corporate and business level. The green colour reflects to the corporate level whereas the blue to the business level.

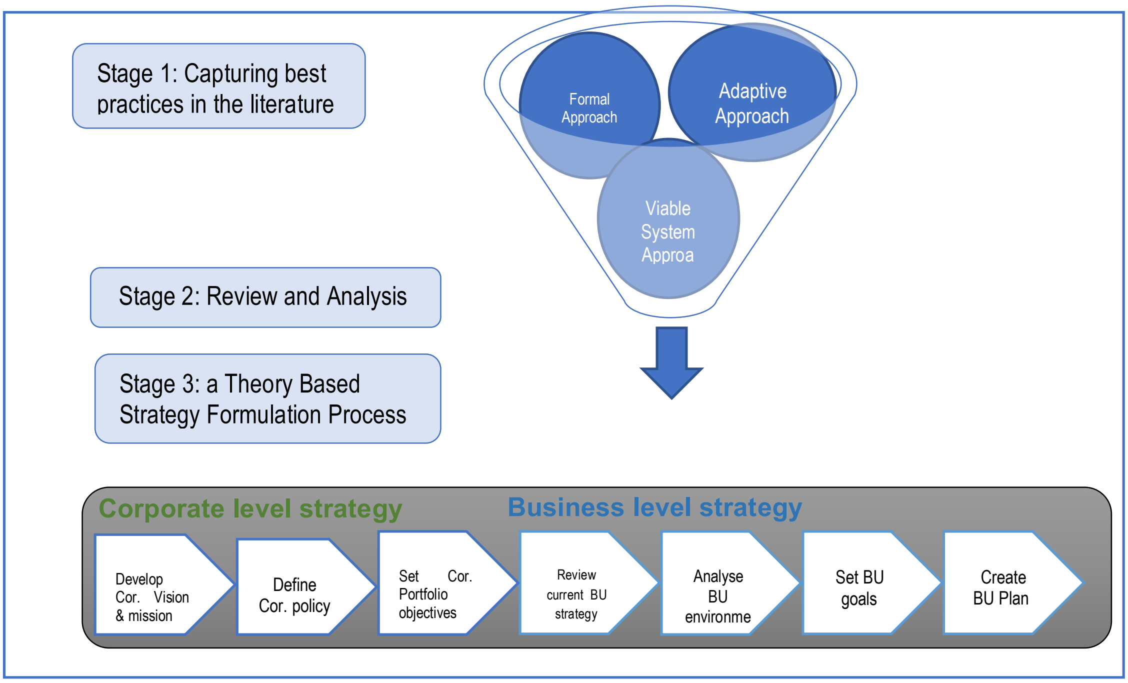


Figure 4-2: Development of a strategy formulation approach.

In this section, a summary of the results of the previous chapter is presented in Table 3-1. There are seven main activities and nine sub activities (see Table 4-2) which derives from the literature review, section 3.5. Stg-FP may be defined at the corporate level and the business Level. The first definition has 3 activities: formulating the corporate vision, mission, and policy together with its portfolio strategy. The second definition splits the organization's (or BUs) strategy into four main activities, which fit the corporate strategy and can improve its profitability. These activities have between them 9 sub activities.

Table 4-2: Matrix of the strategy formulation approaches

Activity	Sub	Theory	Source
A1.1 Develop Corporate level Vision and Mission		Formal Strategy Formulation	(Collis and Montgomery, 2005)
A1.2 Define Corporate Policy		Adaptive Strategy Approach	(Grant, 2003; Binz et al., 2015)
A1.3 Define Corporate Portfolio Strategy		Formal Strategy Formulation	(Pidun, 2017)
A2.1 Review Current Business Unit Strategy		Adaptive Strategy Approach	(Miles and Snow, 1978; Beer,1997; Govindarajan, 1989; Dvir and Lechler, 2004)
A2.2 Analyse Business Unit Environment	A2.2.1Analyse Business Unit Internal Environment	Formal Strategy Formulation	(Pearce and Robinson, 2011)
	A2.2.2 Analyse Business Unit External Environment	Formal Strategy Formulation and Viable System Approach	(Wheelen et al., 2017; Beer, 1997)
A2.3 Set Business Unit Goals	A2.3.1 Develop Business Unit Vision and Mission Statement	Formal Strategy Formulation	(Mintzberg, 1990)
	A2.3.2 Establish Business Unit Objectives	Formal Strategy Formulation	(Ansoff et al., 1988)
A2.4 Create Business Unit Plan	A2.4.1Create Financial Plan	Formal Strategy Formulation	(Wheelen et al., 2017; Pearce and Robinson, 2011)
	A2.4.2 Create Human Resources and Business Improvement Plan	Formal Strategy Formulation	
	A2.4.3. Create Production, Engineering and R&D Plan	Formal Strategy Formulation	
	A2.4.4 Create Marketing plan	Formal Strategy Formulation	
	A2.4.5 Create Master Plans	Formal Strategy Formulation	

4.4.1 Decision Making Versus Decision Support Activities

Strategy formulation process activities illustrated in the previous section are two types. Some activities are to analyse and to collect influential factors while other activities are to take decisions. Thus, activities are classified into decision-making activities and decision support activities. Table 4-3 reveal that decision support activities are those efforts to collect, analyse and produce reports (Walker et al., 2003). Decision-making activities are those efforts in understanding reports to take strategic decisions (Aurum and Wohlin, 2003). The inputs of decision-making activities can be reports, decisions or both. For instance, to create plans, as decision activities, the knowledge documented in reports about the current performance shall be existed for the planner to give the right decisions. Also, the decision of the business objectives guides the decision-making efforts in creating the plans. In this research, to avoid confusions, the decision support activities are coloured by light colours whereas the decision making by dark colours and corporate activities are in green whereas the business activities are in blue.

Table 4-3: The Decision-making activity and the decision support activities

Activity	Sub Activities	Decision
A1.1 Develop Corporate Level Vision and Mission		Decision Making
A1.2 Define Corporate Policy		
A1.3 Define Corporate Portfolio Strategy		
A2.1 Review Current Business Unit Strategy		Decision Support
A2.2 Analyse Business Unit Environment	A2.2.1Analyse Business Unit Internal Environment	
	A2.2.2 Analyse Business Unit External Environment	
A2.3 Set Business Unit Goals	A2.3.1 Develop Business Unit Vision and Mission Statement	Decision Making
	A2.3.2 Establish Business Unit Objectives	
A2.4 Create Business Unit Plan	A2.4.1Create Financial Plan	
	A2.4.2 Create Human Resources and Business Improvement Plan	
	A2.4.3. Create Production, Engineering and R&D Plan	
	A2.4.4 Create Marketing plan	
	A2.4.5 Consolidate master Plan	

4.4.2 Modelling the Process Using IDEF0

The modelling tool adopted for mapping the process activities is IDEF0, as proposed in Chapter 3 section 3.6. IDEF0 is a method designed to model the decisions, actions, and activities of an organization or system. It helps to understand a system analysis and communicate it to the end-user. This analysis tool can be useful during decision-making; it indicates whether the current system is doing poorly or well, and which parts should be improved. Each arrow in IDEF0 diagram refers to a duty, as follows: Activity: Situated in a box, called a function, Input: Display of the activity in the box, Output: Outcome of the function, Control: constraint on the activity, Mechanism: Support for the function. In every level of IDEF0 there are boxes (functions). These functions (Control, Mechanism, Input and Output) are connected by arrows. A box A0 indicates the top level. The next stage is called decomposition; this is where the A0 level function extracts more sub-functions. Throughout the IDEF0 model, the letter “A” refers to an “Activity.

To apply the IDEF0 on the decision support activities (see Figure 4-3), decision support activities are guided by decisions and reports drafted in former activities as illustrated in Figure 4-3. Thus, the inputs are either report based influential factor or decisions. The output is the influential factors written in a report such as changes in customers' preferences or growth in the national economy. The purple colour refers to the Reports, while the Decisions presented with the orange colour. For extra detail about IDEF0 is in Appendix B (See **Error! Reference source not found.**).

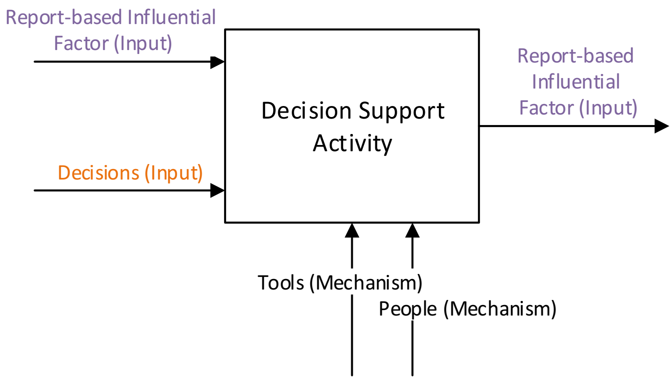


Figure 4-3:IDEF0 for the decision support activities

Applying the IDEF0 on the decision-making activities, Figure 4-4 show that the decision-making activities are influenced by the influential factors written in the reports produced by Decision Support activities and by the preferences of the decision makers. Decision makers take the decisions not necessarily based on financial needs and outcomes but also can be based on the family socio-emotional wealth (Kellermanns et al., 2008). The preference based influential factor is more important and significant in the family businesses than others (McGuire et al., 2012).

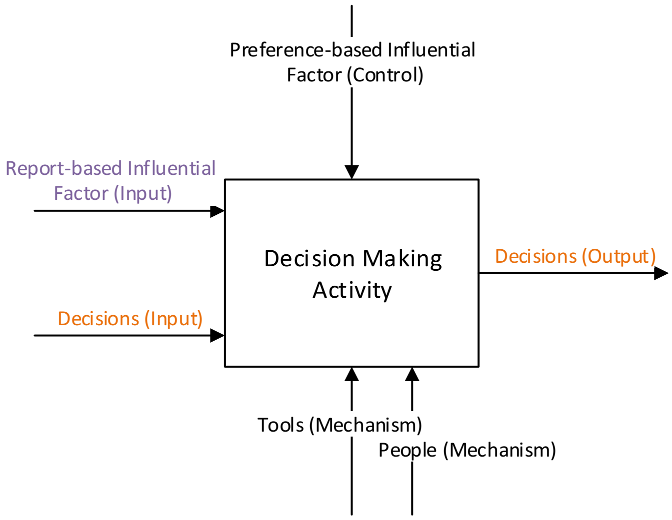


Figure 4-4: IDEF0 for the decision-making activities

Reflecting these concepts in this research, an activity can support or make a decision. Thus, the decision support output is in this research an activity that can be the decision-making output. Thus, inputs can be decisions or report-based influential factors. The control is the preference based influential factor. Finally, the mechanism is reflected in the tools used people to perform the activity.

4.4.3 Top Model of the Theory-Based Strategy Formulation Process

The A0 activity decomposes into A1, which is “Define Corporate Level Strategy” and A2 “Define Business Level Strategy”. A1 has one main input called “Initial Assessment” (family founder inspiration), one control called “Preference Influential Factors” and two mechanisms to enable the activities under “Board of Directors” and “Tools”. The three main outcomes of A1 are corporate vision and mission, generic business unit objectives, market opportunities for current business lines, with corporate strategy generated as output. A2 takes these three inputs to create the business unit strategy as output. A couple of mechanisms are used as tools and people.

4.4.4 A1: Defining Corporate Level Stg-FP

On the corporate level, there are three activities: developing the corporate level vision and mission, defining corporate policy, and defining corporate portfolio strategy.

A1.1: Developing the Corporate Vision and Mission.

This activity formulates and articulates the corporate family vision and mission. By setting the vision and mission, the corporate policy can be defined, portfolio strategy can be set, and the business level vision and mission can be developed. The corporate vision and mission are inputs to corporate policy, defining the corporate portfolio strategy on the corporate level and “setting business unit goals” on the business level.

A1.2: Defining Corporate Policy.

In this activity, the family sets and translates its identity into guidelines for governing the portfolio strategy and functional plans in the “Creating Plan” stage. The input of this activity is the corporate vision and mission. The output is the “Corporate Policy Guidelines”. Corporate Policy Guidelines are used on the corporate level to set the frame for defining the corporate portfolio strategy. On the business level, it also guides and governs the functional plans into alignment with the corporate values.

A1.3: Defining Corporate Portfolio Strategy.

The corporate portfolio strategy is defined on the basis of the Corporate Policy Guidelines and the corporate vision and mission. In this activity, the strategy formulation team defines the objectives required from the portfolio as a whole and also from each business line that, contributes to the business (Gupta and Govindarajan, 1984). These are called the “generic business unit objectives” and are used in the “Set business goals” stage. In setting the portfolio objectives, the board defines the marketing opportunities: to establish or enter a new business, or to define new market opportunities for the current business units.

4.4.5 A2: Defining the Business Level Stg-FP

Since the aim of the business unit strategy is to improve its financial performance through efficiency or effectiveness in producing or selling products or services (Pride, 2014; Wheelen et al., 2017; Gupta and Govindarajan, 1984), the scope of building a strategy to deliver this performance is limited to these objectives. This research assumes that the management style in Arabic-speaking countries is more centralised than in Western countries (Hofstede, 2001), implying that business level strategy is not authorised to launch new products or services without confirmation, or being imitated, at the corporate level. Thus, it consists of four sub activities: (1) Reviewing the current business unit strategy, (2) Analysing the business unit's environment, (3) Setting business unit goals, and (4) Creating a plan.

4.4.5.1 Activity A 2.1: Reviewing Current Business Unit Strategy

The first step in the business level strategy is to review the current performance to understand it as-is. As proposed in the adaptive approach, reviewing the current business unit strategy takes as inputs the market opportunities, customer needs, and the current performance of the business. The output of this activity is the "direction of the strategic business unit".

4.4.5.2 Activity A2.2: Analysing Business Unit Environment

According to the direction of the strategic business unit defined by the strategy focusing activity, the strategy formulation team do or do not hire people to collect, analyse and interpret the changes in the external and internal environment. This involves an analysis of the internal and external environments, which is fundamental to assessing the company's capability and sustaining the business in its market setting (Grant, 2010). The main input is the SWOT analysis, while the main output is the "Strategic Business Unit Direction". Hence, there are two sub-activities: Analysing the Business Unit's Internal Environment and Analysing the Business Unit's External Environment.

4.4.5.2.1 Activity A2.2.1 Analyse Business Unit Internal Environment

In this activity, organizational weakness and strength points are determined and highlighted on the basis of the direction of the strategic business unit. Reviewing the current strategy of the business unit has one input, the "strategic direction of the business unit strategy". One output used in making a SWOT analysis for the "Setting business level strategy" stage is a list of Strengths and Weaknesses (SW).

4.4.5.2.2 Activity A2.2.2: Analysing the Business Unit External Environment

Depending on the feeds from the "Review Current Business Unit Strategy", the strategy formulation team do or do not hire people to gather, analyse, and interpret the external environmental factors so that the opportunities and threats are highlighted. The scope of external environmental analysis is limited to the objective of increasing the efficiency or effectiveness of the business. Therefore, the main output is the Opportunities (O) and Threats (T) that affect the business unit profits.

This activity is constrained by the skills, competences and tools used by the agents responsible for collecting and analysing data. These agents may be marketing research firms, external consultants or marketing people.

4.4.5.3 Activity A2.3 Set Business Unit Goals*:*

The "Set Business Unit Goals" activity is the process of defining the future achievements required from the family-corporate perspective. Based on the SWOT analysis from the "Analyse Business Unit Environment" activity, and the "Generic Business Unit Objectives" from the "Define Corporate Portfolio Strategy", the business unit develops its vision and mission statements and sets its objectives.

4.4.5.3.1 Activity A2.3.1. Develop Business Unit Vision and Mission Statement.

This activity articulates the business unit's vision and mission. The business unit vision is the 'post-card from the future' describing what the business should look like in order to attain the corporate objectives (Axelos, 2011). The mission statement is the document, which states the purpose of the business (Fairhurst et al., 1997; David et al., 2014). It is also the mechanism, which connects the family identities at corporate level with those of the business unit (Gersick and Feliu, 2014). In this activity, the "Corporate Level Vision and Mission", "SWOT" and "Business Unit Strategic Direct" have as output the Business Unit Vision and Mission and as input the "Establish Business Unit Objectives"

4.4.5.3.2 Activity A2.3.2 Establishing Business Unit Objectives

In this activity, the business unit identifies its measurable targets, called objectives, within a clear time frame. In order to formulate the unit objectives, the unit considers the "Generic Business Unit Objectives" imposed by the corporate, i.e. "Define Corporate Portfolio Strategy" and the business unit vision and mission. The main output is the “Specific Business Unit Objectives” which is a critical input to “Create Plan”.

A.2.4: Creating a Business Unit Plan

Activities are planned for every department involved in the strategy, including marketing, finance etc., according to the goals to be attained (Zack, 1999). This activity is intended to define the mechanism for implementing the business unit’s vision, mission and objectives. Its inputs are “Specific Business Unit Objectives” from the “Set Business Unit Goals” activity and “Corporate Policy Guidelines” from the “Define Corporate Policy” activity on the corporate level. The main output is the consolidated report, which clearly shows the steps and activities required to deliver the business unit’s objectives.

A2.4.1: Creating a Financial Plan

This activity is to project cash flow for the future payments and receipts. In order to ensure the viability of the plan, the financial plan should be viable. Therefore, there are four inputs into the financial plan. They are the corporate policy guidelines, specific business unit objectives, funding availability and cost of finance. The corporate policy guidelines are to govern the business unit financial policy by setting rules such as accepted credit level, accepted receivable level, and payable level. Specific Business Unit objectives are to identify the target sales and other operational targets, which have implications on the business growth. Funding Availability, as an input from the corporate, is to identify and limit the financial outlays and expect cash flow. Finally, the finance, as a corporate level input, to identify the targeted return on investment. The output is financial plan.

A2.4.2. Creating a Human Resources and Business Improvement Plan

This purpose of this activity is to assess the knowledge, skills, and abilities (KSA) of the current employees, so that the recruitment, training and development plans can be set as part of the Human Resources and business improvement plans. The inputs are SWOT and the specific business unit objectives and the corporate policy guidelines. The SWOT is invoked to identify the weaknesses in the current manpower so that training and recruitment plans can be developed. Specific Business Unit objectives identify the targets required from the current business processes and business functions so that weak capabilities can be identified. Corporate Policy Guidelines identify the accepted behaviours and standards in recruiting, training and compensation. The main output is a human resources and development plan.

A2.4.3: Creating a Marketing Plan

This activity aims to improve the business unit sales by taking into consideration the promotional, distribution, pricing, and product characteristics (Pride, 2014). Expected sales performance are the differences between the forecasts based on the market analysis under "SWOT" and also the required level of sales as a reflection of the "Specific Business Unit Objectives" and Corporate Policy Guidelines. The output is a marketing plan.

A2.4.4: Creating a Production, Engineering and Research and Development Plan

The aim of this activity is to produce a production plan to match the forecast sales. Therefore, the main inputs are Specific Business Unit Objectives to identify the targeted sales, and corporate policy guidelines to identify the accepted production and environmental practices. The main output is a Production, Engineering and Research and development Plan

A2.4.5. **Consolidate Master Plan**

This activity is meant to consolidate all the above plans into a single integrated plan. The input is the output of all the other planning activities, i.e. the marketing plan, HR plan, financial plan and Production, Engineering and Research and development plan. The output is the "Business Unit Master Plan".

4.5 Overview of the Influential Factors in the Strategy Formulation Process

The influential factors are the third element in the framework as illustrate in Figure 4-1. Different information at different times can lead to different decisions about the ability to gather, analyse and present analysis and the presenting of these data (Kalseth and Cummings, 2001). The ability and methodology of collecting and analysing the data create a "knowledge structure" in the firms. The knowledge structure is the set of items of knowledge, which define the relationships, behaviours and actions for members of the organizational with one another and with the external environment (Argyris and Schon, 1987). Consequently, two main types of factor may influence a business in making its decisions and understanding its environment. They are report based influential factors and preference based influential factors, (see Figure 4-5).

The latter (bottom left in the above figure) refers to the subjective preferences of the strategy formulation team in making decisions in the strategy formulation process. Because the context of the present research is family businesses, subjectivity and preferences play a significant role in determining the direction of the business (Andrew, 2010). They are not only financial and based on rationally determined relationships (Zellweger et al., 2012). In other words, the politics and power of family members and their identities and preferences play a role, determined by the Familiness of the business, in shaping the organization strategy and direction (Zellweger et al., 2013).

Figure 4-5: Influential factors conceptual model

The former (bottom right in the above figure) are based on objective data collected from the environment and analysed. The influential factors based on report are constrained by the organization's ability to gather, analyse and report the external and internal environment, i.e. its Knowledge Management (KM) capacity. KM capacity is defined as the tools, skills and abilities of the organization to gather, store, analyse and report the environment. These KM capabilities are shown in the IDEF0 as "Mechanisms". The strategy formulation process is influenced significantly by what is revealed in these reports and power point presentations and discussed in meetings (Jarzabkowski et al., 2015). Therefore, the content of these reports is the “input” in IDEF0.

Hence the influential factors in this research are defined as the factors affecting the decision making in strategy formulation process, including the level of subjectivity in understanding the environment. Preferences are defined as the bargaining powers of the actors, and their perceptions of the external and internal environment through the data gathering, analytical and reporting capabilities available in the knowledge management system.

4.5.1 Preferences Based Influential Factors

Strategy practices are the social, symbolic and material tools through which strategy work is done (Jarzabkowski et al., 2015). The material tools include those theoretically and practically-derived tools that have become part of the everyday lexicon and activity of strategy, such as Porter’s 5 Forces, decision modelling and budget systems, as well as material artefacts and technologies, such as PowerPoint, flipcharts and spreadsheets (Jarzabkowski et al., 2015). The social aspect includes the powers of different members of the strategy formulation team and their preferences (Jarzabkowski et al., 2015).

4.5.1.1 Influential Factors Affecting the Relative Powers

The way to read the reports and their implications is sometimes more important than the content of these reports. Therefore, the role of the family in using these reports is critical for understand the influential factors affecting their Stg-FP. The core essence is how they put these reports into action; what is called transforming knowledge into wisdom. Indeed, interpretation based on context (Bromiley and Rau, 2014) can be defined as the way in which reports are interpreted and understood on the basis of interactions between actors and groups throughout the organization (Gond et al., 2015). The interpreting of events and understanding of reports is called “Praxis”. Praxis refers to the flow of meetings, talking, form-filling and presenting information to influence strategy (Paroutis et al., 2015; Werle and Seidl, 2015). This enables employees to engage with the situation as committed thinkers and actors.

The preferences of the sum of different political powers are the major factor directing the organization’s directions and strategies (Paroutis et al., 2015).

Political powers are evoked through different coalitions (Lyles and Schwenck, 1992). The family creates its own coalition in the business (Astrachan et al., 2002; Klein et al., 2005), which is to control the firm by its values, goals, and policies (Chrisman et al., 2012). For instance, the dominant coalition's desire to sustain family control of the business over multiple generations (its transgenerational sustainability intentions) has long been cited as a unique feature of a family firm (Chrisman et al., 2004; Chua et al., 1999). This is how decision makers can sometimes understand reports and converts them into strategic directions (Jarzabkowski et al., 2015).

The familiness of a business is defined as a "unique bundle of resources a particular firm has because of the system interaction between the family, its individual members and the business" (Habbershon and Williams, 1999, p. 11). The familiness of the business is perceived to be the main source of competitive advantage for such firms (Weismeier-Sammer et al., 2013), because it is seen as a "black box" (Frank et al., 2016). The familiness plays a vital role in shaping the firm's strategy and "portrays the processes and behaviours transcending ownership and introduces trans generational vision as an essential part of what family firms exemplify" (Zellweger et al., 2010, p. 56). The main factor affecting the corporate family's political power and coalition in the firm is the familiness of the business (Zwellger et al., 2013). Most of the Stg-FP at the corporate level and its implications on the business level is determined by the familiness of the business (Frank et al., 2016). The mission statement is found to be significantly relevant to the number of board directors who are in the family (Aaken et al., 2017).

In this regard, Strategy-as-practice is concerned with studying the influential factors on strategy formulation through the lenses of strategy praxis, practitioners and practices (Jarzabkowski and Silince, 2007; Whittington, 2006). The informal relationships and the way in which the meetings with consultants, analysts and regulators are organised also affect the subjectivity and preferences in selecting the strategy (Jarzabkowski et al., 2015). As summarised in Table 4-4, the family can build its coalition and power through the number of its members on the board (Barnett et al., 2012), the number of them on the management team, and the ratio in the ownership of the capital (Gomez-Mejia et al., 2011). Certain factors weaken the role of a family coalition, such as restricting their number on the advisory board (Aaken et al., 2017) or the prevalence of independent members.

Table 4-4: Factors affecting the relative power of the family business

	Influential Factors	Description	Reference
Family Power in the business	Family members on the board	The higher the ratio of family members on the board of directors, the more they can direct the business towards family objectives. This can affect the vision of the business	Barnett et al. (2012).
	Family members as part of management team	The more family members on the management team, the greater the level of Familiness of the business. This can affect the goal definitions and portfolio management.	Daspit et al. (2017)
Other Familiness Powers	Family members on the advisory board	The more family members on the advisory board, the fewer there are in the management team, the higher the professional governance and the less the power of the family over the strategic direction of the firm	Aaken et al. (2017)
	Ownership ratio of the family	The higher the ratio of ownership of the family to the external members, the greater ability to appoint members of the board and the management team. This has an effect on the direction, mission and preferences in the attitudes to risk in formulating the strategy	Gomez-Mejia et al. (2011)

4.5.1.2 Overview the Family Influential Factors

Family involvement in the ownership and management of a firm makes it possible for the dominant coalition in the family firm to develop a strong family vision (Gomez-Mejia et al., 2011), but does not ensure that a strong family vision will exist within the coalition. For instance, empirical research shows that family involvement can exist in a firm without a correspondingly strong family vision (Chrisman et al., 2012). The proposed influential factors are summarised in Table 4-5 according to the theories introduced and presented in section 3.4.

Table 4-5: Family based influential factors

Influential Factor	Description	Reference
Family Business Identity	How the family perceives itself and how it wants others to perceive it. This influences strategic direction and orientations	Frank et al. (2016)
Social Orientation Objectives	Family businesses are more engaged and involved in socially-responsible projects and businesses than non-family ones. This influences the structure of the portfolio of the family business	(Breton-Miller and Miller, 2016)
Family Reputation	The family business considers the family reputation as part of its identity. So does the way in which it chooses between its vision and its choice of investment opportunities.	(Koiranen, 2002)

		(Breton-Miller and Miller, 2016)
Cultural and Religious Values	Religious values are considered a critical part of developing a family business' vision and policies, together with their subsidiaries. Religious values can be a part of its identity.	(Dyck and Neubert, 2009)
Family Business sustainability	A family business is more far-sighted than a non-family business. This affects vision formulation, decisions, and portfolio structure and also the way in which the family collaborates with others in the organization.	Brigham et al. (2014)

4.5.2 Report Based Influential Factors

Report Content Based influential factors are the objective indicators and figures that are derived from analysing the external and internal environment. These factors include economic, technological, legal and industrial data, such as the interest rate, GDP growth rate, inflation rate, environmental laws, and market shares. The factors affecting the ability to gather and analyse the data are called in the present research knowledge management capabilities. The output from analysing and reporting data is the information that influences decision making processes in Stg-FP activities.

4.5.2.1 Influential Factors Affecting Knowledge Management Capabilities

Knowledge Management Capabilities are interpreted by several theories. According to Absorptive Capacity theory (Zahra and George, 2002), knowledge management capabilities are defined as the organization's abilities to collect, store, analyse, and report the data in a way that lets it assimilate and exploit the created knowledge (Bose, 2002). The Stg-FP consists of a set of activities that directs orientation and focus of the strategy. Each activity entails at least one decision. The quality of the decisions is based on the quality of the data used . Therefore, the KM capabilities play a critical role in formulating the strategy (Drew, 1999) (see Figure 4-6).

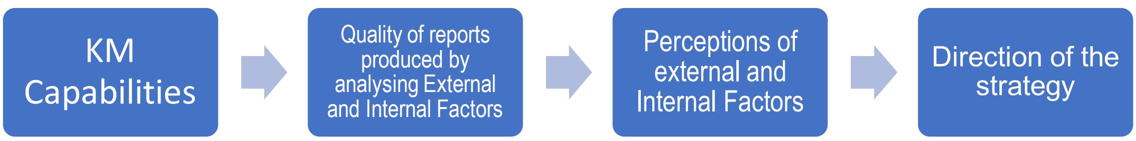


Figure 4-6: The impacts of Knowledge Management capabilities of the strategy direction

KM also focuses on articulating and documenting the tacit knowledge used and transferred through different iterations of plans. Thus, analytical skills are among the influential factors that improve the mechanisms in the activity “Analyse Environment”.

4.5.2.2 External Influential Factors

External Environment are those factors that exist outside the corporation and may affect it. Among the frameworks used to systemise the external environment and clarify it are two used in the present study, Porter’s framework (Porter, 1985) and PESTLE (Aguilar, 1967).

4.5.2.2.1 Porter’s Competitive Advantage Framework

The 5 Forces framework gives people a systematic method of investigating how a business interfaces with its highly complex, external environment, including rivals and emergent threats (Porter, 1980). According to Grundy (2006), such an outward looking perspective is generally not achieved using a typical analysis such as SWOT. Another of its benefits is a harder core and more detailed assessment of the competition. This then provides an objective basis upon which a company can identify and further develop its uniqueness. As such, this 5 Forces framework can be understood as creating a context for bottom-up value proposition development beyond that of traditional market expansion analyses (Porter, 2008; Johnson et al., 2008). Table 4-6 highlights the elements of Porter’s 5 Forces that influence the factors affecting the report content. Porter’s framework analyses the powers of competitors, suppliers, new entrants, substitutes and customers. The higher the importance of the focal organization in the market relative to others, the more it is able to control the market.

Table 4-6: The influential factors in terms of porter's competitive advantage affecting the report content

Factor	Description	Reference
Bargaining power of customer	The customers' ability to influence the business by forcing down prices or compelling the organization to improve quality. Factors can be the availability of information to buyers the availability of substitutes, and switching cost	(Ahern, 2012)
Bargaining power of supplier	The supplier's ability to increase prices because of low numbers of suppliers and lack of substitutes	(Bakos and Brynjolfsson, 1993)
Threats of new entrants	The ability of new firms to enter this market and their ability to capture a significant market share. Factors can be seen in terms of barriers to entry for new firms.	(Kew and Stredwick, (2017).
Substitutes	The ability of substitutes to attract a firm's customers. One example of factors is the cost of switching	(Coffie and Blankson, 2016)
Bargaining power of the rivals	The ability of the organization to compete against its competitors	(Rothaermel, 2012)

Despite these perceived advantages, the 5 Forces framework has its limitations. Foremost amongst these is the absence of a clear and objective explanation for the selection of the forces themselves, as noted by O'Shaughnessy (1984) and Speed (1989). More recently the continued relevance of these five factors has been called into question by many researchers (e.g. Conklin and Tapp, 2000; Downes, 1997; Flower 2004) in light of technological and sociological changes (e.g. internet commerce, market deregulation and internationalization), current tangible assets and capabilities (Rivard et al., 2006). Similarly, Holm et al. (1996) question the model's ability to adequately reflect strategic alliances, innovation and development of the intellectual property concept.

4.5.2.2.2 PESTLE Framework

The initials PESTLE stands for Political, Economic, Social, Technological, Legal and Environmental factors. Aguilar (1967) first abbreviated those factors. All of these factors are found in the literature (see Table 4-7) to influence the business in terms of sustainability and finding new market opportunities. The factors selected in the questionnaire and in the interview data collection are those that cannot be assumed to have the same level of importance across different countries. In other words, a factor such as political stability can be seen as critical in the Middle East but not necessarily in Italy (TheGlobalEconomy.com, 2017).

Table 4-7: PESTLE influential factors affecting the report content

Dimension	Definition	Reference	Proposed Factors	Rationale
Political	These factors emerge from the interventions of the government in the market. Factors include taxing policies, tariffs, relationships between countries and political stability	(Mahmood et al., 2017)	Zakat on Wealth (Tax)	This is a universal factor. Taxes are critical in strategy formulation in terms of deciding to enter or exit specific markets or products (Cai and Jiang, 2016)
Economic	These refer to the country's monetary state in terms of availability of cash in the market (market liquidity), cost of cash (interest rate), the value of the cash (exchange rate) and the supply of the cash in the market (inflation).	Mazzarol et al., (1999)	Interest rate, exchange rate, GDP growth, inflation	These factors affect investment decisions because of the cost of capital (Cai and Jiang, 2016) and consumers' abilities to purchase on credit (Dellande et al., 2016)
Social	They are factors affecting people's perceptions in the country including their values, beliefs and interpretation of sounding events (such as meaning of life and lifestyle). These factors affect consumer preferences and attitudes	Mazzarol et al., (1999)	Ethnic Mix, Geographic distribution, population size	These factors affect consumer preferences and power in different places and cities (Uddin and Khan, 2016)
Technological	These factors apply to the state of the art in the market, including new technological breakthroughs and changes in technology.	(Benett, 2000)	Rapid of technological change,	These factors affect the market opportunities in terms of entering a new market before competitors or catching up for late movers (Lee and Malerba, 2017)
Legal	These are the new laws affecting how the business operates in the market. They include antitrust laws, employment laws and competition laws.	(Ramanathan et al., 2017)	Regulations	Those factors affect business operations and business practices (Ramanathan et al., 2017)
Environment	These factors affecting the way that the firm perceives and reacts to environmental changes	(Schaltegger et al , 2017)	Consider the safety of the environment	Environmental responsibilities affect the way that society perceives the corporate

4.5.2.3 Internal Influential Factors

In order to understand the internal environment factors, a line of demarcation between resources, capabilities and assets should be drawn. Resources are those items possessed by the firm but not necessarily a source of value (Schryen, 2013). An example of this is having idle computers in the workspace of no value in themselves because there is no use for them (Brynjolfsson, 1993; Carr, 1992). Therefore, a second concept is brought in to show how these resources can be valuable to the organization. Capability is the organization's ability to deploy and use organizational resources to generate value (Helfat et al., 2009). To resume the illustration, once the firm is able to use these computers in its business processes to improve their current practices, the benefits and value are explicit (Serrat, 2017).

Thus, the concept of assets shows that once a resource is effectively used in the workspace (i.e. having staff capable of using it), it becomes an organizational asset (Melville et al., 2004). Thus, an asset is defined as a valuable resource, which can generate abnormal profit for the company (Barney, 1991). The value of this resource is limited by its imitability, replicability and transformability by other organizations (Barney et al., 2011). Therefore, orchestration theory shows here that the ability to deploy the right resource and match it with the right capability at an appropriate time is the main source of competitive advantage (Helfat et al., 2009). Because of the difficulty of operationalising the concept orchestration as an influential factor, it was not used in the questionnaire. The questionnaire that was distributed to respondents addressed three generic concepts: 1) the employees' skills (resources); 2) process of the business (capability); and 3) tangible and intangible assets such as organizational culture (assets).

4.6 Overview of the Strategy Formulation Process Tools

Strategy formulation tools are the fourth element in the framework see Figure 4-1 Strategy formulation tools are classified into decision-making tools and decision support tools. This classification is based on research conducted by Jarzabkowski et al. (2013), Jarzabkowski and Kaplan (2015), Lozeau et al., (2002), and Leonardi (2011). For instance, Jarzabkowski et al. (2013) shows that all data are collected in Excel, using different scanning tools, but the decisions are made collectively through workshops.

4.6.1 Decision Making Tools

The decision-making tools are used mainly to discuss and decide on ideas, based on reported information as well as their political and preference perspectives. Decisions are highly influenced, not merely by reported information, but by the language, meaning and intentions in presenting and discussing the ideas in groups or meetings (Leonardi, 2011). Strategy workshops are interactive meetings which are usually facilitated by a professional person leading the dialogue (Johnson et al., 2008). Sometimes strategy workshops are convened outside the business site to have a better opportunity to consider strategic issues (Johnson et al., 2008). In these workshops, facilitators deploy strategy concepts and interactive analytical tools to bring the audience into the decision-making process (Meziaz et al., 2001; Frisch and Chandler, 2017).

It must be admitted that traditional workshops have some psychological challenges which hinder their effectiveness (Bowman, 1995). Traditional workshops are usually ineffective for making decisions because the various participants in them have their own interests, preferences and backgrounds, as Hodgkinson et al. (2002) showed using conflict theory (Janis and Mann, 1977).

4.6.2 Decision Support Tools

Decision support tools are defined as the methods used to collect, analyse, report and present the influential factors in the environment to the strategy formulation team, to allow them to make strategic decisions. Tools can be classified according their being based on knowledge capture, analysis or dissemination (Bose, 2002). The present study focused on the tools used in capturing and analysing the influential factors. These tools can be divided into review tools and tools for internal and external measurement. There are no tools for family factors because they are subjective and cannot be quantified easily. Only Familiness is perceptible as a measure of the influence of the family on the organization's activities. However, this cannot be seen as a tool to monitor other influential family factors.

4.6.2.1 Review Tools

The review tools are defined as the methods of benchmarking the current performance with the expected performance, with the best in the industry and with the historical performance.

4.6.2.2 Internal Environment Analysis Tools

These tools are used to capture, store and analyse the changes in the internal environment. The tools are classified according to the same taxonomy as that of organizational resources: human, process, financial and technological.

4.6.2.3 External Environment Analysis Tools

These tools are used to capture, store and analyse the changes in the external environment. The tools are classified twice. One classification is based on the source of the data; primary versus secondary, while the other based on the use of the data. Primary tools are those used to enable the organization to capture the data needed for a clear aim and clear intention, whereas secondary tools are those which enable it to get cheap information published for other purposes than the organization's. The primary tools are exemplified in interviews and surveys with customers, employees, shareholders and other relevant stakeholders. They can be used to assess the customers', employees', shareholders' and other stakeholders' satisfaction, happiness, loyalty and engagement in response to corporate operations, activities, and strategies. The secondary sources are exemplified by published industrial, economic and political reports such as those on the economic growth rate, industry growth rate, employment level and inflation rate. Regarding the 'use' classification, information is used for analysing the corporate portfolio and market analysis. Tools which analyse the portfolio are used for positioning the products, mapping the products in the markets, understanding and comparing different markets and studying the ability to enter and survive in a given market.

4.7 Summary

The focus of this chapter was to develop a knowledge driven framework for the strategy formulation process. The strategy is led by a team whose members may have different interests, attitudes, functions and motivations. The first function of the framework is to review from the literature the strategy formulation team roles and functions. The main players suggested in the literature are the family members on the board, the consultants and the functional and business unit managers. Each of them is proposed to play a certain and vital role in developing the strategy. Whereas the functional and business unit managers focus on bottom level information and knowledge, the consultants are bringing in external knowledge and analyse it with internal knowledge of the influential factors. The family's role is to protect; it focuses on sustainability, growth and protecting the family business identity.

Because it is knowledge based, the timing of each type of information is vital to its activity. Different information at different times can lead to different decision outcomes. Thus, the first aspect of this model is the strategy formulation process. Then come the proposed influential factors. The influential factors are divided into preference based factors and report based factors. The preference based factors are subjective and influence how the decision makers understand, interpret and take decisions informed by the objective report based factors that they have received. In order to collect and analyse the data and take decisions, tools are proposed to improve this process. Tools are classified into decision making and decision support tools.

This chapter develops a literature based framework. The next chapter applies this to the field study to learn more about the situation.

5 The Current AS-IS of Strategy formulation process

5.1 Introduction

The focus of this chapter is to reveal the findings of the semi-structured questionnaire and the semi-structured interviews. This chapter contains some of the answers to these questions. The two following (Chapters 6 and 7) merge the results of the interviews, questionnaires and website to improve the framework with its models, tools and taxonomies. This chapter consists of three main sections. The first describes the design of the research methods. This section reflects the findings from the literature on the research tools (i.e. an interview guide and questionnaire). The second section presents the interviews with the Owners/CEOs. The third presents the findings from the questionnaire (see Appendix A).

5.2 Research Method

The research engaged in 15 case studies, as illustrated in Table 5-1, each of which had three sources of data: an interview with Owner/CEO, a questionnaire for the strategy manager and website analysis (See table 5-1) In this chapter, the focus of interviews is about the strategy approach, strategy formulation team, strategy formulation process, family influential factors, and decision-making tools present the answers of questionnaire and interviews, because the interviewees were CEOs. The more detailed factors were addressed in a more structured way with strategy managers, who were asked about the influential internal and external factors, and the decision support tools.

Table 5-1:Designing research methods

	Interview	Semi-Structured Questionnaire	Purpose of Website Analysis
Respondents	15 Owners/CEOs from 15 companies	15 strategic managers from 15 companies	To identify the corporate vision, missions, policy, sectors, and markets. In addition, to understand the context of each case
Scope	Strategy Approach		
	Strategy Formulation Team		
		Strategy Formulation Process	
	Family Influential Factors	Internal and External Influential Factors	
	Decision Making Tools	Decision Support Tools	

5.2.1 Owners /CEOs Interviews

Based on the literature review results and best practice, the interviews were designed as shown in Table 5-2. One question sought to understand the company approach in developing its strategy. Two questions were asked about the strategy formulation team. The team mainly consists of the board of directors, other managers and consultants. The process and the influential factors with regard to each activity derived from the literature were addressed by a question and the proposed influential factors were addressed in turn. Finally, one question set out to explore the tools used in the strategy formulation process.

Table 5-2: The Interview design

Scope of the question		Question	Source
Strategy Formulation Approach		1) Do you have a formal process for formulating strategy? Please describe briefly.	Table 3.3
Strategy Formulation Team		Q2. How do you form the team that will define the strategy?	Section 4.3
		2.1) Do you involve the employees and functional managers or only the board and top managers? And why?	Section 4.3.1
		2.2) Do you contact consulting companies?	Section 4.3.2
Influential Factors Questions	Generic	3.) What are the typical influential factors that are present during the strategy formulation? How do you identify these factors?	
	Develop Vision and Mission	4.1) Is planning the succession considered in the family vision? How?	Section 3.5.1.1
		4.2) During goal setting, do you consider the historical development of the company?	Section 3.5.1.3
	Define Corporate Policy	4.3) How are the family values, interest, prestige and commitment defined during strategy formulation? How do they influence corporate policy?	Section 3.5.1.2
	Define Corporate Portfolio Strategy	4.4) How are the family values, interest, prestige and commitment defined during strategy formulation? How do they influence the way in which corporate portfolio objective is set?	Section 3.5.1.3
Decision Making Tools		5) Would a detailed knowledge of these factors be available during the strategy formulation process? If so, in what form and how do you present it?	Section 4.6.1

5.2.2 Questionnaire Design

According to the framework developed in Chapter 4, the main topics were the 1) strategy formulation team, 2) strategy formulation process, 3) influential factors and 4) tools. They were allocated to suitable respondents. The Owners /CEOs answered the questions related to the strategy formulation approach, team, family influential factors and decision-making tools. The influential factors are defined based on tables (4-4,4-5,4-6 and 4-7) and section 4.4.2.3. The strategic managers who were more involved in strategy formulation as a series of steps and processes answered the semi-structured questionnaire about the process, the internal and external factors, and the decision support tools.

5.3 Owner/CEO Interviews Results

Interviews with the CEO focuses on strategy formulation approach, strategy formulation team, family influential factors, and decision-making tools.

5.3.1 Strategy Formulation Approach

The strategy formulation approach was addressed by asking if it was formal, adaptive or mixed. **Q1). Do you have a formal process to formulate strategy? please describe briefly**

Table 5-3 shows that all companies except three have a formal strategy formulation approach. The formal strategy adopted by 5 corporates is linear and in sequential steps, while the adaptive strategy adopted by 3 corporations is iterative and loop based. The mixed approach, adopted by 7 corporations, takes a linear approach, but in some activities also considers loop and iterative aspects.

Table 5-3: The strategy formulation approach in case studies

	Linear (1, 7, 10, 11,15)	Iterative (2,3,8)	Mixed (4, 5, 6, 9, 12, 13,14)
Description	Steps are sequential non-iterative. The strategy is developed every five years. It has definite start and end dates	Steps are sequential but iterative. Each subsequent activity affects the previous steps; the strategy is continuous and adaptive.	The strategy is formulated sequentially. But the steps are revised only after the whole strategy is finished
Time boundaries	Strategy is formulated within a specific period and the plan extends for a certain number of years	Strategy is continuous and perpetual.	Strategy is formulated within a specific period, but revised periodically based on market changes
Advantage	Cost-efficient	Captures new opportunities.	Provides updates on changes in the market since each revision
Financial Plan	Pre-defined and clear financial allocations	Fund available for new opportunities.	Pre-defined and clear financial allocation

5.3.2 Strategy Formulation Team

The theory in Chapter 4 (section 4.3) constitutes the strategy formulation team as the board of directors, functional managers and consultants. Therefore, in the interviews, questions about the strategy formulation team were asked. The questions are: Q2.1) "Do you involve the employees, functional managers or only the board and top managers? And why?" and Q2.2) "Do you contact consulting companies?"

Q2) How do you form the team that will define the strategy?

This question is split into two sub questions, focusing in turn on the involvement of employees and the involvement of consultants.

Q.2.1) Do you involve the employees and functional managers or only the board and top managers? And why?

Table 5-4 illustrates how the three approaches – bottom up, top down and mixed are found in the way that different groups of stakeholders are involved in the strategy formulation process. Most corporations use the bottom up approach (4 out of 15); a smaller number use the top down approach (3 out of 15); and only 8 take the mixed approach.

Table 5-4: The three strategic approaches as they involve the employees in the strategy

	Bottom Up	Top Down	Mixed
Strategy triggering	CEO and Board	Employees	Mixed but controlled by organisation policy
Main tools	One-way communication tools to inform employees about what they should do towards implementation, such as emails and letters, Standard Operating Procedures (SOPs)	Two-way constructive communication tools to develop ideas and filter them, such as workshops, questionnaires, working sessions, informal meetings, and open dialogues	
Rationale	Structured and sceptical about the employees' capabilities	Giving employees a sense of ownership and gaining new ideas from them	Top down benefits but in a more controlled way

Bottom up Approach

The bottom up approach is demonstrated by corporations 4, 6, 11 and 12, i.e. more than do not follow this approach. New ideas are mainly derived from the employees. The Board of Directors receives all ideas and proposals without being limited by any clear guidelines. The ideas are developed through the Socratic approach in terms of workshops and dialogues. This Socratic approach is based on interactions and open dialogue with all the relevant employees and involved in promoting the ideas. The behaviours and attitudes demonstrated with regard to the strategy formulation approach are as follows:

1- Using questionnaires, workshops, working sessions and informal dialogue to learn employees' opinions so as to give them a sense of owning the strategy (Co. 4).
2- Presenting information to all employees, who then propose ideas. Various players filter these ideas. Finally, a consolidated strategy comes up which is proposed to the board (Co. 11, 12)
3- Sending the plans from every management to the sector manager. The strategy manager's role and those of the consultants are to analyse the data and present them in the form of diagrams and presentation slides (Co. 6).

Top down Approach

This approach is rarely used. Only Corporations 2, 3, and 10 take it. It is based on a strategy formulation process which is developed by the board of directors without the involvement of employees.

1- Employees are engaged only in the communication with them about their roles in the strategy implementation (Co. 2,3)
2- The employees' role is limited because of the lack of confidence in their ability to take a strategic view of the organisation (Co. 10).

Mixed Approach

The mixed approach is found in corporates 1, 5, 7, 8, 9, 13, 14 and 15. It is led by corporate policies. The corporation sets the policy and the business units propose ideas aligned with the directors' ideas, opportunities, strategic directions and plans. At corporate level, a consolidated view is established so that the board can decide on a corporate strategy.

1- Constructive data collection methods such as workshops and informal meetings, encourage employees to participate in the strategy formulation process (Co. 5) which is guided by the corporate vision, mission and objectives.

2- The corporate sets the policy and each business unit develops its own strategy. Employees analyse their job description, set a benchmark and targets, and develop the plans (Co. 1).
3- Business unit strategies are created mainly by business units with very little intervention from the board. In corporate level strategy, the board acts with minimal intervention from the business units' functional managers. The main governance mechanism is the corporate policy (Co. 8).
4- Mixing bottom up and top down approach, the main mechanism used is that of Key Performance Indicators (KPIs) to control and to encourage employees to formulate the strategy (Co. 9).

Q2.2) Do you contact consulting companies? If yes why?

Most of the companies (12 out of 15) interviewed reported that they always had the option of contacting consultants, but to a limited degree or for specific non-recurring topics. The role of consultants was to facilitate more than to develop. For example, company (10) used an external consulting firm was to develop the initial strategy.

5.3.3 Family Influential Factors

CEOs/Owners were asked several exploratory questions to understand the influential factors as they viewed them. The first one was generic and undifferentiated but the others were linked to the corporate strategy formulation process.

Q3.) What are the typical influential factors that are present during the strategy formulation? How do you identify these factors?

Most of the GCC region family-owned companies agreed that a number of aspects, are linked to family values, family needs and the family sphere. The list of influential factors is defined in depth in Chapter 7 section 7.2. Financial, new government budgets and political factors were the most important external factors in this regard. Examples of internal factors were corporate resources, capabilities and assets as a source of competitive advantage. Also, described how to identify the factors which determine the tools to be used the detail will be in chapter 7 section 7.3.

5.3.4 Strategy Formulation Process

According to the literature review Chapter 3 section 3.5.1, the strategy formulation process at the corporate level consists of developing the corporate vision and mission, and defining the corporate policy and the corporate portfolio strategy. Questions were asked about these activities and their relationship to influential factors.

5.3.4.1 Developing Corporate Level Vision and Mission

The two chief aspects of this topic are succession issues and family identity. Thus, two questions were asked. The first was how the planning succession is considered in the corporate vision. The second was how the corporate's historical development (as a way of understanding the family identity) was considered in setting the goals of the family business.

Q4.1) Is planning the succession considered in the family vision? How?

The author observed that family businesses took account of the family vision in their succession planning and recognised the importance of training the next generation, even though most companies have no training program in place. The remaining companies with training programs perform it in one or more of the following ways:

> "Working under the main holding company: a special program by the HR department" Co.8
> "Education committee that is responsible for the training/education of family members" Co.10
> "Working in a small investment company under the main holding company" Co.14

The role of the family is conceptualised into normative and social, as detailed in Chapter 6 section 6.3. These functions are concerned with succession planning.

Q4.2) During goal setting, do you consider the historical development of the company?

All the GCC region family-based businesses in the sample considered that their historical legacy was an important component of any family business's future vision and that there was still value in old strategies. The historical development could also serve as an example for improvement and a benchmark showing mistakes that should not be repeated.

5.3.4.2 Defining Corporate Policy

Q4.3) How are the family values, interest, prestige and commitment defined during strategy formulation? How do they influence corporate policy?

Many factors were brought out by this question. Almost all the companies recognised the influence of the family's values in making decisions for all their business units by means of the corporate policy. The main factors found to influence the corporate policy are the family's religious and cultural values, family identity, and family reputation. They are detailed in Chapter 7 section (7.3.2).

5.3.4.3 Defining Corporate Portfolio Strategy

Q 4.4) How are the family values, interest, prestige and commitment defined during strategy formulation? How do they influence the setting of the corporate portfolio strategy?

There are three main portfolio strategies: growth, retrenchment and stability. Market and product are both capable of growth, whereas stability focuses on the current situation. In retrenchment, the scope of the business is reduced. Retrenchment was not addressed in the questions because most companies in a growing economy think little about it (Wheelen and Hunger, 2012). In addition, the family business aims to sustain itself and develop long term vision. Figure 5-1 Illustrates that that most of the interviewed businesses focused on an expansion strategy in new markets (4.2) and expansion through selling new products (4.00) while the average who thought maintaining the status current situation was less important was 2.87. This confirms the long-term theory of family businesses: that they always aim to grow, not to retrench, or remain stable.

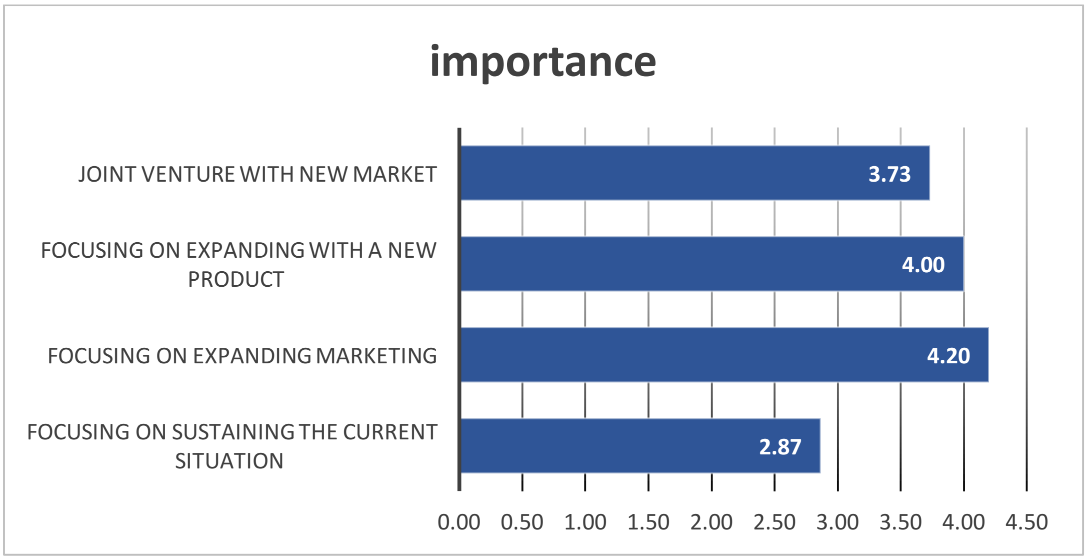


Figure 5-1: Factors influencing the setting of a corporate portfolio strategy

5.3.5 Decision Making Tools

In order to explore the tools used on the corporate level for capturing and analysing the influential factors during the strategy formulation process, one question was addressed.

Q5). Would a detailed knowledge of these factors be available during the strategy formulation process? If so, in what form and how do you present it?

Different companies have different answers to these questions. The list of tools and their classification will be discussed in Chapter 7section 7.2. The tools are found to vary depending on the industry. A comprehensive list of all the tools is tabulated (see 0).

5.4 Strategic Managers Questionnaires Results

The strategy managers were asked to complete a questionnaire that would elicit more structured answers about the strategy formulation process, tools, and influential factors. The complete semi-structured questionnaire is attached (see Appendix A). Table 5-5 illustrates an example of linking the findings in the literature to a question. The purpose of this question was to assess the importance of every factor associated with the activities and the company's effectiveness in capturing them. This was obtained by rating each option from 1 (very low or poor) to 5 (very high or excellent).

Table 5-5: The questionnaire

Scope		Question	
Strategy Formulation Process		6.1) Which of the following activities would you consider as important parts of the process of strategy formulation?	
		6.2) What factors trigger the formulation or review of a strategy within a certain period?	(review)
External Influential Factors		7.1) Which of the following factors do you consider when conducting the analysis of the external environment that is out of your control and has the potential to impact your strategic decisions?	Table (4-6) in section 4.5.2.2.2
Industrial Analysis		7.2) Which of the following factors (related to the activities) are more important in the industry environment analysis and how much do they influence the company's choice?	Table (4-5) in section 4.5.2.2.1
		Q7.4) As a family business which of the following factors are more influential in leading you in the marketing process?	Section 4.5.2.2.1
Internal Influential Factors		Q 7.3) Which of the following factors do you consider in the analysis of your internal factors? Please mark their level of importance.	section 4.5.2.3
Tool	Review	Q 8.1) How do you measure the effectiveness of the factors listed in Q 7.4?	Section 4.6.2.1
	Internal	Q8.2) Do you do study extensively your current HR capabilities and physical resources and processes? How?	Section 4.6.2.2
	External	Q 8.3) How do you understand your competitors?	Section 4.6.2.3
		Q8.4) How do you identify the influential factors?	

5.4.1 Strategy Formulation Process

The strategy formulation process was addressed through two questions. The first was based on a list of activities addressed in Chapter 4 section 4.4, while the second was an open question about the revision of the strategy.

Q6.1 Which of the following activities would you consider as important parts of the process of strategy formulation?

Figure 5-2 illustrates that the steps most regularly perceived as important were the internal analysis and set goals (4.6) and the least so was external analysis (4.16). This may give an indication of the internal orientation of the corporation, which tends to study its internal environment more than the external one. The revision of the strategy was also perceived by all corporations as an important activity, even if done rarely, especially for those who adopted a linear strategy process. The most effective steps were setting goals (3.5) and reviewing current strategy (3.48), whereas the steps perceived as least effective were create business unit plan (3.3) and external analysis (3.3). The greatest gap was judged to be in internal analysis, but the least was perceived as external analysis. This is because large corporate family businesses often have little competition. Therefore, they do not perceive threats from the external environment. In addition, the work of most of them is business to business in terms of working in government projects. Consequently, studying the end consumers is insufficiently important.

> "We are working on governmental projects. Our main customer is the government. We do not spend time in studying the public" Co.7

The greatest gap is in internal analysis because the corporations still lack the advanced methods and techniques to map their business processes and thereby understand their weaknesses. The most common tools are the balanced scorecard and KPIs but they seem not to be satisfied with their ability to evaluate their internal resources.

> "Without properly devised and deployed human and financial organizational capabilities to execute and progress, a corporate strategy will be a futile and irrelevant exercise." Co.4

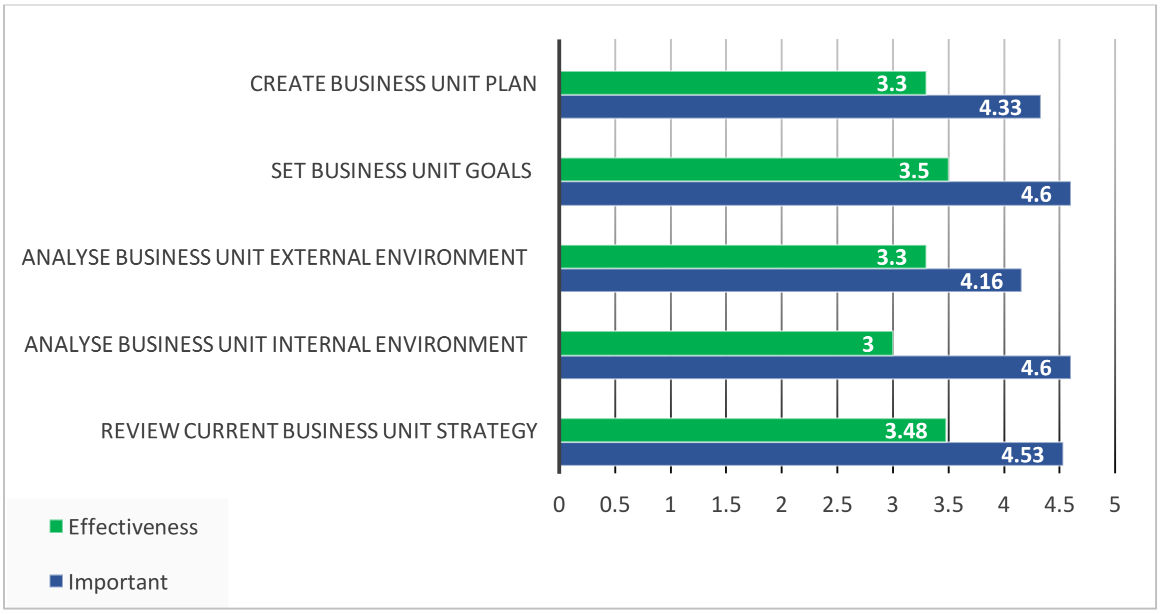


Figure 5-2: Effectiveness versus Importance of the activities in strategy formulation process

Q.6.2) what factors trigger the formulation or review of a strategy within a certain period?

Although the participants in the field study operated in different sectors, some factors were the same. The influential factors were of two types according to the data collected, namely, Family influential factors, Report-based influential factors which include Performance review, External influential factors and internal influential factors. Examples of the family influential factors were the family needs and aspirations of the family and family wealth (socio-emotional wealth). Examples of external factors were financial crises and new market opportunities. The internal factors that always influenced strategy decisions as well were for example human resource availability; performance of the business unit; financial resources.

5.4.2 Influential Factors

The influential factors questions focus on the external and internal analysis.

5.4.2.1 External Analysis

The two main frameworks that may be used in analysing the external environment are PESTEL and industrial analysis. Hence two questions were asked, to learn how the corporation understands its external environment.

Q7.1) which of the following factors do you consider when conducting the analysis of an external environment that is out of your control and has the potential to impact your strategic decisions?

The PESTEL Analysis is divided into 6 main external factors: economic, political, demographic, social-cultural, level of technology and environment.

Figure 5-3 shows that the GCC FBB interviewees asserted that political and legal factors were the most important, scoring them at 4.60 and 4.33 respectively, while the social factor was the least important with scores of 3.07. The political and legal factors were perceived to be vital for the corporate's sustainability. As conceived by family social capital theory, the FBBs seek to build a strong and sustainable relationship with government. In order to do so, the family businesses must be aligned and updated to comply with the legal and political strictures. For instance, company 2 highlighted its monopolistic coastal development licence thanks to the relationship of one of its founders with the government. Meanwhile, the companies in the sample did not give the building of relationships in the society or paying attention to the care of the environment the same level of importance as the political and legal factors.

In addition, the FBBs claimed that environment and technology are the most helpful factors for understanding the external environment, with scores of 3.13 and 2.9 respectively, whereas social and legal factors were the least helpful, scoring 2.38 and 2.47 respectively. There are three reasons why these companies may not be socially effective. First, they found this factor unimportant. Second, they worked in business to business sectors which they claim are unaffected by this factor. Finally, these companies have the role of oligopolies in their market. Therefore, they believed that they did not have to study the social aspect of consumer opinion in their market.

The Figure 5-3 illustrates that the two factors which have the most significant gap between importance and effectiveness are the political and the legal, at 64% and 75% respectively. This is because regulations and government policy are at present changing rapidly. For instance, companies 6 and 12 blamed the swift changes in the KSA market for leading to dissatisfaction, because they are difficult to cope with. This suggests that the corporations do not effectively enough manage the legal and political factors in their external environment.

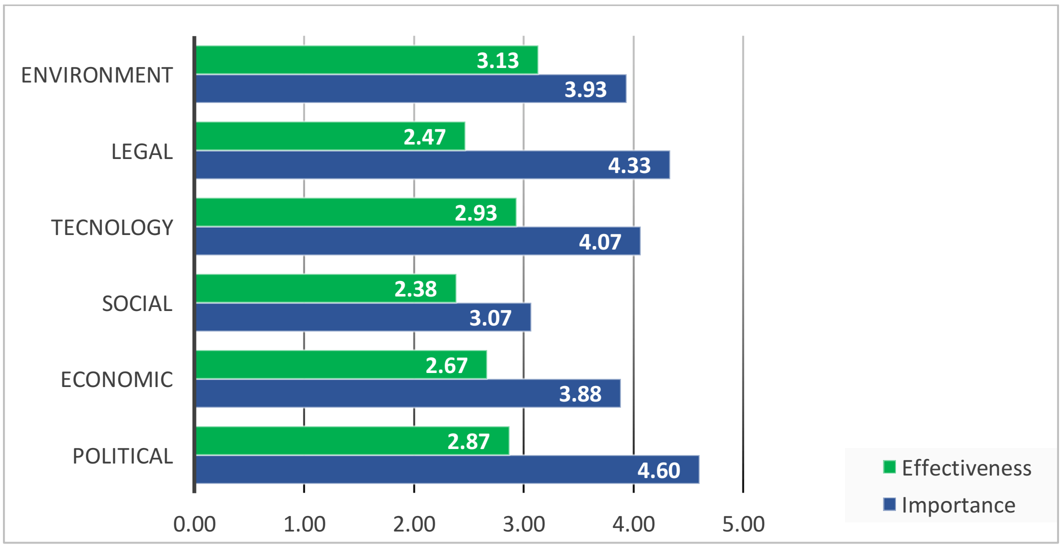


Figure 5-3: Effectiveness versus Importance of the factors to consider when conducting analysis of the external environment

5.4.2.1.1 Economic Factors.

The companies surveyed work in a global environment, so they are likely to recognise the importance of economic factors. Figure 5-4 illustrates that the external factor (Inflation) is relatively low, since the national currencies of the GCC area are in general subsidized; therefore, inflation has not been a major issue. However, due to war in the region and the exceptionally low oil prices, inflation has recently become an important issue. Since all these factors are beyond the control of the family-owned businesses, their predicted effectiveness is low, and is exacerbated by a lack of forecasting mechanisms.

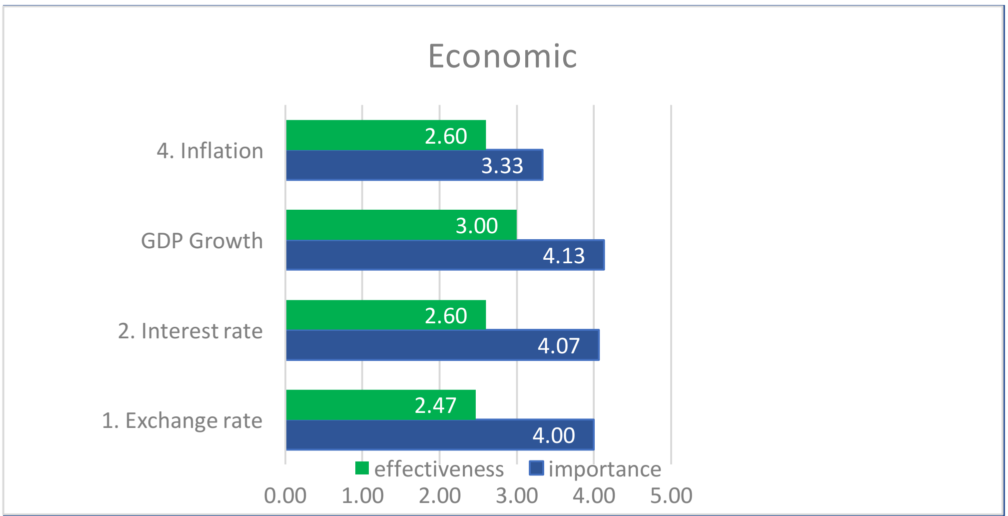


Figure 5-4: Effectiveness versus Importance of the external environmental analysis: economic

5.4.2.1.2 Political, Legal and Environmental Factors

Two points are addressed here, namely regulations and the Zakaah on wealth, as addressed in the literature. As defined in the literature, Zakaah is 2.5% of the wealth paid yearly. Figure 5-5 shows that the importance of regulation scored 4.3 and its effectiveness scored considerably lower, possibly due to the following:

1 As most of the sample companies clarified, regulations are often changeable and transient; as soon as one is implemented, another is issued that sometimes supports but may often contradict it. This means that companies cannot comprehend or predict the law. Despite Saudi Arabia's Ministry of Commerce's new website for corporate and the individual's power to comment on new regulations, companies are never able to change or even predict them.

2 Companies can face difficulties in finding qualified employees because of the rules related to the Saudisation policy, obliging a specific percentage of every company's employees to be Saudi. This policy can result in a lack of skilled workers willing to join a specific company.

3 Additionally, several companies mentioned that some regulations are so unclear or difficult to implement that the company is eventually pushed to invest in a neighbouring country.

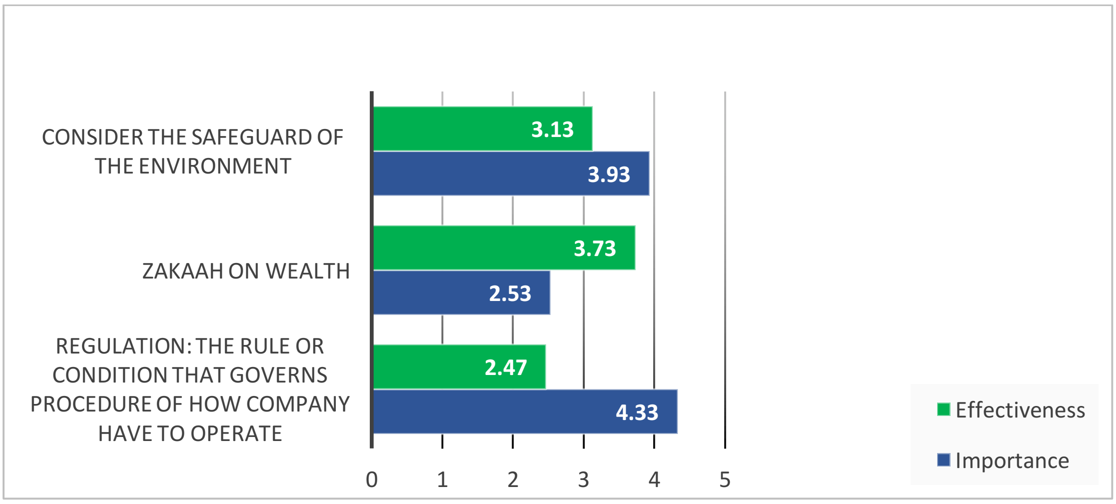


Figure 5-5: Effectiveness versus Importance of the external environmental analysis: political, legal and environment factors

5.4.2.1.3 Social and Cultural Factors

Social and cultural factors are determined by demographic factors and a society's attitudes to a range of issues the external environmental factors related to demographics in Figure 5-6 are fundamental elements in the marketing analysis and are used to forecast future production. Although Figure 5-6 demonstrates that all factors are important, except the factor (Ethnic mix) which scores 2. This low score is due to the long-standing presence of large numbers of workers from many countries. They are not considered to have a major impact on the demographic distribution. However, one of the food-producing companies (Co.10) stated that the (Ethnic mix) was an important issue for them; it became a new market opportunity when they introduced foods targeted at the large Indian, Indonesian and Filipino communities.

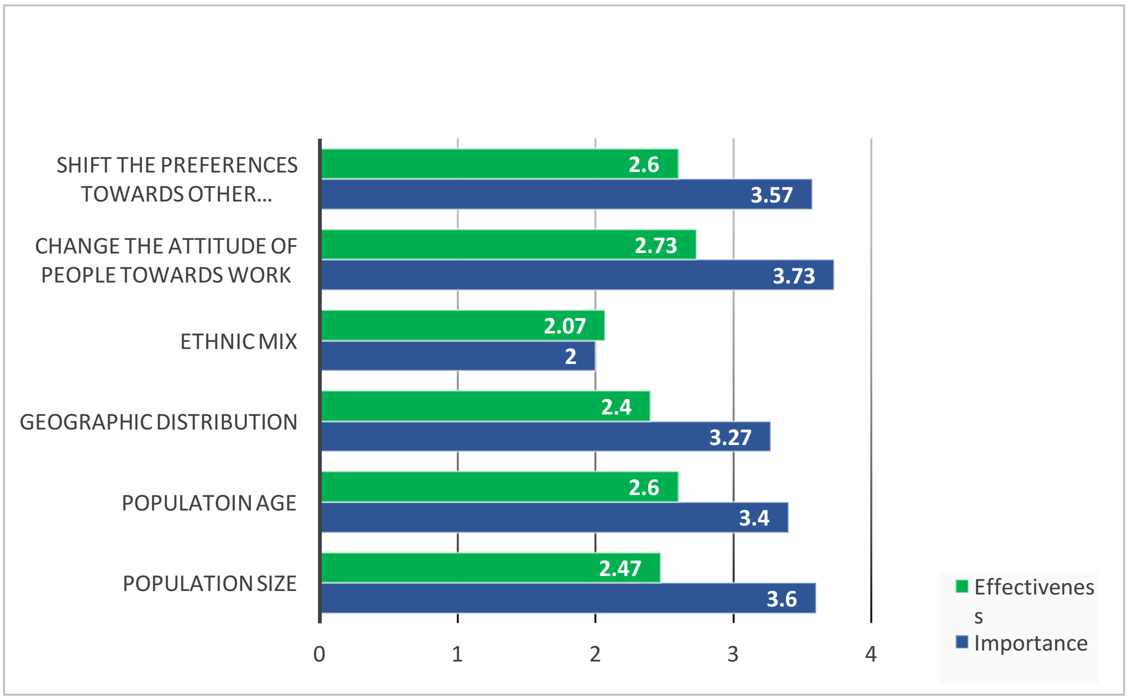


Figure 5-6: Effectiveness versus Importance of the: social- cultural factors

The other aspect to consider is the attitude to the environment. Figure 5-6 showed that all the factors related to the external social-cultural factor were important, for several reasons. For example, the factor (Sift the preferences towards other products styles) scored 3.57; shifting the preference towards other products/services is important, because it allows companies to analyse market trends and avoid competitors' threats. In this regard, company 9 mentioned that it had been able to change its customers' preference from classic to modern furniture.

Factor (Changing people's attitude to work) scored 3.73. Since Saudi citizens must take up around 35% of every payroll and there is a large number of non-Saudi workers available, companies face major challenges about changing the attitude to work and the working environment. This is done mainly via training, as well as with incentives of reward and recognition. The factor (Geographic distribution) was found somewhat important with a score of 3.2, due to the strict government regulations. However, there are still opportunities for improvement. The other two factors illustrate the ineffectiveness of the law and were unexpected. For example, regarding the factor (Population size), due to the misunderstanding of the "Saudisation" policy, Saudi employees sometimes take their job security for granted believing that the regulations of the Ministry of Labour will protect their employment in the private sector.

5.4.2.1.4 Technological Factors

The attitude that technology is an influential factor was clear. However, the level of effectiveness in capturing and following technological trends and changes was weak, scoring 3 and 2.87 respectively for rapid technological change and process related technologies (see Figure 5-7). The reason for this may be the lack of consultants who specialise in analysing and studying technological factors. Moreover, IT managers are not usually on the board of directors and this lessens the ability of the board to consider technological factors.

Figure 5-7 shows that both factors (process related technologies and technological change) are extremely important, scoring 4.13 and 4 respectively. Companies confirmed that technology played a crucial role in their business regardless of the economic situation in the country. The field study noted some companies working on the new technology transformation initiative with their IT department for a few years until they gained a professional degree of proficiency, because their processes are modified according to technological change. These factors show that there is a good opportunity in the domestic market for marked improvement (they scored 3 and 2.87 respectively). Additionally, companies believed that the importance and effectiveness of these factors lay in conferring competitive advantage by updating a firm's processes and evaluating the technological change. This is because technology is progressing so swiftly that new technologies bring about significant improvements. Companies invest time and money in order to be innovative and remain up-to-date.

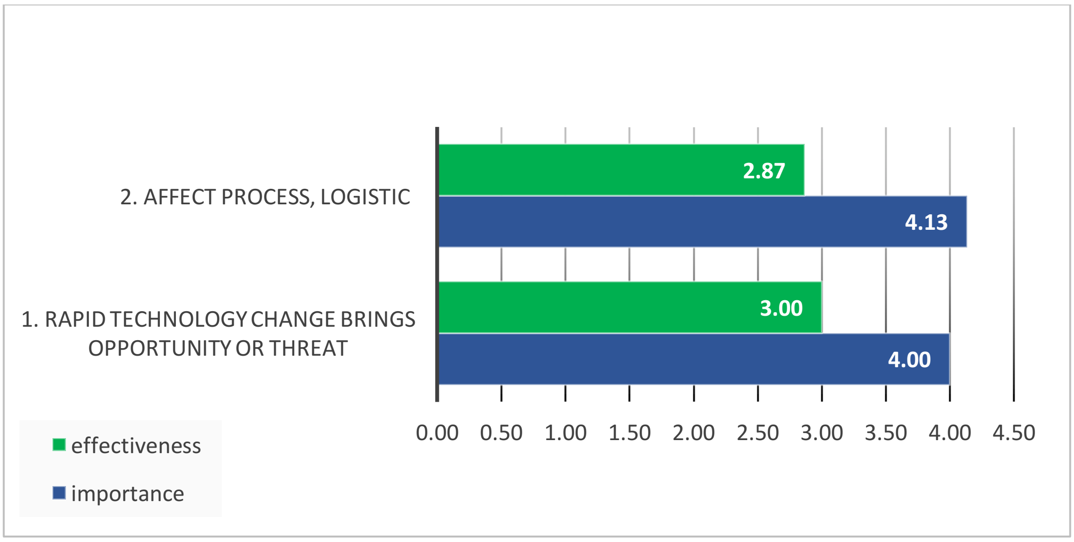


Figure 5-7: Effectiveness versus Importance of the Level of technology

Q7.2) Which of the following factors (related to activities) are more important in the industry environment analysis and how much do they influence the company choice?

This question was asked about five activities: New entrance power, Suppliers Bargaining power, Buyers' (customers') bargaining power, Substitutes' bargaining powers and Competitors' power.

Figure 5-8 reveals that most of the FBBs sampled replied that new entrance and bargaining of buyers are the most important sources of power that help to understand the market, with scores of 4.4 and 4.16 respectively, while the least important factors were bargaining by suppliers and substitute products (scoring 3.90 and 4.03 respectively. These FBBs were working in capital intensive industries such as construction and developmental projects and the automotive and pharmaceutical industries. The industries are not accessible to local competitors because of the capital required. But international competitors have access to advanced technology and substantial capital, which can disturb the market. For example, company 14 highlighted that the government policy had been changed to accept bids from international competitors, which might influence the balance of the market powers in the ecosystem.

Therefore, new entrance, with a score of 3.4, emerged as the factor most perceived as effective by these companies. The least effective factors in their perception were competitors with a score of 2.9. Those interviewed from the companies mentioned that the number of local suppliers in their markets was limited, which had a major impact on their businesses.

As the Figure 5-8 below shows, there is a wide gap between the perception of the importance and of the effectiveness in capturing competitors' power. The interviewees in companies 6, 7 and 12 believed that this gap was the result of the "Saudisation" policy in the KSA. The effect of "Saudisation" as a government policy is to limit business-related work visas. Because the FBBs are most often seen in business to business contexts, which focus on manufacturing or producing tangible products, they rely heavily on engineers to help their analysis of the power of suppliers, buyers and substitutes. However, when it comes to the marketing side, the low availability of business related skills limits the ability to understand competitors. In turn, this lack of understanding limits the power to capture, analyse and report the data on competitors' power. Moreover, the importance of competitors' data and market are not perceived to be as great as that of other data because of the limited competitiveness of the local competitors. Thus, Saudisation restricts companies and their monopolistic status discourages them from deploying more resources to analysing competitors' potential.

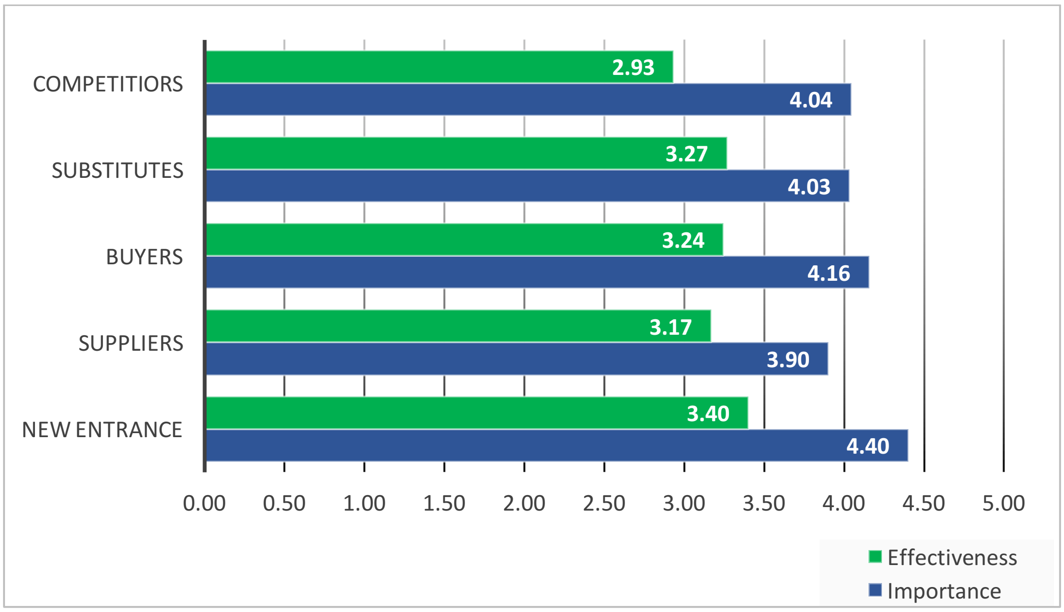


Figure 5-8: Effectiveness versus Importance of the Industrial analysis

5.4.2.2 Internal Analysis

Q7.3) Which of the following factors do you consider in the analysis of your internal factors? Please mark their level of importance

Figure 5-9 illustrates that all the internal analysis factors were important. The most important was "Skill of employees" at 4.5 since it adds value and could be a source of competitive advantage. In fact, the market faces a shortage of skilled staff, which has led to reliance on foreign experts, despite recent efforts to narrow the scope of this option through the "Saudisation strategy" discussed above. The "intangible asset" factor scored 4.07, due to the importance of the trade name of the family and its reputation. This factor is seen as crucial for family businesses, where it is believed that the value of protecting their image exceeds that of signing a contract or gaining more money. Company 7 mentioned that they had stopped supplying a factory abroad because the factory was producing alcohol, which contravenes their Islamic values and public image. "Tangible asset" was a slightly less important factor (3.7) companies intuitively consider it essential for having efficient internal operations.

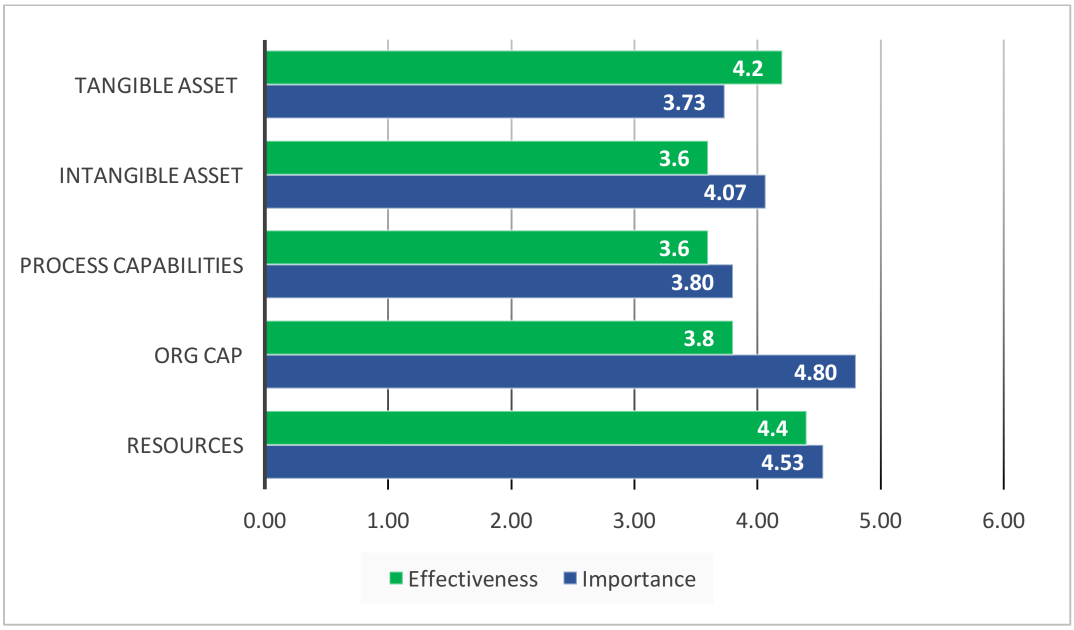


Figure 5-9: Effectiveness versus Importance of the Internal analysis factors

The open questions enriched the collected evidence, allowing the acquisition of new information.

Q7.4) As a family business which of the following factors are more influential in leading you in the marketing process?

All the factors in Figure 5-10 were viewed as being influential in the marketing process. “Customer needs” is considered the most influential factor in the market with a score of 4.4. It was observed in the field study that knowing and understanding customer needs is the core of success in business, whether it sells directly to individuals or other businesses. Furthermore, companies believe that if they know what customers need, they can use their knowledge to influence potential and existing customers. “Families’ public image” came next in importance, and scoring 4.13, because the public image of a family business plays a key role in the GCC area. “Market trends” scored 3.9: most companies explained that this factor was considered to be the main driver during their marketing analysis because they monitored trends to help make critical decisions for the future of their business.

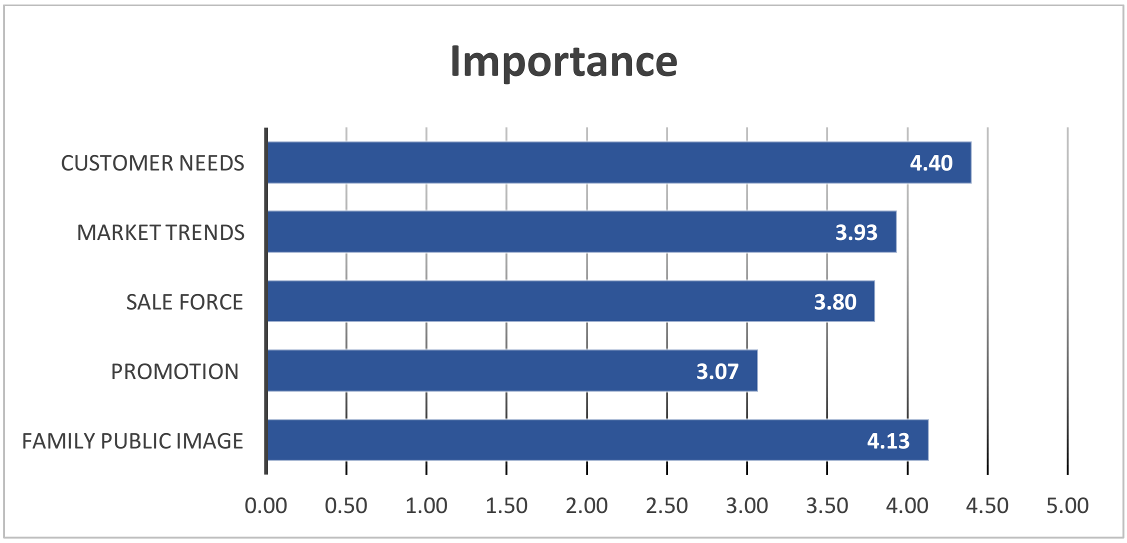


Figure 5-10 Influential factors leading the marketing process

5.4.3 Tools

There are four questions to cover the tools. All the questions start by "How" to identify the mechanisms for doing the activities.

Q8.1) How do you measure the effectiveness of the factors listed in Q 7.4?

Not all interviewees expressed a clear measurement approach. The minority chose to measure the effectiveness of the factors as follows:

Family public image: from people's comments, surveys, and general reputation

Promotion: from sales, customer trust, and the perspective of customers

Sale force: from project size, market share, and sales growth

Market trends: from income versus previous performance and the percentage of the project that was secured

Customer needs: from customer comments, sales turnover and general profit, customer engagement, and industry reports

Q8.2) Do you do extensive study your current capabilities of HR and physical resources, commercial status/process? How?

Twelve corporations were found to be analysing the capabilities of their human resources, and physical and commercial process, with some variations. Only 3 were not analysing any of them. As shown in the overview of the strategy formulation process, the biggest gap and with the most widely perceived importance was internal analysis of the firm's resources. The tools used to assess the resources in the company were Balanced Scorecard (corporates 13 and 6), Key Performance Indicators (corporate 4), Job Description and Analysis (corporate 1) the more details in chapter 6 section A2.4 create Business Unit Environment.

Q8.3) How do you understand the core competences of your competitors?

The competences of competitors can be understood by means of a range of tools they are addressed in Chapter 7section 7.4.3.2.5. The main tools are Market situation analysis (Corp 13), Competitors' cost analysis (Corp 1), capabilities and qualities (Corp 3), resources, production, philosophy, and strengths and weaknesses (Corp 4), and Market Surveys (Corp 8).

Q8.4) How do you identify the influential factors?

The family-owned companies in this region identified these factors with various tools. The owners provided input for organised brainstorming sessions in reports and workshops with all the people involved in strategy formulation to capture the most influential factors. Some companies use specific tools, such as SWOT analysis, or employ market scanning. However, others considered previous experience or sought an external consultant in order to widen the picture for the strategy formulation team before it made its decision.

5.5 Summary

The aim of this chapter was to apply elements found in the literature to the 15 cases of large family businesses in the GCC regent. The elements are the strategy formulation approach, strategy formulation team, influential factors and decision-making tools. First, the strategy formulation approach was considered. Most of the corporates adopt the mixed approach. The main weakness of the linear approach is that the strategy is formulated and can be updated only once a year. If any changes in the environment emerges during the year, the strategy will not adapt to them. The iterative approach is more responsive, but the strategy formulation process is continuous and not well structured. Thus, a mixed (ambidextrous strategy) is perceived to be the best fit for corporates.

Second, the strategy formulation team has different approaches: bottom-up, top-down and mixed. While the top-down focuses mainly on efficiency and giving orders to the employees, the bottom-up focuses on receiving ideas from the bottom level. In fact, mixing the two is found to be the prevalent approach to building strategy formulation teams.

Third, both internal and external influencing factors are found to be relevant and useful in the strategy formulation process. The most perceived important external factor is the political one where the least important is the social one. This can reflect the importance of relationships with the government and also the fact that family businesses tend to focus more on doing business with the government than with customers. The most important internal factor is the organisation's capability while the least is its tangible assets. This can reflect that buying a new machine or facility is not an issue for these businesses because of their access to very large funds, but building the capability to use these technological resources is a different matter. New influential factors are proposed and others are recorded from the interviews. Fourth, the proposed process from the literature is used but it is not sufficient. Comments are received and analysed to improve the literature based framework.

6 Knowledge Driven Strategy Formulation Process Framework: Team and Process

6.1 Introduction

The framework consists of four elements: a strategy formulation team model, strategy formulation process, an influential factor model and a tools taxonomy. In the field study Chapter 5-Q1, the process proposed in the literature was accepted by the participants, but they also commented on it. In this chapter, it is improved on the basis of their comments. This chapter focuses only on the strategy formulation team model and strategy formulation process. The strategy formulation team model is designed to understand the roles and functions of the team members. The strategy formulation process focuses on the sequence of activities, inputs and outputs defining all the decisions and reports that contain influential factors. In Chapter (7), the focus is on the contents of the reports which document the influential factors, the preference based influential factors and the tools used in collecting and analysing the data.

This chapter consists of three main sections. First comes a brief summary of the knowledge driven framework of the Strategy Formulation Process. The aim here is to provide a snapshot overviewing the whole framework so that the reader can follow the sequence over two chapters. The second section focuses on developing the strategy formulation team while the third focuses on developing the strategy formulation process.

6.2 Knowledge Driven Strategy Formulation Process Framework Development

The Knowledge Driven Strategy Formulation Process Framework is developed by following a logical sequence (see Figure 6-1). The first model is to understand the strategy formulation team roles and functions. In this model, there are three main members: family board members, functional and business unit management, and internal and external consultants. The strategy formulation process is split into corporate level process and business level process. Any of them have two different types of activities; decision making activities and decision support activities. While decision making activities are to take the strategic decisions, the decision support activities are to prepare the knowledge of the influential factors so that well-informed decisions can be made. The strategy formulation process and the team models are developed in this chapter. The tools and details of the influential factors are detailed in chapter 7 for decision support and decision-making activities (see 0).

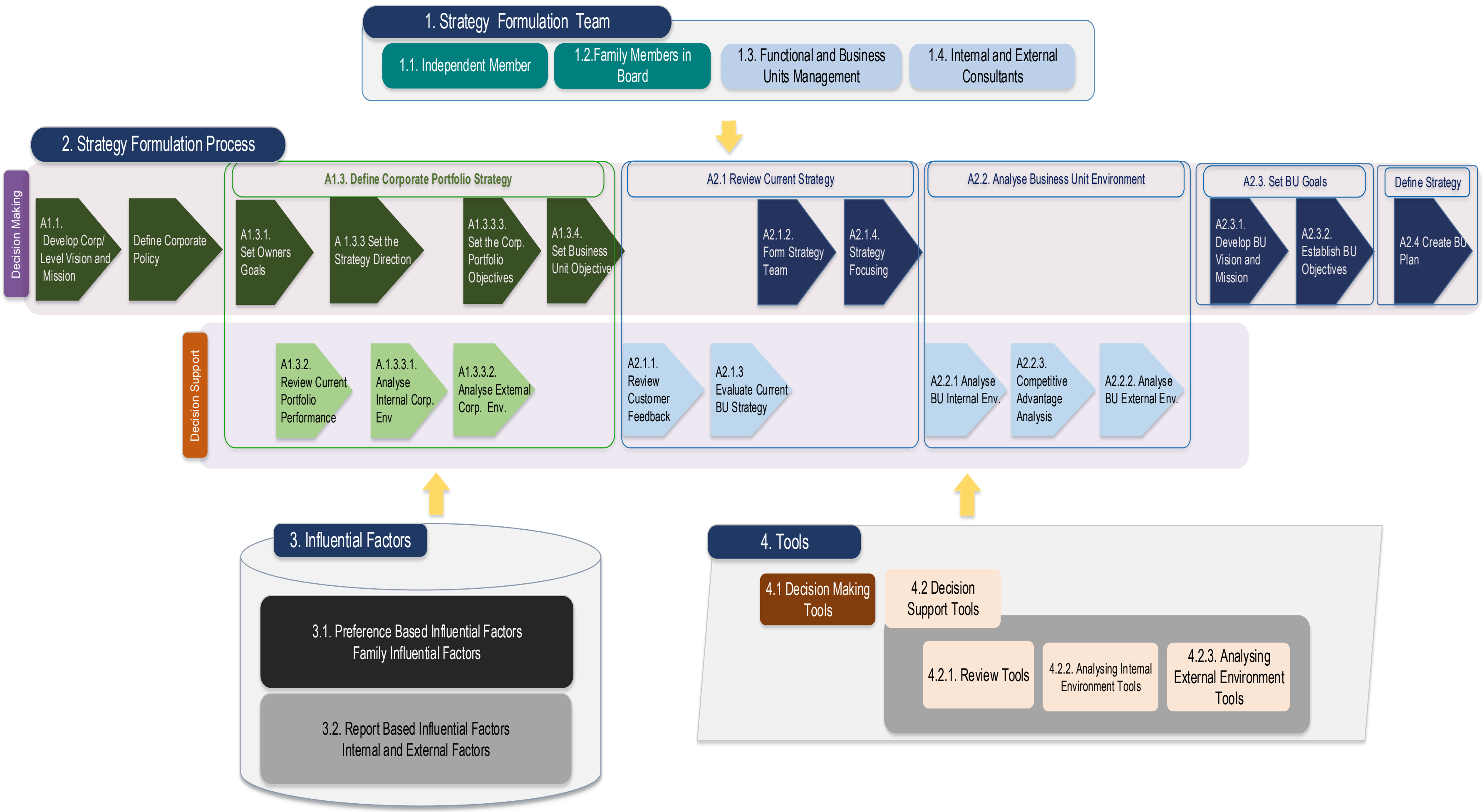


Figure 6-1 Developing the framework for KD-Stg-FP

6.3 Strategy Formulation Team Model

The three main actors in strategy formulation team (see Figure 6-2.) have their own perspective in understanding the strategy, including functions, roles and therefore priorities and objectives. Although the literature differentiates the strategy formulation team as family members and non-members, this research is novel in classifying the team according to function. The first actor represents the family members. They take the business sustainability function to mean protecting the family business identity (i.e. as a normative function) and ensuring the continuity of the business by building relations with other family businesses and with government (i.e. as a social function). The second actor represents the functional and business unit managers. They exercise the technocrats' function in leading their departments and units. The last actor represents the consultants. Their main function is to manage the corporate and business knowledge in the task of formulating effective strategy (i.e. as a knowledge management function). Their job is to capture, analyse and report data for the strategy formulation team, and give advice.

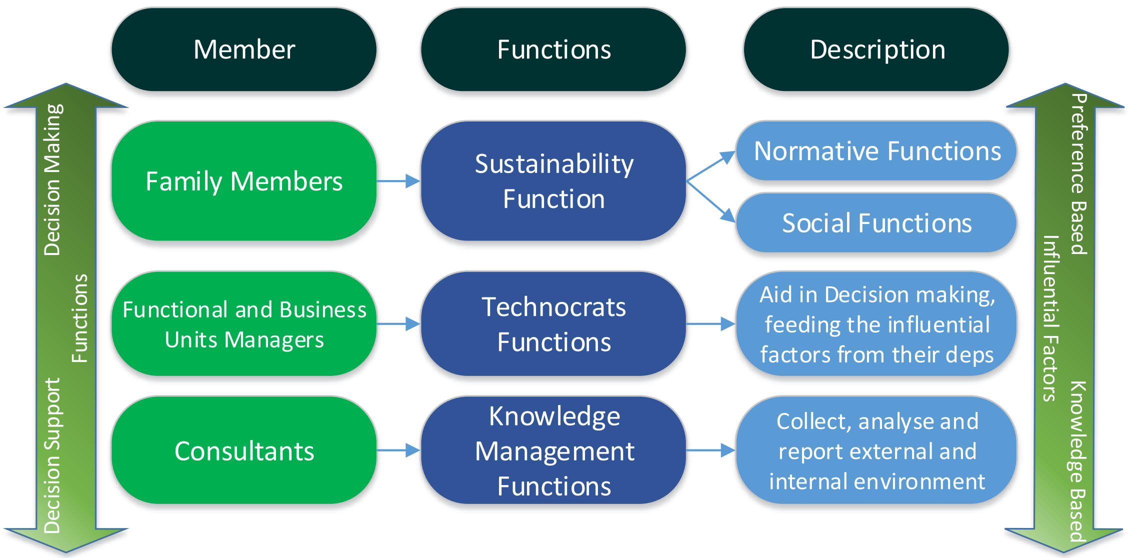


Figure 6-2: Strategy formulation team's functions model

6.3.1 Family Members on Board (FMOB): Business Sustainability Function

Family Members on the Board (FMOB) are the representatives of the family who control and govern the business in order to ensure its alignment with the family identity and the presence of the family business with other businesses in the market. To understand this function in depth, the FMOB must fulfil two sub functions to keep the business sustainable (see Figure 6-3), namely, the normative management function and the social function. The first function ensures the continuity of the business' identity while the second ensures its financial continuity and existence in the market. The Normative Management system entails “defining the fundamental goals of the system to focus its identity and policy (Muller, 2016), whereas social function entails protecting the organization in the business ecosystem. These functions must operate together efficiently and effectively; if either of them failed, the whole family business would be affected

> “Both are important and both affect the business sustainability. However, without financial sustainability, the family identity will not sustain. Thus, the business side comes over the family side if there is a contradiction; as long as it is not against Shariaa” Co.14

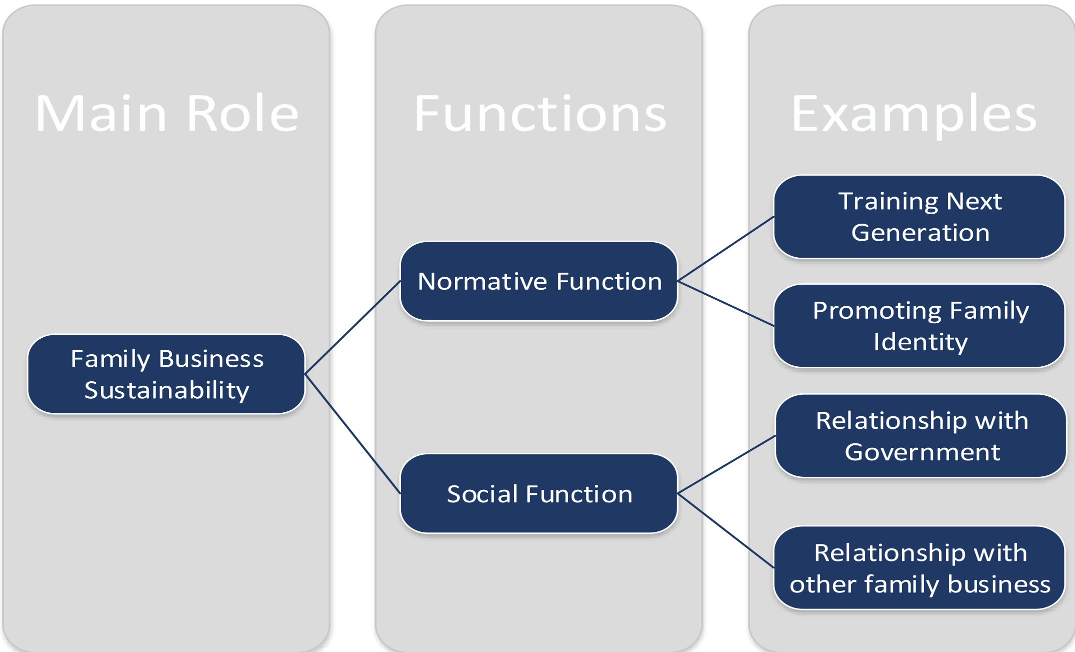


Figure 6-3: The role of family members in the strategy team

The family business identity must be protected and fostered because it is seen as the critical issue in sustaining the business and a source of competitive advantage. In case Co.11, the founder of a firm (the grandfather of the family) always took care of every aspect of his decisions and meetings, as indicating the identity of the family business, which is a major concern for all family members.

Sustaining the family business identity requires them to ensure that its identity is passed from generation to generation, to retain the same position in the market.

> "The customers trust in us because they know we are family business. If we do anything wrong or shameful, they can complain to the biggest head of the family. The family has its reputation and brand in the market. Deceptive actions in the market by any of its members are not acceptable" Co.7.

According to the interviewees, family business identity is perceived to be one of the main foundations for staying in the market and sustaining the business.

> "I do not know how to measure our family public image. However, it is very important for us as it affects our biddings on different mega projects. This is the main source of our market's trust in us" Co.7

The social function, at the same time, is to build relationships with other stakeholders. As a rule, family businesses are established and fostered on the basis of a relationship with government. This may give them such as Co.2 and Co.4 a preferential position in bidding or the chance through direct bidding to make exclusive contracts which secure their land and construction projects. For this reason, sustaining the relationship with government is one of the priorities of the family business. Family businesses are also engaged in hooking themselves up with other family businesses to increase their power and influence in the market. Both of these ambitions have consequences; they impact on the strategy formulation of such firms as Co.4, Co.1 and Co.14, which seek to collaborate with other families in their construction projects.

6.3.2 Functional and Business Unit Managers (FBUM): The Technocrats' Function

Family businesses which adopt the bottom up and mixed approaches, (see Chapter 5 section 5.3.2 in Q2.1) invite functional managers and business unit manager who are not board members into their strategy formulation meetings. Functional and business unit managers (FBUMs) are technocrats who understand the details of the business and give important feedback regarding corporate strategy. They also translate the corporate vision, mission, policies and portfolio objectives into the business unit's vision, mission, objectives, and functional plans.

Executives are employed for their professional merit to compensate for weaknesses in the competence of the family's supervision. If the level of decentralisation allows, professional managers at the top of organizations may heavily influence the organization direction as long as they do not conflict with the family's values and heritage. As company 8 reveals,

> "Usually, I do not interfere in the business. My interventions are only limited to the family needs. But professional managers are competent enough to run the business as it should be" Co.8.

6.3.3 Consultants: Knowledge Management Function

Because the FBUMs are involved in operations and daily routines, some family business corporates bring in a professional strategy formulation consultant. Such consultants act as the organization's knowledge hub. Their main job (see Table 6-1) is to acquire, analyse and disseminate strategic influential factors, both internal and external, to the FMOB and FBUM. They continuously capture and monitor influential factors to support the strategic formulation process. This consultancy job can be called the "Business Development Department" if it is internal to the company.

> "You are talking about two levels; the first considers strategy at a corporate level. The second applies this strategy to the business level which is run by professional managers. The interactions in knowledge and data between the two levels come through the consultants" Co.7

The main limitation to understanding the different kinds of feedback is the ability to analyse the data and produce a model by which to understand customer needs in depth. The data can be gathered by the business itself or be gathered by external consultants; its analysis too can be internal or external.

Table 6-1: Consultants' roles in the strategy formulation process

		To analyse	
		Externally	Internally
To capture data	Externals	Data are captured and analysed by consultants	Data are captured and sold by externals but analysed by the organization.
	Internals	Business Intelligence/ business development collects the data, but external consultants analyse them.	Business consultants/ business intelligence collect and analyse the data

6.4 Family-based Businesses' Strategy Formulation Process

Knowledge driven strategy formulation can be viewed as a company's knowledge advantage which is exploited to guide the formulation process and, thus, contributes to its long-term strategy (Zack, 1999). In this study, knowledge concerns the factors that are crucial to the strategic choice and the survival of the business. The formulation process is led up to by the ambidextrous approach, as discussed in Chapter 3 section 3.3.4. This approach is based on mixing between top down and bottom up approaches (see section 3.3.1). This process can be summed up as a structured top down approach which is nevertheless flexible in its application at the business level (see Appendix B for IDEF0).

> "The strategy formulation is: (a) a structured process happening in a specific timeframe every year. (b) A flexible process that analyses new topics as they surface to ensure that no major risk will affect it until the next updated iteration." Co.14

The top down approach controls and governing business units through vision, mission, policies and objectives. The reason here is to ensure the alignment between the business units' strategies and the synergy between them.

> "Every management puts up a plan … to the sector manager then to the CEO. Next, they put the whole thing to the overall holding company and then they align to the guidelines that were set at the beginning" Co.15

The bottom up approach works by taking the feedback of the business unit managers and functional managers. Business unit managers' report their strengths and weaknesses, their opportunities and their threats to the corporate strategy formulation team. The aim here is to ensure their involvement and engagement in the strategy, and also to ensure a precise and focused understanding of the changes in the external and internal environment of each business unit.

> "Involve the board, business leadership and owners in the first instance in order to ensure buy-in and clarity at a very high level. Thereafter involve senior and function management to ensure alignment, collaboration and execution" Co.5.

Accordingly, the strategy is developed on two levels namely the family-corporate level and the business level. The first process is to develop the corporate vision and mission, define corporate policy and work out a corporate portfolio strategy. The second process is the business-level strategy where the business environment scan is analysed to develop the business unit vision and mission, and establish the business units' objectives to finally turn the strategy into a series of integrated plans.

> "We do have a strategy here. However, at a corporate level we develop to a very high degree. Consultants help us to customise and fit it so as to align other businesses with it. The level of detail is set through consultants on the business level" Co.7, Co.9, Co.14.

To sum up, the proposed approach makes use of mechanisms to control the business unit strategies. Having received information and knowledge from business units (BUs) at the lowest level, they ensure alignment and synergy between business units and mechanisms (see Figure 6-4). The mechanisms of the corporate used to control the behaviour of the business unit strategy are as follows:

1- Corporate Vision and mission control the business unit vision and mission
2- Corporate Policy controls the business unit functional plan and sets the business unit goals and business unit vision and mission
3- Generic Business Unit Objectives control the business unit objectives and the financial plans
4- Corporate Strategy direction influences the focus of the strategy.

The mechanisms of the corporate which receive information and knowledge from the BU develop the strategy are

1- Business Cases from the review of the current strategy which report current performance, current issues and proposed solutions
2- Analyses of the Business Unit Environment which identify the BUs' weaknesses, strengths, opportunities and threats.

Figure 6-4 The relationship between corporate level strategy and business units' strategy

A1 Corporate Strategy Formulation Process

As deduced from the literature in Chapter 3 section 3.5.1, the findings show that corporate level strategy has three activities, namely (1) Develop Corporate Level Vision and Mission (2) Define Corporate Policy (3) Define Corporate Portfolio Strategy (see Figure 6-5). The details of IDEF0 may be found in Appendix B. As proposed in the literature, this level of activity does not change. The data analysis contributed to the present state of knowledge by detailing the 'Define Corporate Portfolio' strategy into four sub activities (see Table 6-2).

Table 6-2: The activities in corporate level strategy

Activity	Sub Activity	Sub Activity
A1.1 Develop Corporate Level Vision and Mission		
A1.2 Define Corporate Policy		
A1.3 Define Corporate Portfolio Strategy	A1.3.1 Set Owners' Goals	
	A1.3.2 Review Current Portfolio performance	
	A1.3.3 Set the Strategy Direction	A1.3.3.1 Analyse Corporate Internal Environment (A1.3.3.1.1 Review Business Unit Competitive Advantage), (A1.3.3.1.2 Corporate Tangible

Activity	Sub Activity	Sub Activity
		Resources Analysis) and (A1.3.3.1.3 Corporate Financial Resources Analysis)
		A1.3.3.2 Analyse Corporate External Environment (A1.3.3.2.1 PESTEL Analysis),(A1.3.3.2.1.1 Political Analysis),(A1.3.3.2.1.2 Economic Analysis),(A1.3.3.2.1.3 Social Analysis),(A1.3.3.2.1.4 Technology Analysis)and,(A1.3.3.2.1.5 Legal Analysis)
		A1.3.3.2.2 Industrial Analysis (A1.3.3.2.2.1 Bargaining Power of Customers),(A1.3.3.2.2.2 Bargaining Power of Supplier), (A1.3.3.2.2.3 Threats of new Entrants),(A1.3.3.2.2.4 Threats of substitutes), (A1.3.3.2.2.5 Bargaining Power of the rivals)
		A1.3.3.3 Set the Corporate Portfolio Objectives
	A1.3.4 Set Business Unit Objectives	

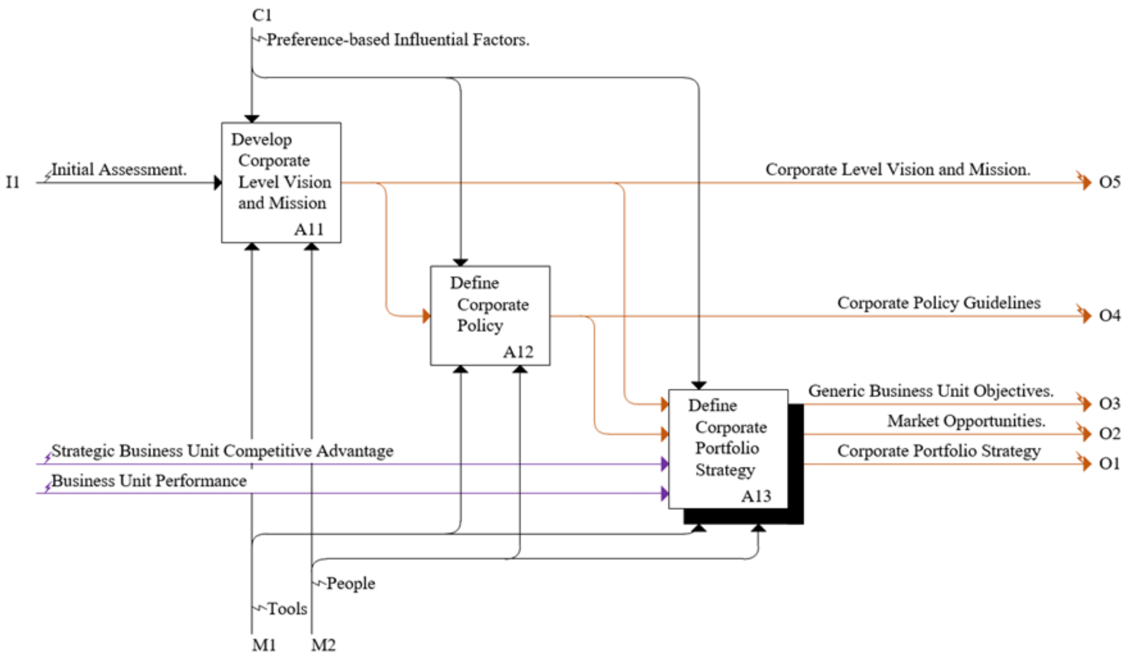


Figure 6-5: A1: Corporate level strategy

A1.1 Develop Corporate Level Vision and Mission

It is a decision taking activity aims to develop the corporate vision and mission. This activity is as the version proposed in Chapter 4 section 4.4.3. Each family has its own values, as shown in Table 6-3 and visualised in Figure 6-6

> "First we set the values. Then, vision and mission" Co.6

"Set up the overall strategic aspirations of the group as a business conglomerate. This involves a clearly articulated long-term vision of where the group ultimately wants to be" Co.5

"Our historical performance is our core DNA, if we do not understand it, we will not be able to understand our future direction" Co.14.

Based on these values, which determined the intention to start up the family business in the first place, family values are thus the inputs to the vision and the mission of the family business. Vision and mission in the family business address two main concerns: the family identity and business continuity in terms of financial growth. The corporate vision and mission protect these two aspects of the family business vision and mission. The corporate vision and mission are controlling mechanisms that family members use to govern the strategy formulation process in the corporate and its business units.

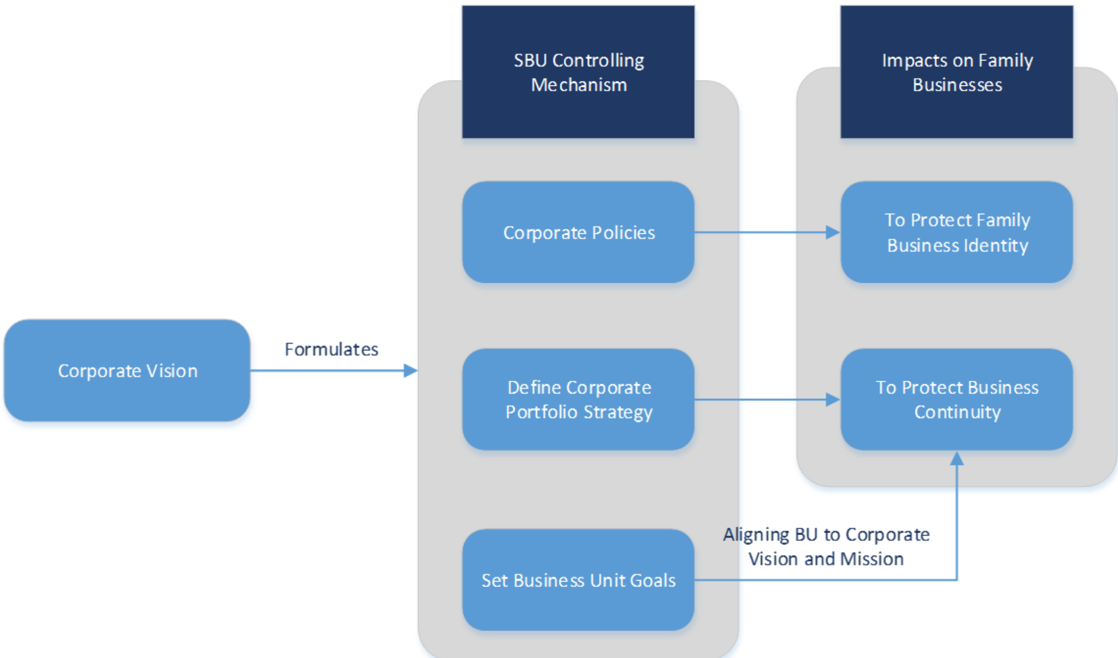


Figure 6-6 The role of the corporate vision and mission in directing the strategy of the corporate and business units

The corporate level vision and mission reinforce themselves in the policy and define the portfolio strategy at the corporate level. The parent company's vision is perceived to influence the business level strategy. For instance, the corporate vision, using such words as "largest" to define itself, counts being "top in the region" as the business vision of its sub sectors. As seen in Figure 6-7, the vision of the corporate determines the vision of the business units.

Table 6-3: Quotations supporting the influence of the corporate vision and mission on the business units' vision and mission

Companies	Corporate Vision	Business Vision (Sector)
FRA7	"Become a leading successful ***conglomerate*** in the region" Vision of RA7 (Website) "Top regional player in each sector we are in" strategic position of RA7 (Website)	"MGC aims to become the **largest manufacturing *of Gypsum Plater board*** and related products in the GCC and MENA region within a period of 5 years leveraging its position as a cost leader and preferred choice"
NTA12	"To be a regional leader in healthcare, nutrition, wellness, beauty and prestige products, meeting the needs of the customers and building capability to meet the needs of future generations"	"The vision is to be number one in the industry" The vision is improved as follows: "the new vision is also to be the undisputable vision" which means that the differences shall be more than 1% between us and the next best"

To sum up, based on the "Family founder's inspiration" the corporate level vision and mission are developed and the output (i.e. decision) of this activity is "Corporate vision and mission", which is used in five tasks as shown in Figure 6-7. These are A1.2 Define Corporate Policy, A1.3.1 Set Owners' Goals, A2.1.3 Evaluate Current BU Strategy, A2.1.4 Strategy Focusing and A2.3.1 Develop BU Vision and Mission. The aims are to control the direction of corporate strategy and the business units' strategy, to adjust and correct the current business unit performance in line with the corporate family goals, and to ensure corporate sustainability.

Figure 6-7:The input and output of the develop corporate vision and mission activity

A1.2 Define Corporate Policy

This is a decision-making activity aims to develop the corporate policy. Activity A1.2 Defining Corporate Policy is the same as what was proposed in Chapter 4 section 4.4.3. Based on the decision "Corporate level vision and mission" as shown in Figure 6-8, the corporate policy is defined as family business values translated into guidelines to guide all the activities in the corporate and business level objectives and plans.

> "Family values are of paramount significance to the strategic aspiration exercise." Co.5
> " Stated and announced influence by not contradicting values" Co.10

> "As a family, we would avoid some investments even if they promised a lot of money because our values and reputation are our guiding principles and define who we are as individuals" Co.8

The corporate policy output (decision) is the "Corporate policy guidelines", which is used in five activities: A1.3.1 Set Owners Goals, A2.4.1 Create Financial Plans, A2.4.2 Create HR& Business Improvement Plan, A2.4.3 Create Marketing Plan and A2.4.4 Create Production Engineering and R&D Plan. The aim here is to direct the portfolio management at the corporate level and the vision, mission, objective and strategies in the business units.

> "Family values are identified and are all implicit in the strategy Integrity, excellence, Innovation, leadership, community service" Co.15

> "Ethical in thought, words and deeds, in all our actions, and on the same basis as our strategy and objectives are built on" Co.4

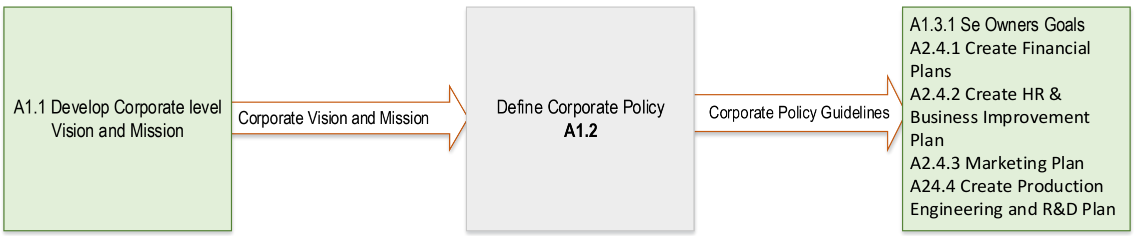


Figure 6-8:Input and output of the define corporate policy activity

A1.3 Define Corporate Portfolio Strategy

The decision-making Activity A1.3 Define the Corporate Portfolio Strategy is not changed from its appearance in Chapter 4 section 4.4.3. But it is extended to include such sub activities, derived from the interviews, as are summed up in Table 6-2. The defined activities are A1.3.1 Set Owners Goals, A1.3.2 Review Current Portfolio Performance, A1.3.3 Set the Strategy Direction, and A1.3.4 Set Business Unit Level Objectives.

Structurally based on the corporate vision and mission, corporate policy guidelines, strategic business unit competitive advantage and BU performance, activity A1.3 Define Corporate Portfolio Strategy is developed. The board of directors defines the objectives set for the portfolio as a whole and from each business line that contributes to the business. Their work produces three outputs (decisions) as reveal in Figure 6-9 . First, "Generic Business Unit Objectives" which are used in two activities, A2.3.1 Develop Business Unit Vision and Mission Statement, and A2.3.2 Establish Business Objectives. The second output is "Market Opportunities" also used in two activities, A1.3.4 Set Business Unit Objectives and A2.1.4 Strategy focusing. "Corporate Portfolio Strategy" is used only in A1.3.4 Set Business Unit Objectives. The aim here is to guide the decision-making activities in the corporate in the Setting Business Unit Objective,

"Set up the strategic objectives of each of the constitutive businesses of the groups in a 5-year cycle consistent with the overall group strategy." Co.5

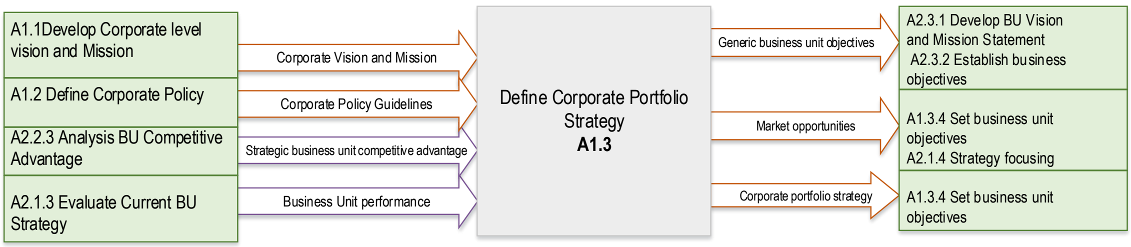


Figure 6-9:The input and the output of define corporate portfolio strategy

A1.3.1. Set Owners' Goals

Figure 6-10 illustrate the decision-making activity, which aims to define the owners' goals in the corporate level strategy. In the A1.3.1 Set Owners Goals activity the family needs are not the same as the needs of others, but differ according to the degree of Familiness in the firm, since the main stakeholders set their needs in terms of protecting and fostering their identity and financial needs.

This activity is based on the family needs, which are derived (decisions) from the "Corporate vision and mission" and "Corporate policy guidelines" in which the financial and nonfinancial family goals are set.

" The goals are derived from the values" Co.2

"When they are developing their strategy, they start with their primary stakeholders (i.e. family members) to find the financial requirements commensurate with their holdings and also any other corporate and social activities that they want their holding to ensure" Co.11

Thus, the output (decision) is “Owners goals” which form the input for A1.3.2 Review Current Portfolio Performance, A1.3.3.1.3 Corporate Financial Resources Analysis, A13.3.2.1 PESTEL Analysis, A13.3.2.2 Industrial Analysis, A1.3.3.3 Set the Corporate Portfolio Objectives, and A1.3.4 Set Business Unit Objectives. The aim is to embed the family goals in the strategy formulation process and to be reflected in other strategy formulation activities.

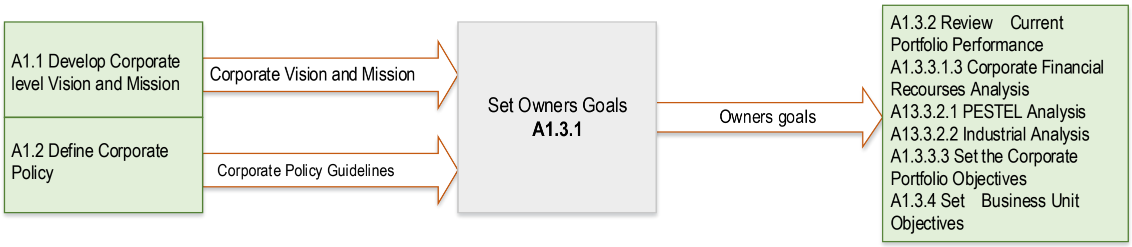


Figure 6-10:The input and output of set owner’s goals

A1.3.2. Review Current Portfolio Performance

The aim of this decision support activity is to understand the corporate current performance. Figure 6-11 illustrate the activity A1.3.2 Review Current Portfolio Performance, based on family financial and non-financial goals and BU issues, completes the portfolio performance review. Once the corporate identifies its owners’ objectives, the corporate begins to make “Owners goals” decision and send the “Business Unit Performance” report in order to review current performance of the portfolio, to discover the ‘as-is’.

> “We do a review of all businesses and sectors to address the main improvement points, and from that we can develop our strategy and structure our portfolio” Co.9
>
> “A review meeting every year for main strategy, elements: SWOT, PEST, products portfolio, market dynamics” Co.12
>
> “What we use is SWOT analysis plus reporting on key internal issues” Co.14
>
> “Sometimes we do mid-year reviews every 2.5 years, looking at risk, return, income generation according to the situation and geographically.” Co.13

There are two outputs (reports) from this activity; the “Corporate level performance” report which used as input in three activities A1.3.3.1.2 Corporate Tangible Resource Analysis, A1.3.3.1.3 Corporate Financial Resource Analyse and A1.3.3.3 Set the Corporate Portfolio Objectives and the “Consolidated business unit portfolio performance”, the second output(report), which is used in two activities: the A1.3.3.1.1 Review Business Unit Competitive Advantage and A1.3.4 Set Business Unit Objectives. The aim here is to understand the financial performance of the corporate as a whole and as the performance of its business unit. From this point can be understood the capacity of and challenges to the SBUs ad in turn see which to expand or retire.

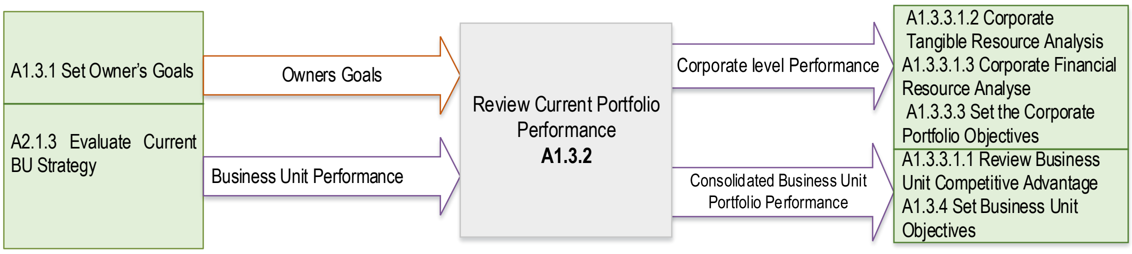


Figure 6-11:The input and output of review current portfolio performance

A1.3.3. Set the Strategy Direction

The aim of this decision-making activity is to set the direction of the corporate portfolio in terms new investments, acquisitions, mergers, horizontal integration, vertical integration, downsizing, or divestment and identifying market opportunities to the current business units. Thus, two decisions are proposed. the first is the “Market opportunities” for business units and “Corporate portfolio strategy”. Figure 6-12 illustrate activity A1.3.3 Set the Strategy Direction according to the “Owners’ goals” decision, and “Corporate level performance”, “Consolidate business unit portfolio performance” and “Strategic business unit competitive advantage” reports. In order to determine the direction of the corporate strategy. The directions it might take are growth, stability, and retrenchment (Wheelen and Hunger, 2012). In other words, on the basis of reviews of the performance and analyses of the external and internal environment by the corporate and business levels, the organization can decide and set its corporate portfolio objectives. Thus, the sub activities are A1.3.3.1 Analyse Corporate Internal Environment, A1.3.3.2 Analysis Corporate External Environment and A1.3.3.3 Set the Corporate Portfolio Objectives. There are two decisions (outputs) of Set the Strategy Direction, namely “Corporate Portfolio Strategy” to be input in A1.3.4 Set Business Unit Objectives, and “Market opportunities” to use in A1.3.4 Set Business Unit Objectives and A2.1.4 Strategy Focusing.

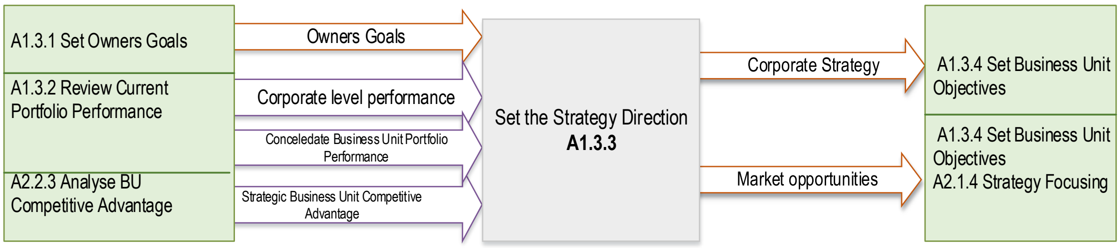


Figure 6-12:The input and the output of set the strategy direction

A1.3.3.1 Analyse Corporate Internal Environment

Figure 6-13 shows the decision support activity, A1.3.3.1 Analyse the Corporate Internal Environment, the corporate scans and investigates its internal environment to understand its own capabilities and competences. Using the inputs, which are “Owners goals “decision, and” Corporate level performance”, “Consolidate business unit portfolio performance” and “Strategic business unit competitive advantage” reports, the internal corporate environment is analysed.

> “After setting our goals, we create a general and comprehensive perception about the company” Co.4

> “The internal factors represented by the reports and analyses of the section are assigned for reviewing and following up the strategy” Co.4

The outputs of the corporate internal environment analysis are “Funding availability”, “cost of finance” and “Corporate Level Strength and Weaknesses”. Funding availability and cost of finance are used in activity A2.4.1 Create Financial Plans. Corporate Level Weaknesses and Strengths (WS) input to A1.3.3.3 Set the Corporate Portfolio Objectives.

> “The preparation process at any level must study the reality of the company, its readiness for the upcoming planning process, the commitment of the administration to it and its ability to look at the bigger picture” Co.4

The aim of Analyse Corporate Internal Environment in “Business Units’ Weaknesses and Strengths” is to understand the capabilities of each business unit. This will help later in the “Portfolio Strategy” by identifying which businesses need substantial help (e.g. wildcat business units) and which can generate cash to the company (cash cows).

“We review all business units and sectors to address the main improvement points, and from that we can develop our strategy and structure our portfolio” Co.9

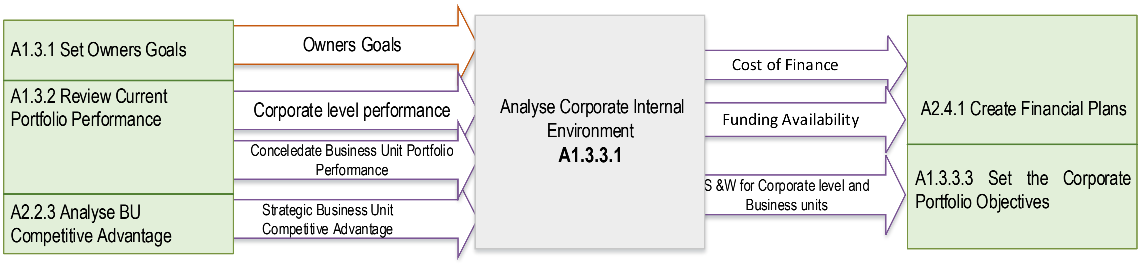


Figure 6-13:The input and output of analyse corporate internal environment

A1.3.3.2 Analyse Corporate External Environment

The decision support activity A1.3.3.2 Analyse Corporate External Environment analyses on the basis of the “Owners goals” (decision) by which family businesses are distinguished from non-family businesses. The aim of the corporate, is proactively, to scan the external environment to find the opportunities and threats in the regional and global markets, and identify the main market, political, social and technological trends. It also aims to identify those in the global market. The corporate takes an aggregate and comprehensive view as regards each business unit and group of related business units, to analyse

“Future demand and new products, divisions and businesses” Co.12

Thus, the report is to identify the overall “Corporate unit opportunities and threats” and identify each “Opportunity and threat to each business units” in order to input it in activity A1.3.3.3 Set the Corporate Portfolio Objectives.as illustrate in Figure 6-14.

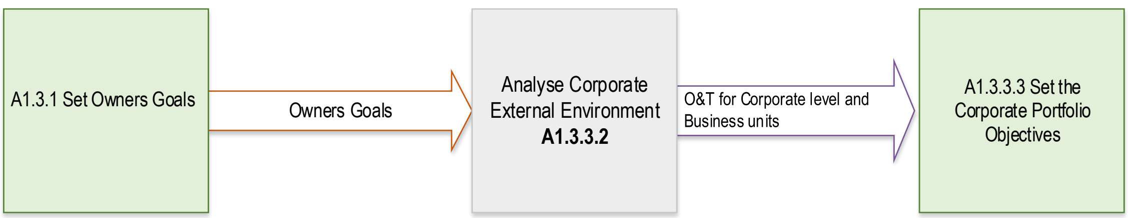


Figure 6-14:The input and output of analyse corporate external environment

A1.3.3.3 Set the Corporate Portfolio Objectives

Figure 6-15 reveal that the decision-making activity A1.3.3 Set the Corporate Portfolio Objectives which is based on “Owners’ goals” decision, “strengths and weaknesses of the corporate and business units “, “Opportunities and threats for the corporate and business units” and “Corporate level performance” reports. The aim of this activity is to help the corporate to set matrices for the business units to identify how to deal with various businesses and how to invest in the future. It also supports the corporate strategy for entering new markets, exiting from business units, vertical integration, horizontal integration, concentric diversification, and alignment strategy between the business units, as discussed in the literature in section 3.3.1. Thus, the outputs are two decisions. First, “Corporate Strategy” for use in A1.3.4 Set Business Unit Objectives activity and second, “Market opportunities” which is used as input in two activities: A1.3.4 Set Business Unit Objectives and A2.1.4 Strategy Focusing.

> “Analysis of future demand and new products, division and business, analysis of government spending, budgeting and future direction - decisions about general direction” Co.12

At the same time decisions on market penetrations can be taken and which business unit should have this responsibility.

> “Decide where to compete in terms of geographic markets, industries, value chain and sales channel” Co.5

> “Portfolio and Business Area Strategy - defining from macro perspective where we 'want to play'” Co.12

Furthermore, alignment strategies (Kaplan and Norton, 2006) can be formulated to improve the competitive advantage of each group of related business units

> “Thus, based on understanding external and internal analysis, we articulate the group/business vertical competitive advantages” Co.5

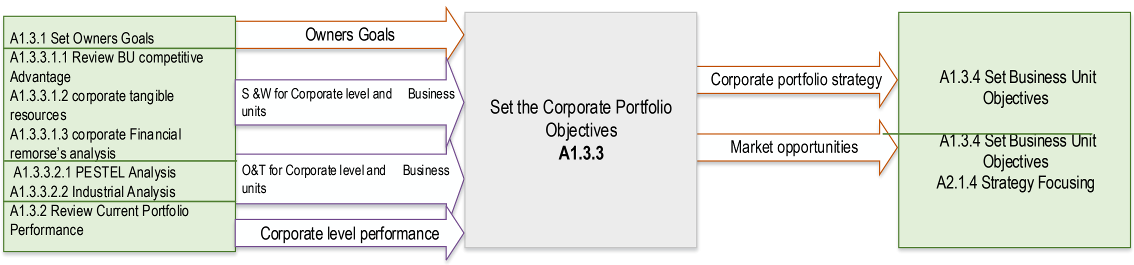


Figure 6-15:The input and output of set the corporate portfolio objectives

A1.3.4. Set Business Unit Objectives

The decision-making activity A1.3.4. Set Business Unit objectives is meant to translate the market opportunities allocated for each business.
Figure 6-16 shows that the activity A1.3.4. Set Business Unit objectives is based on "Owners' goals"," Corporate portfolio strategy"," Market opportunities" decisions and "Consolidate business unit portfolio performance" report the business unit objectives are set. The decision output of this activity is "Generic business unit objectives", which in coupled with corporate policy, can be the main mechanism controlling the performance and strategy formulation at the business level. This output is used in two activities: A2.3.1 Develop Business Unit Vision and Mission Statement and A2.3.2 Establish Business Objectives

> "There is one holding company that owns assets, and sets the main strategy. Then they send it to the subsidiary companies, and each sub company adjusts the strategy according to its activity" Co.1
>
> "Set up the strategic objectives of each of the constitutive businesses of the groups in a 5-year cycle, consistent with the overall group strategy. Devise the capital allocation approach, the hurdle rate for business and the risk profile associated with it" Co.5
>
> "one holding company that holds many sectors where each sector has its own specific strategy and the holding company have a 5-year main strategy" Co.7

Sometimes, in bottom up strategy formulation, as discussed in Chapter 5 section 5.3.1, on Q2.1, the setting business unit objectives involve also the allocation of resources to the business units so that the objectives can be achieved

> "Every 5 years, the main strategy is for the holding company to give the sectors the industry requirement according to their share amount" Co.15
>
> "Deploy the necessary human and financial resources and capability to execute the strategy" Co.5

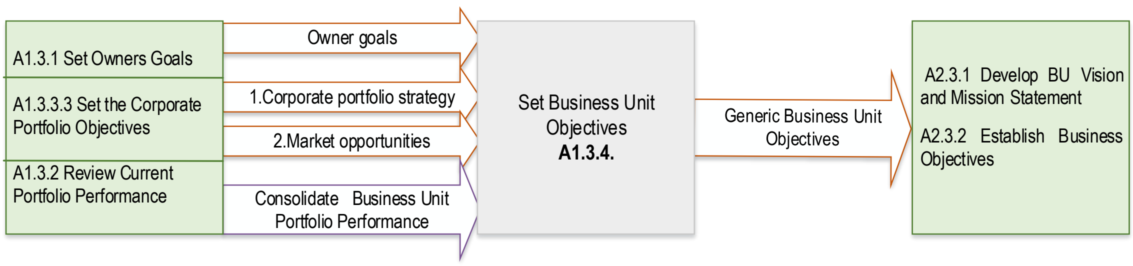


Figure 6-16:The input and output of set business unit objectives

A 2 Business Level Strategy Formulation Process

The business level strategy is usually developed by professionals who are running, leading or planning for sectors/departments or child organizations. Corporate Level strategy can direct its Strategic Business Units' strategies in several ways. To develop the business level strategy, three things need to be considered. They are the corporate vision, market opportunities indicated by the corporate, the financial and the marketing targets identified by the corporate.

First, the SBU vision and mission is derived from the corporate level vision and mission. The scope of the vision and mission at the corporate level is broad enough to take account of the family ideology and business continuity whereas the scope of the SBU vision is limited to its business-focused perspective. Consequently, in formulating its business vision, mission and objectives the first step for the business level is to consider the family business strategy, vision, policies, and financial targets.

Second, the business unit competitive advantage is spotlighted on the basis of scanning the internal and external business unit environment and information from the corporate about opportunities and threats in the market; this is seen as the foundation of the strategy. The close scanning of the environment helps to verify and improve the business unit objectives, enhancing the corporate's internal and external understanding, and redefining the "generic business unit objectives", to form the output of the corporate strategy. This flexible and iterative process can be summarised in the following statement:

> "They collect the whole thing to the overall holding company then they align it with the guidelines that were set from the beginning" Co.15

Finally, setting clear objectives, and with a clear view of the internal and external business environment and the corporate policies, the business unit plans are set as a mechanism for delivering the expected blueprint. The last activity is A2.4 Create Business Unit Plan to define the business master plan through sub plans: A2.4.1, the financial plan, A2.4.2 the Create HR and business Improvement plan, A2.4.3 the Create production and engineering and R&D plans, and A2.4.4 Create the marketing plan. These are as described in Chapter 4 section 4.4.4. Figure

6-17 illustrate the top level of the business level for strategy formulation process and the details of IDEF0 will present in Appendix B.

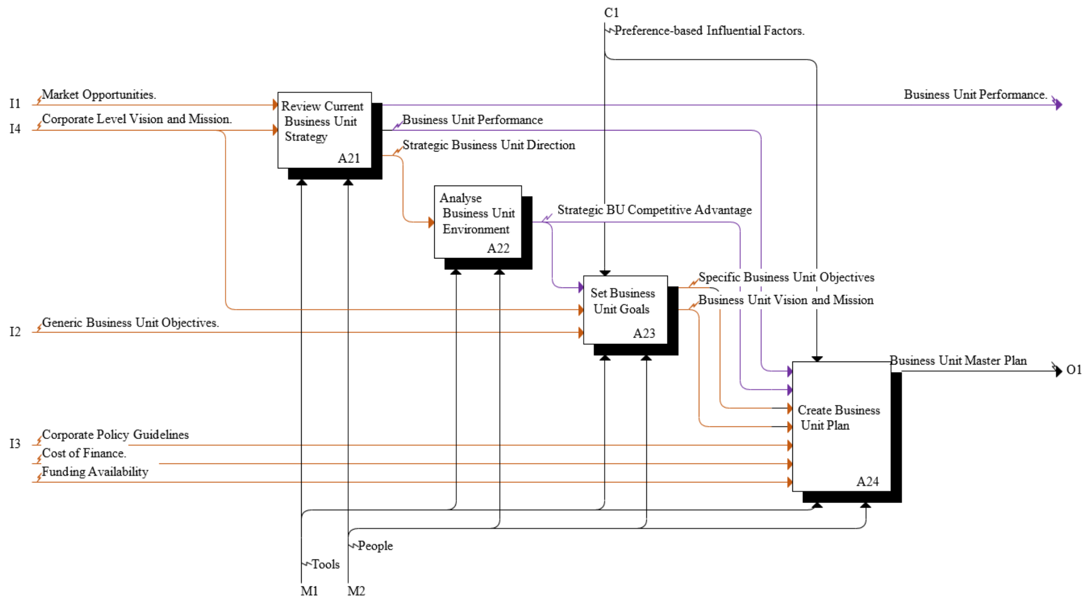


Figure 6-17 A2: Business level strategy

A2.1 Review Current Business Unit Strategy

The decision support activity A2.1 Review Current Business Unit Strategy is a step adopted from the adaptive approach as a mechanism encouraging flexibility in strategy formulation. It also helps the corporate to know what is going on in its business units. The purpose of this review is to show where the business unit is in relation to what the corporate expects of it

> "The first step we take is reviewing the current strategy in a meeting. This review is annual we review our three years business plan on this basis. Each child business develops its subsidiary plan from this master plan" Co.12

Around 13 of the 15 companies in the sample reviewed their business level annually to ensure their alignment with corporate strategy, with current strategy and with changes in the environment. A2.1 Review Current Business Unit Strategy activity consists of four steps: A2.1.1 Review Customer Feedback, A2.1.2 Form a Business Unit Strategy Team, A2.1.3 Evaluate Current Business

Unit Strategy and A2.1.4 Strategy Focusing. The first step in reviewing the business level strategy is customer feedback.

> "When we position our new products, we take note of the customer feedback, perspectives and opinions before we start formulating our strategy" Co.9

The results of the A2.1.1 Reviewing Customer Feedback inform the choice of the strategy formulation team, in an activity called A2.1.2. Form Business Unit Strategy, to address the customers' feedback, taking into consideration the corporate vision, mission, and Generic Business Unit Objectives. This team evaluates the current business unit strategy by addressing the gap between current performance and expected performance, in an activity called "A2.1.3 Evaluate Current Business Unit Strategy". After reviewing the current strategy, the strategy team may decide to change the focus in terms of positioning the product/service differently in the market, a process called A2.1.4. Strategy Focus. Figure 6-18 illustrate the decision support activity A2.1. Review Current Business Unit Strategy which has been decomposed to describe the activities for preparing a strategy analysis. The input (decisions) are "Corporate vision and mission" and an initial assessment of the "Market opportunities" for example, a financial crisis, available funding, stability/instability in the market or most frequent events. The final sedition from this activity (output) is "Strategic business unit direction" which is decided by the strategy team as a mechanism on the basis of possible market opportunities (e.g. new product launches, alliance opportunities, or new market entrance). The "Strategic business unit direction" is the input of A2.2.1.1 People Analysis, A2.2.2.1 Market Forces Analysis and A2.2.2.2 Legal Analysis

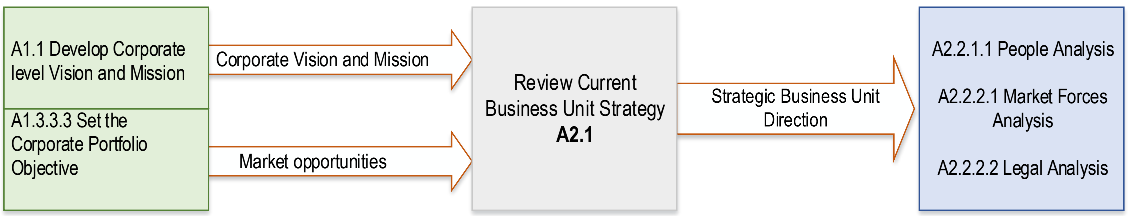


Figure 6-18:The input and output of review current business unit strategy

A2.1.1: Review Customer Feedback

Figure 6-19 shows the decision support activity A2.1.1 Review Customers Feedback is used to consolidate customer feedback for a meaningful report to direct the business strategy activities and to define suitable team members to direct the business. The input is “Customer needs” which comes from marketing research or the marketing department (Shaw et al., 2001). The output, “Customer issues and feedback” report, which is used as an input of A2.1.2. Form Business Unit Strategy Team and A2.1.3 Evaluate Current Business Unit Strategy.

> “Fundamentally based on feedback and comparisons from clients/customers, the suppliers that deal with them and us, and employees. We have a specific section in strategy template for this” Co.14

> “We involve customer services and sales managers in our strategy formulation to clarify customers’ perspectives” Co.7

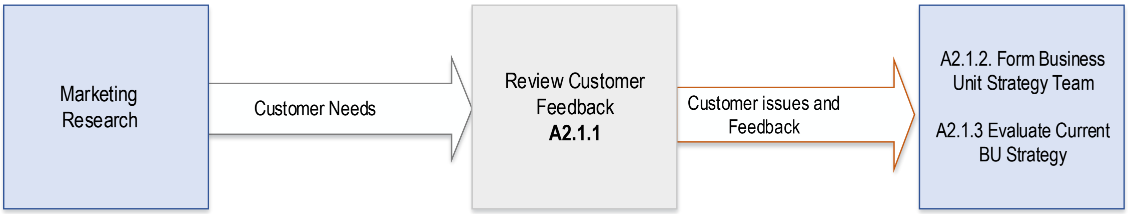


Figure 6-19:The input and the output of review customer feedback

A2.1.2: Form Business Unit Strategy Team

Since different issues require different skills, teams composed of different members are required for developing the strategy (Govindarajan, 1989). This activity consists of recruiting managers who will formulate the strategy using all their management skills. Sometimes organizations hire people from outside the firm for such transferable positions.

> “An external consulting firm was used to develop the initial strategy. However, this was modified internally following discussions with the owners and board of directors” Co.8

Figure 6-20 reveal that the people are selected on the basis of “Customer issues and feedback,” report i.e. as input. The decision comes as output is “Team membership” which forms the input in A2.1.3 Evaluate Current Business Unit Strategy.

Figure 6-20:The input and output of form business unit strategy team

A2.1.3: Evaluate Current Business Unit Strategy

This activity as determined by "Customer issues and feedback"," Corporate Vision and Mission" and "Team membership" the team assesses the positive and negative parts of the current strategy by revising the current performance and the attainability of the current objectives. Part of the output is the "Strategy review" which is used in A1.3.2 Review Current Portfolio Performance and A2.1.4 Strategy Focus while the other part is "Business Unit Performance", used as the input in activity A1.3.2 Review Current Portfolio Performance only.

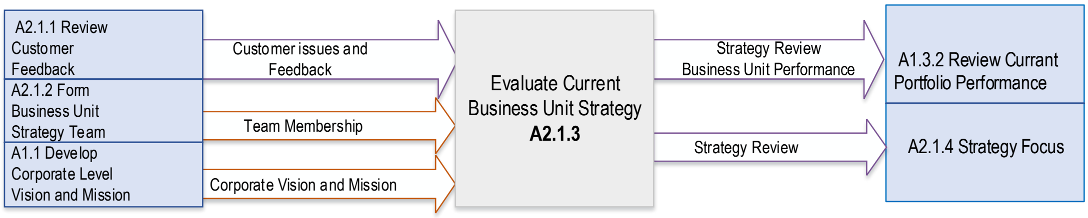


Figure 6-21:The input and the output of evaluate current business unit strategy

A2.1.4: Strategy Focusing

The decision-making activity as determined by "Customer issues and feedback"," activity, the strategy formulation team uses the strategy review and market opportunities defined by the corporate portfolio level to set the strategy direction. It is worth mentioning here that business level objectives are constrained on the level of sales including quantities, qualities, promotion and distribution (Pride et al., 2014). Therefore, the market opportunities for having a new production line or a penetrating a new market result from a corporate decision, not a business one.

Thus, (see Figure 6-22) on the basis of "Market opportunities" and "Corporate vision and mission "decisions which identified by the corporate and the "Strategy review" report, while, the output (decision) is "Strategic business unit direction", which is used as input for three activities: A2.2.1.1 People Analysis, A2.2.2.1 Market Forces Analysis and A2.2.2.2 Legal Analysis.

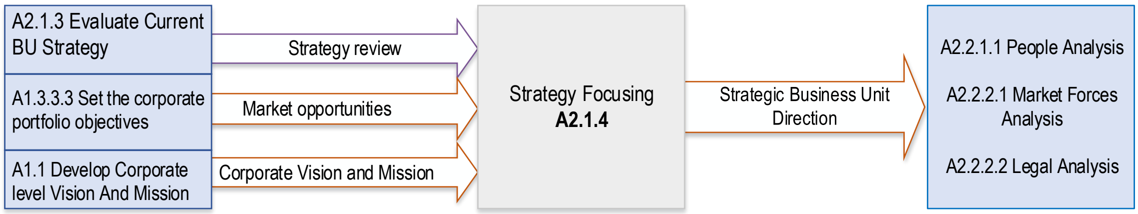


Figure 6-22:The input and the output of strategy focusing

A2.2 Analyse Business Unit Environment

The aim of this decision activity is to understand the potential for increasing sales or decreasing unit costs without losing performance. It differs from Analyses the corporate level environment, which aims to understand the potential for increasing shareholder wealth by entering new markets, exiting from markets, exploiting synergy and collaborating with other business units. The viewpoint and orientation are different. The business unit analysis output (the BU SWOT) is eventually reported to the corporate in A1.3 Define Corporate Portfolio Strategy to enable the corporate to understand the environments of its business units.

A2.2 Analyse Business Unit Environment. In order to produce a study of an organization’s former capabilities, what is needed is both A2.2.1 Analyse Business Unit Internal Environment Analysis, covering the strengths and weaknesses of the business and A2.2.2 Analyse Business Unit External Environment, covering its potential threats and opportunities in the market. Both activities results are produced for A2.2.3 Analyse Business Unit Competitive Advantage, which gives an overall picture of the state of the business in the current market.

Figure 6-23 shows that activity A2.2 Analyse Business Unit Environment Based on input(decision), the “Strategy business unit direction” is determined, the output of which is “Strategy business unit competitive advantage “report which is used as input for five activities: A1.3.3.1.1 Review BU Competitive Advantage, A2.3.1 Develop BU Vision and Mission Statement, A2.3.2 Establish BU Objectives, A2.4.2 Create HR and Business improvement plan and A2.4.3 Create Marketing Plan.

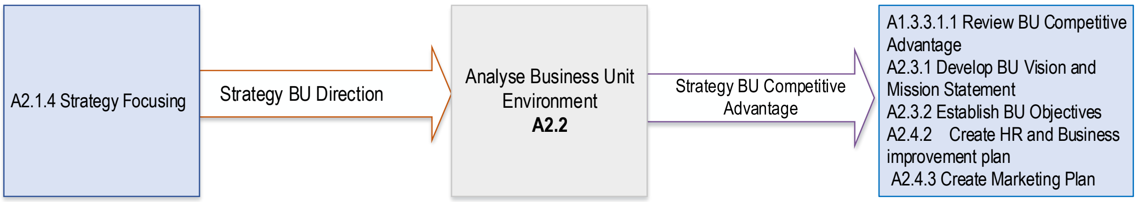


Figure 6-23:The input and the output of analyse business unit environment

A2.2.1 Analyse Business Unit Internal Environment

The decision support activity 2.2.1 Analysis Business Unit Internal Environment**:** the main objective of internal environment analysis is to learn the organization's capacity to perform in the market. An organization's capacity is the sum of its internal technological and management capabilities. Thus, as defined in Chapter 4 (section 4.4.5.2.1) , the internal analysis environment is analysed through analysing resources, capabilities, and assets. However, it has been found that organizations split the analysis into A2.2.1.1People Analysis, A2.2.1.2 "Technological Analysis, and A2.2.1.2. Organisational Analysis. People analysis reveals employees' skills, knowledge and capabilities. Technological analysis reveals the level of business automation, current technological limitations, and current process technologies. Finally, organizational analysis includes analysing intangible assets such as communications, organizational structure and knowledge management (i.e. information and experiences related to customers, suppliers and others), organizational culture and reputation and tangible assets such as the number of cars, number of buildings and number of machines working.

Figure 6-24 reveal the activity 2.2.1 Analysis Business Unit Internal Environment is based on "Strategic business unit direction" decision. The output of this activity is "Strengths and weaknesses in the business unit" report which is used as input in activity A2.2.3 Analects Business Unit Competitive Advantage.

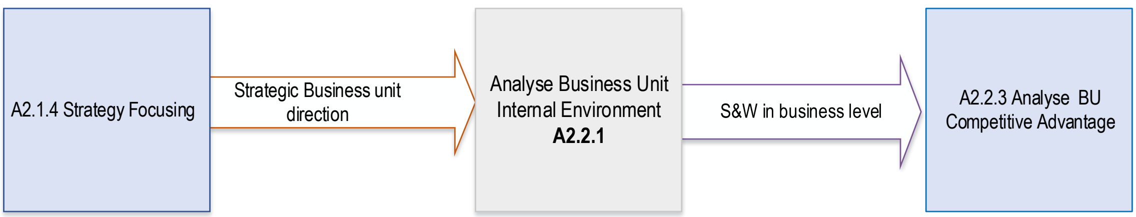


Figure 6-24: The input and the output of analyse bu internal environment

A2.2.2 Analyse Business Unit External Environment

The decision support activity A2.2.2 Analyse Business Unit External Environment is designed to analyse the changes in the external environment based on the defined factors, which the organization must consider but cannot control. As shown in Chapter 4 (section 4.4.5.2.2), external analysis can refer to the market (including customers, competitors, and suppliers) and may be concerned with country-specific factors (i.e. PESTEL). It has been found perceptibly ineffective and inefficient to ask each business unit to scan its own PESTEL, since it could result in duplication. Thus, the corporate conducts PESTEL while the BUs analyse their own markets. Only legal factors and product regulations, different from sector to sector and business to business, are considered for each BU separately. Thus, the only sub-activities for the external environment are the A2.2.2.1 Market Forces Analysis and A2.2.2.2 Legal Analysis.

Activity A2.2.2 Analyse Business Unit External Environment is based on "Strategic Business unit direction". Its output is "Opportunities and threats at business level", used as input in activity A2.2.3 Analyse BU Competitive Advantage.

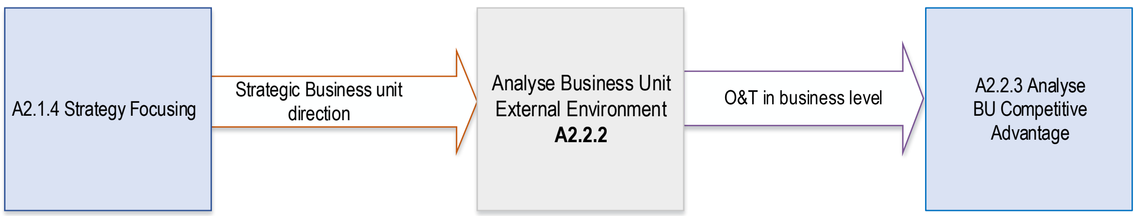


Figure 6-25:The input and the output of analyse bu external environment

A2.2.3 Analyse Business Unit Competitive Advantage

The decision support activity A2.2.3 Analyse Business Unit Competitive Advantage, as described in the literature, uses several approaches. One of them is to analyse the relative powers in the market (Porter, 1985) or find which firms use irreplaceable resources (Barney, 1991). Thus, using "SWOT" analysis reports for corporate level and business units as shown in Figure 6-26 , business units can spotlight the main points that give it a competitive edge over their competitors such as their culture, the endowment of irreplaceable resources or its brand name. The output here is "Strategy business unit competitive advantages” report which is used by the corporate to define its portfolio strategy in activity A1.3.3.1.1 Review Business Unit Competitive Advantage. This helps business units to set their goals in five activities: A2.3.1 Develop Business Unit Vision and Mission Statement, A2.3.2 Establish Business Unit Objectives, A2.4.2 Create an HR and Business improvement plan, A2.4.3 Create a Marketing Plan and A1.3.3.1.1 Review Business Unit Competitive Advantage.

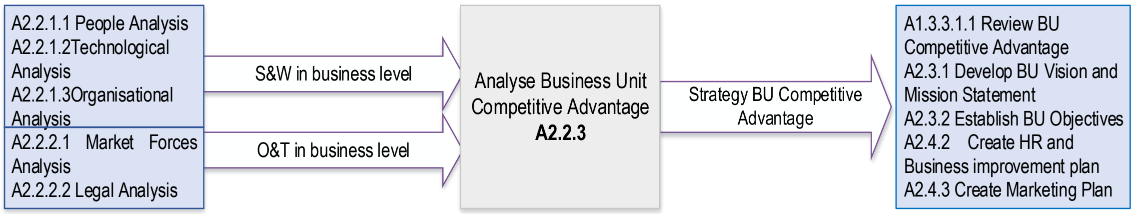


Figure 6-26:The input and output of analyse business unit competitive advantages

A2.3 Set Business Unit Goals

The decision-making activity A2.3 Set Business Unit Goals shows no change from the theory-based strategy formulation process. It has two sub activities A2.3.1 Develop Business Unit Vision and Mission Statement and A2.3.2 Establish Business Unit Objectives. Figure 6-27 illustrate that the inputs are two from the corporate level and one from the business unit. First, the corporate enforces its (decision) “Corporate vision and mission” to ensure that the business unit is aligned with the corporate vision and mission. Second, the corporate has a broader view of business abilities, and thus can set decision “Generic business unit objectives” for each business unit, as required. If it revises the current strategy and understands its weaknesses and the organizational SWOT, it can position itself better in the market. And one report as input from the business unit is “Strategic business unit competitive advantage “. while the output of this activity are two decisions first,” Business unit vision and mission “and “Specific business unit objectives” to use as input for four business unit activities are they A 2.4.1Creat Financial Plan, A 2.4.2 Create HR and Business Improvement Plan, A 2.4.3 Create Marketing Plan and A 2.4.4 Create Production Engineering and R&D Plan.

“In every meeting, every company must tell me: we are number one or number two and they have proven that” FR7.

Figure 6-27:The input and the output of set business unit goals

A2.4 Create Business Unit Plan

Figure 6-28 illustrate the decision-making activity A2.4 Create Business Unit Plan. This is composed of A4.1 “Create HR and Business Improvement plan”, A4.2 “Create Financial plan”, A4.3 “Create Marketing Plan”, A4.4” Production, Engineering and R&D Plan, and also based on the output of the plans and programs. The inputs are five three decisions “Corporate policy guidelines”, “Business unit vision and mission”, “Specific business unit objectives” and one report “Strategic business unit competitive advantage”, and “Funding availability”. A further input, “Financial target” from the corporate ensures that all business plans are aligned to the corporate policies. The output is the “Business unit master plan”.

Different companies, naturally, have different starting points. Some companies start by making a financial plan to address the targeted required return on investment, return on assets, and cash and capital availability. These inputs help to set the other plans. Other companies start their planning by a marketing plan and target sales and market share. On this basis, financial and production planning is oriented to serve the marketing plan. Others start by new product development or by a production plan. Based on the production plan (the available quantities), the marketing plan is formulated to push products into the market and a financial plan is constructed to serve these plans. Finally, an HR and business improvement adopts all types of planning orientation to address the required capacity, the required capabilities, and required performance to ensure the achievability of the plans.

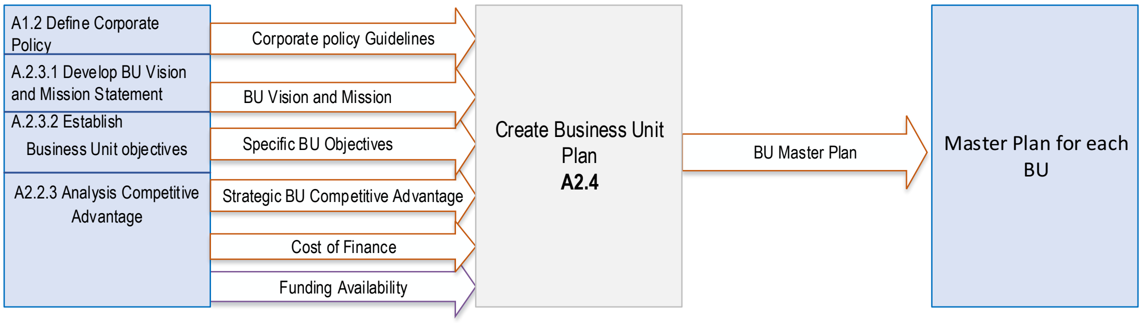


Figure 6-28:The input and the output of create business unit plan

6.5 Summary

On the corporate level, there are five decision making activities to develop six different strategic decisions. The activities are A1.1Develop Corporate Vision and Mission, A1.2 Define Corporate Policy, A1.3.1 Set Owners' Goals and A1.3.3.3 Set the Corporate Portfolio Objectives and A1.3.4 Set Business Unit Objectives. The decisions, as in the table in 0, concern Corporate Vision and Mission, Corporate Policy Guidelines, Generic Business Unit Objectives, Market Opportunities, Corporate Portfolio Strategy and Owners' Goals, Funding Availability and Cost of Finance. On the corporate level, the three decision support activities are A1.3.2 Review Current Portfolio Performance, A1.3.3.1 Analyse Internal Corporate Environment and A1.3.3.2 Analyse External Corporate Environment. They produce four reports, briefly, to inform the decision makers about the influential factors to take the right strategic decisions. The reports are on Corporate Level Performance, Consolidated Business Unit Portfolio Performance, Corporate Level Strengths and Weaknesses and Corporate Level Opportunities and Threats.

On the business level, there are six decision making activities producing six decisions. The six decision making activities are A 2.1.2 Form Business Unit Strategy Team, A 2.1.4 Strategy Focusing, A 2.3.1 Develop Business Unit Vision and Mission Statement, A 2.3.2 Establish Business Unit Objectives, A 2.4 Create Business Unit Plans and A.2.4.1 Create Financial Plan. The six decisions concern Team Membership, Strategic Business Unit Direction, Business Unit Vision and Mission, Specific Business Unit Objectives, Financial Targets to achieve plans and Business Unit Master Plan. The Business Unit has six decision support activities which together produce eight reports. The activities are A 1.3.3.1

Analyse Corporate Level Internal Environment, A 2.1.1Review Customer Feedback, A 2.1.3 Evaluate Current Business Unit Strategy, A 2.2.1 Analyse Business Unit Internal Environment, A 2.2.2 Analyse Business Unit External Environment and A 2.2.3 Analyse Business Unit Competitive Advantages. The produced reports concern Customer Issues and Feedback, Strategy Review, Business Unit Performance, Business Level Strengths and Weaknesses, Business Level Opportunities and Threats, Strategic Business Unit Competitive Advantage, Funding Availability and Cost of Finance. Not all the influential factors are included in the reports. Thus, influential factors are classified into preference based influential factors and report based influential factors. The details and contents of the reports, their documented influential factors and preference factors are detailed in the next chapter. (The modelling of the influential factor is detailed in Chapter 7.) Since there are two different types of activity and two types of influential factor, there are two main types of tool. (The tools are covered in detail in Chapter 7.)

7 Influential Factors and Tools

7.1 Introduction

The previous chapter mapped the strategy formulation process, spotlighting the names of the decisions, reports and activities. This chapter details and models all the above list and shows how they affect the decisions: each report is developed with its own particular tools. This chapter has three main sections: models of influential factors, preference-based influential factors and reports-based influential factors (see 0)

7.2 Influential Factors Model

The influential factors model shows the influence of factors on the strategy formulation process. This process consists of activities for decision-making and supporting decisions (see Figure 7-2). Some activities capture influential factors: others use these factors to understand the environment before making decisions. Since not all factors can be captured through reports (reports-based), some are called preference-based; these investigate the role of the family's preferences. A single report-based factor can have different influences on different activities and different factors can have a single origin, i.e. as decision support activities. Thus, the report based factors are based on knowledge created in decision support activities.

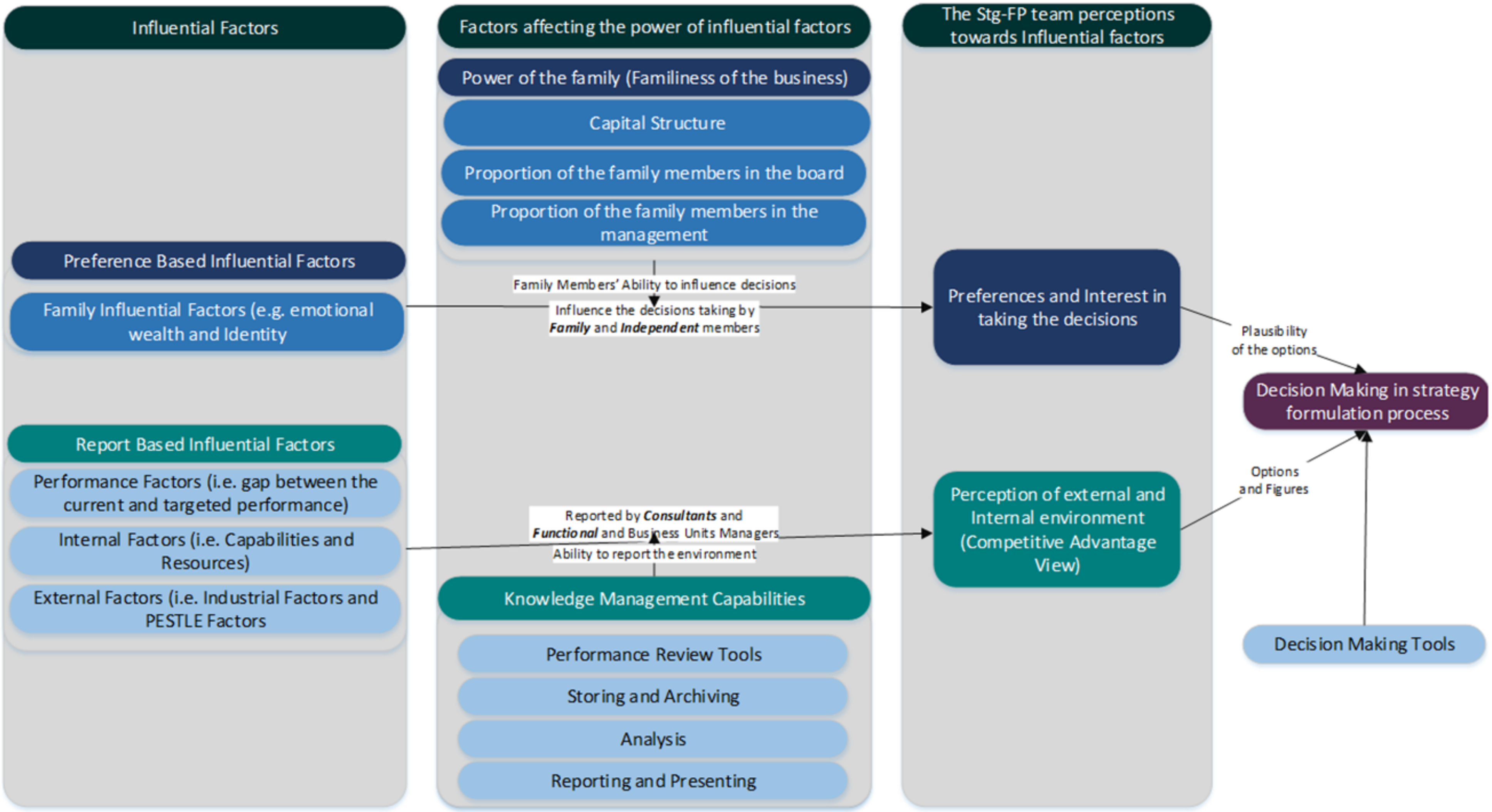


Figure 7-1: Influential factors model

7.3 Preference-based Influential Factors

The preference-based factors are those which govern the subjectivity in decision-making and are not documented in reports (see Figure 7-4). They are inherited from the main family roles in the business, as discussed. In fact, the family's normative and social functions are perceived to be the main source of competitive advantage and major sources of the business' sustainability. These roles influence the perception of decision-makers in the strategy formulation team of the content of reports on external and internal changes. That is, the perceived plausibility and desirability of certain financial investments and new initiatives could be due to the family's socio-emotional wealth not its capital. As noted in Case 7, moreover, one business line is closed because it might have its output diverted to wine; contravening the family's religious and cultural values. Preference-based influential factors are mainly threefold: the origin of the family's identity; protecting the family's identity (i.e. normative); protecting business growth through expanding and enriching the networks (i.e. social function).

These three influential factors impact differently on different strategies for different organisations, mainly because of the Familiness of the business. This influences the ability of the family to control on the business and thus moderates the influence of preferences on the decision-making. Thus, the lower the Familiness, the lower the family's ability to impose its preferences on the direction of corporate strategy, the less the family owns in the company, and the less family identity influences the corporate strategic direction

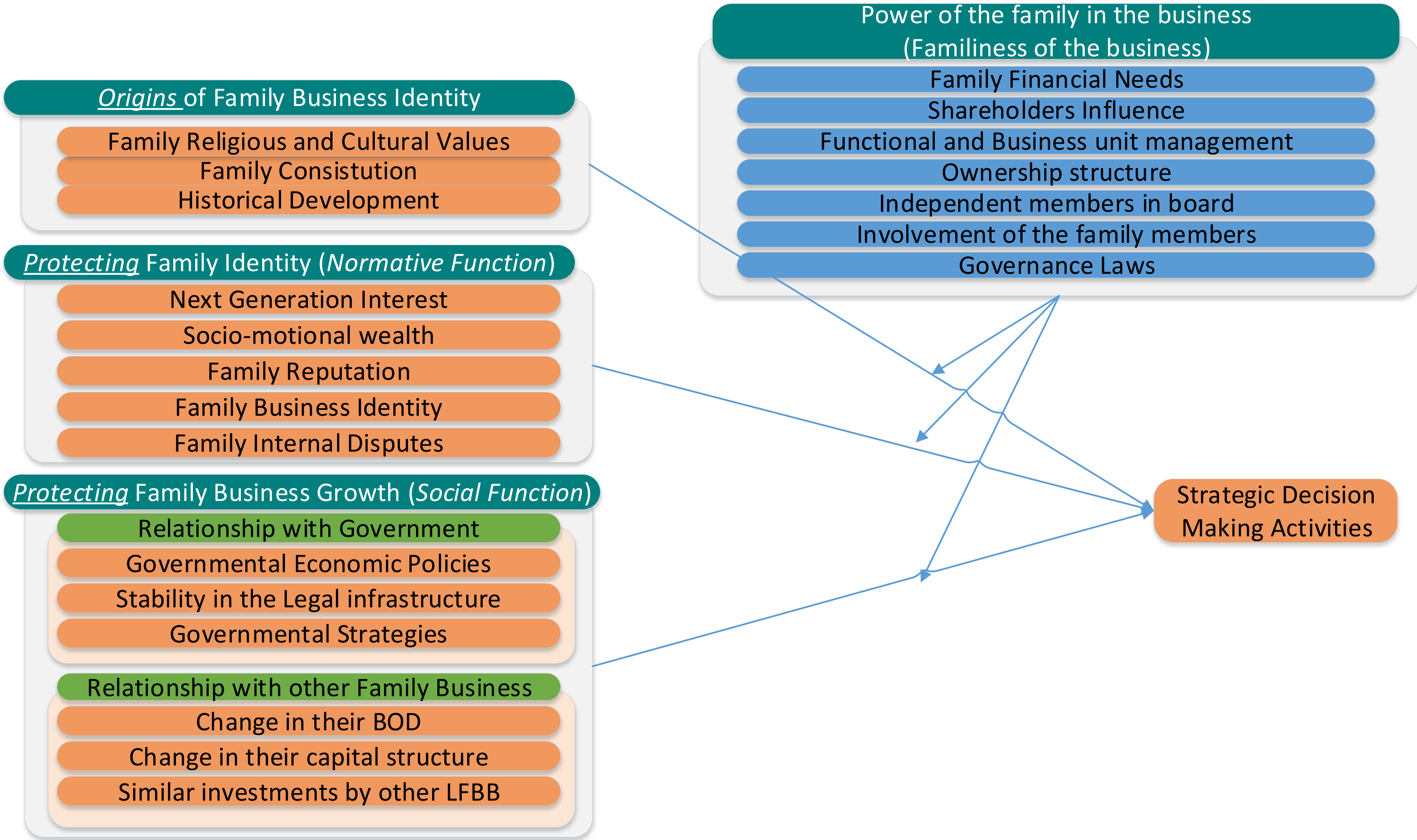


Figure 7-2: Preference based influential factors model

7.3.1 Origins of the Family Identify

Among the most important factors influencing the corporate strategic direction is family identity, defined in this research as the way that the family defines itself, its business and its relationship with the business. These factors constitute the family, and articulate the historic development of the corporate, the business, and the family's religious and cultural values (see Figure 7-3.). These factors are not mutually exclusive; but overlap and mutually influence. The family constitution is governed by the family's historic development, its founder's spirit and the family's religious-cultural values.

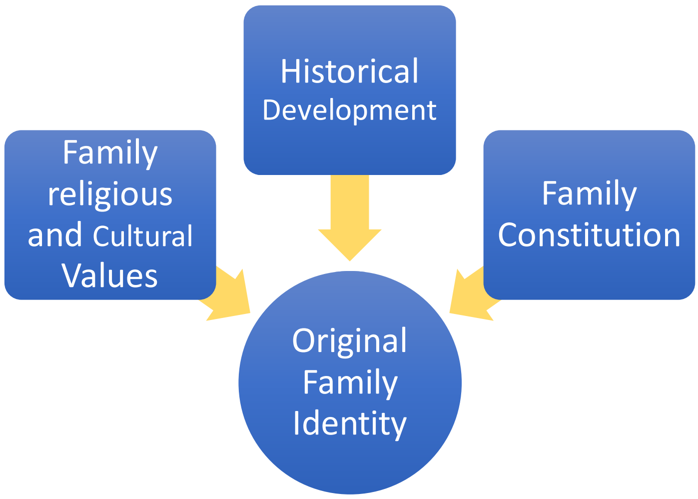


Figure 7-3: The origins of the family identity

7.3.1.1 Historical Development

Historical development signifies the corporate history, the purpose of its establishment, the vision and mission of its founder and the corporate experience in the ecosystem (see Table 7-1). This historical development forms organisations' DNA through the founders' values.

"In particular what defines its core (DNA)" Co.14

Respondents generally believed that this is integrated in the corporate mentality which influences the corporate vision

"Historical legacy is an important component of any family business' future vision" Co.5

Table 7-1: Definition of historical development and the activities influenced by it

Influential Factors	Definition	How it affects the corporate strategy	Influenced Activity
Historical development	Historical development is corporate history: the purpose of establishment, the vision and mission of the founder and the corporate experience in the ecosystem. This historical development forms organisations' DNA.	The deeper historical development is grounded in the strategy formulation team, the more the vision reflects such values	A1.1. Developing Corporate Level Vision and Mission

7.3.1.2 Family Religious and Cultural Value

Table 7-2 shows the family's religious and cultural values as its overt beliefs, values and norms. The family is proud of them and tend to display them in public, for two reasons: to focus on the family norms and to show off to others. The family norms influence what is accepted or rejected in business practice and in choosing strategic options. Thus, a factor must be proposed for incorporation in the Defined Corporate Policy to be fully integrated in the strategy; then it can systematically influence all strategic decisions and preferences in the strategy.

> "In new business ventures and investment, the family sets high Sharia-compliant, ethical [standards] with a positive impact on society" Co.13

What to show off to others is part of building a firm's identity, affecting the portfolio initiatives and business objectives. It appears that many family businesses have their own non-profitable organisations (NGOs) for charitable and religious purposes. Religious and charitable commitments contribute to the family identity of many in Saudi Arabia:

> "We pay Zakat to government. However, we have other charitable activities and projects. We have a fund of 1bn SR for charitable activities and projects … run professionally as any other business" Co.13

The willingness to deal with "interest" is not uniform. On one hand, Co.9, who clearly adhered to his Islamic background said that his organisation did not countenance any form of interest, perceived as usury:

> "Our policy is never accepting to work by interest, "Riba", in our business lines. Our Islamic and religious values come first" Co.9

On the other hand, Co.3 and Co.11 are more relaxed about "interest", which is outside their definition of an Islamic business. Two companies demonstrated how their family's religious and cultural values affected their policy in entering/leaving a market, i.e. the corporate portfolio. Co.7 described his family's action:

> “We, as a family, decided to close a big manufacturing plant costing us millions of dollars just because the output of this plant can be used indirectly in wine making. It would be shameful for to be involved in something like that” Co.7

Likewise, Co.2 clearly stated that they were happy to sacrifice family income, which influences the owners’ goals, by avoiding markets that could affect their Islamic and conservative family identity.

Table 7-2: Definition of family religious and cultural value and the activities influenced by it

Influential Factors	Definition	How it affects the corporate strategy	Influenced Activity
Family Religious and cultural values	Family beliefs, values and norms	They influence the Corporate Policy portfolio structure and contents and the owners’ goals, defining what is accepted or rejected.	A.1.2. Define Corporate Policy A1.3.1 Set Owners’ Goals A1.3.3.3 Set corporate portfolio objectives

7.3.1.1 Family Constitution

Less than 20% have formed rules such as family constitutions (charters), but 27% are working on it (Echhade, 2014). Some have “constitutions” to organise and govern the relationship between the family and the business. These, built upon the family’s historic development and religious and cultural values, ensure a win-win situation for all stakeholders and formulate the dividends distribution policy to relatives. The mechanisms involve family members in considering the next generation to inherit power and control in the business. Family constitutions are found in corporates Co.9, Co.14, Co.7, Co.13, Co.3, and Co.4, which all see the constitution as a vital reason for not destroying the business. Its purpose is to control conflicts of interest between members.

To configure the family constitution in the strategy formulation process, they choose an activity which can govern decision-making in the corporate and its business units. The focal point is the corporate policy. Family constitutions are then vehicles for integrating the family’s values and major influences on the Defined Corporate Policy (see Table 7-3).

Table 7-3: Definition of family constitution and the activities influenced

Influential Factor	Definition	How it affects the corporate strategy	Influenced Activity
Family constitution	Some families have “constitutions” to organise and govern the relationship between family members and the business. This is to ensure a win-win situation for all stakeholders	This constitution usually determines dividends distribution and portfolio structure regarding the next generation’s projects.	A1.2. Defined Corporate Policy

7.3.2 Protecting and Enhancing Family Identity Objectives

Among the main functions of the FMOB are the normative and social ones covering family businesses in the ecosystem. Normative function focuses on protecting the family identity as CEOs and strategic managers perceive it as critical for business.

Not only does the family identity influence the strategic direction of family businesses but the evidence also shows that the family mechanisms to protect this identity affect the firm’s direction. Family members impose certain factors – next generation interests, socio-emotional wealth, family business identity and family internal disputes – to protect and foster family identity. Indeed, identity is the main capital of family businesses. Thus, anything touching its identity may affect it seriously:

> “Because the family controls the business anything affecting the business will affect the family and vice versa” Co.10

If the family identity is not aligned with its business objectives, consequent family mistrust of the business

> “Invariably end by weakening the family business” Co.5

7.3.2.1 Next Generation Interest

Table 7-4 shows the influence of the next generation which is concerned with the family business. To ensure business sustainability, preparing the next generation is an important family strategy:

> “Proper succession planning equates to business continuity, without which no strategic planning exercise could be implemented successfully” Co.5

Without preparing new generations to inherit, family businesses may not endure; this is perceived as a critical factor for A1.3.1 Set Owner Goals.

"There is a special program through the HR department, for the family members not to be employed in the company but to serve as leading lights" Co.15

New units are established for the new generations, such as incubation centres for them to try out business experiments (Co.14, Co.9)

"Through a small investment company under the main holding company; but not working for the main holding company" Co.14

Thus, factor is proposed in this research to influence A1.3.3.3. Set Corporate Objectives, i.e. the next generation's interest's influence and direct the strategic direction of businesses. The family business portfolio can expand according to the newcomers' interests, funding new businesses pioneered by them or small academic institutions can be built some only for training and preparing these newcomers some business lines are penetrated only by new family members who lack experience in managing businesses:

"Succession planning takes into account the rehabilitation of next-generation educationally and technologically and improves their practical experience by letting them participate by taking responsibility in the company." Co.4

To show how important this factor is in the corporate strategy in general and corporate portfolio objectives in particular, some corporates dedicate a department to its management:

"A family office to consider all issues such as succession planning, business continuity and shareholders." Co.12

Table 7-4: Definition of next generation interests and activities influenced by them

Influential Factors	Definition	How it affects the corporate strategy	Influenced Activity
Next Generation's Interests	The next generations must ensure the sustainability of the family firm	Corporate goals are partially directed to fulfil these needs	A1.3.1. Set Owners' Goals A1.3.3.3. Set corporate portfolio objectives

7.3.2.2 Socio-emotional Wealth

Families protect their identity through focusing on projects that foster their image, reputation and pride (see Table 7-5). Its socio-emotional wealth is defined in terms of "We did". Protecting family image and reputation, seen in Co.11, is felt crucial for protecting family business identity.

"Family reputation is one of the most important factors influencing strategy formulation." Co.7

To large family business owners, socio-emotional wealth can even seem more important in setting the vision and mission than any financial dream:

> "We do not have vision; our only vision is to protect and guard the family reputation in the business. I do not mind making losses as long as my family name is protected" Co.2
>
> "I am happy to make losses as long as my family name is protected" Co.11

Thus, part of the corporate's vision and mission is to show pride in the family name or brand. Projects are sometimes undertaken to enhance the family name. Among A1.3.1. Set Owners' Goals, the family's socio-emotional wealth is a key definer of its objectives. Other members will close any unacceptable business line if it emerges and if a family member appears capable of offering poor services/commodities to the government, the rest will intervene to prevent it. Thus, it influences A1.3.3.3. Set the Corporate Portfolio Objectives.

Table 7-5: Definition of socio-emotional wealth and the activities influenced by it

Influential Factors	Definition	How it affects the corporate strategy	Influenced Activity
Socio-emotional wealth	Family non-financial motivation in running the business, e.g. prestige and charitable intentions.	The higher the family socio-emotional level, the higher the strategy to preserve the family reputation in non-profit objectives.	A1.1. Develop corporate level vision and mission A1.3.1. Set Owners' Goals A1.3.3.3. Set Corporate Portfolio Objectives

7.3.2.3 Family Internal Disputes

If internal family disputes lead to lawsuits, family identity is in jeopardy and so is the sustainability of the business. The interviewees concurred. If family disputes get out of control, the business and reputation may be affected, as Co.8 and Co.5 noted. However, disputes on the interests, power and resources of family rivals and businesses can arise. If they become uncontrollable, the family may decide to leave management wholly to professionals.

> "The ownership structure has been streamlined to avoid issues faced by other family-owned businesses. Management is not done by the family members; hence professionals are employed" Co.8

Family business meetings are held by the Kabeer Al Ela (the most powerful person in a family, controlling the business) to overcome conflicts by controlling the scope of the businesses ruled by other members.

> "This is not only associated with poor corporate governance models but also with ill-devised legal platforms that often lead to court disputes between family members which fragment the business" Co.5

(see Table 7-6). It is proposed that internal disputes influence A1.3.1. Set Owners' Goals, because the decisions involved in summarising the owners' goals to direct the strategy are influenced by family interests, power and resources. These collectively influence the family's running of the business.

Table 7-6: Definition of family internal disputes and the activities influenced

Influential Factors	Definition	How it affects the corporate strategy	The activity
Family internal disputes	Family members can have conflicting interests and objectives	The differences in the objectives lead to new objectives negotiated to satisfy all members	A1.3.1. Set Owners' Goals

7.3.2.4 Family Business Unit Identity

The business units' identities collectively influence the family business' identity. If the leaders of business units have over time, shifted the identity of the business, the corporate identity as whole changes, as is observed in corporates from which family members withdraw (see Table 7-7). By this time, the identity of the remaining leaders dominates, as in Co.5, Co.14 and Co.13. Still, many family members govern their business units' identities proactively to protect the family business identity overall (Co.14 and Co.2).

The business unit's identity influences the business unit's perception of itself and its function in the community. This in turn affects the business unit's vision and mission statement, which influences the unit's objectives. Thus, families judge it important to govern the business unit identity so as to control the business unit objectives.

Table 7-7: Definition of family business unit identity and the activities influenced by it

Influential Factors	Definition	How it affects the Business strategy	Influenced Activity
Family Business Unit Identity	How the business defines itself in the ecosystem.	Vision and mission reflect the business identity	A2.3.1 Develop Business Unit Vision and Mission statement

7.3.3 Protecting Family Identity Growth and Continuity

Besides normative function of protecting family identity, family businesses want to be protecting their financial interests. This research focuses on Large Family

Businesses, which are different from other family businesses. Governments may perceive Large Family Businesses as threats because of their market power and influence. Thus, the family seeks to sustain strong formal and informal relationships with government and other local family businesses, defined as a social function (See Figure 7-3). The family anchors itself into government strategies and those of other large family businesses. Thus, some new businesses are established only to please the government or to secure partnerships with other family businesses. The motive may not be financial, merely to hook the family business into other large concerns.

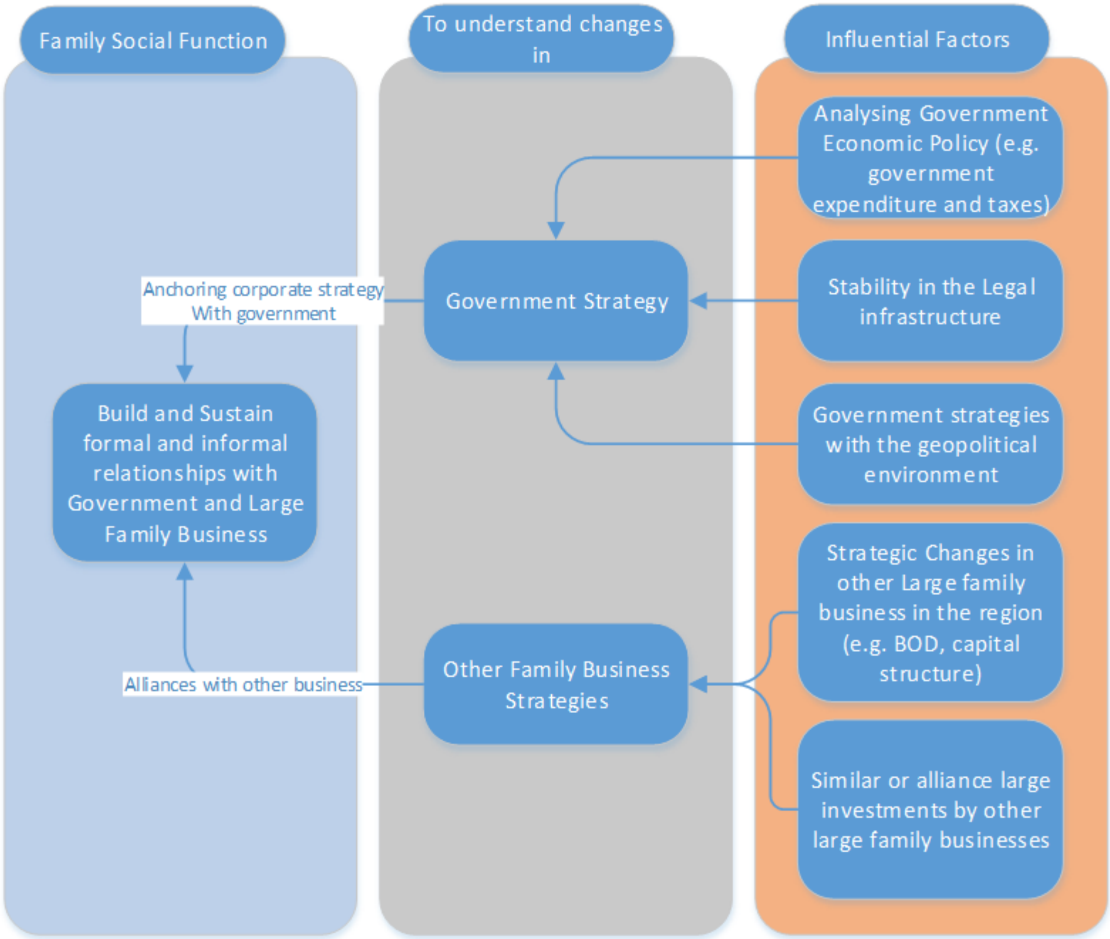


Figure 7-4: The relation between the family's role and related influential factors

7.3.3.1 Relationship with government

The most influential factor in the LFBBs is the relationship with government. All interviewees stated that this is the key to success.

"Because of my father's relationship with the government, he has exclusive rights to build constructions on the coast" Co.2

Without such relationships with government, a business cannot exist:

"You know, it is all about the relations and networks" Co.8

"You know, neither myself, nor other big families follow any of the strategy formulation process, as you say! It is all about relationships with government" Owner

Because of a former weak relationship with government, an interviewee, Co.8, has closed one of his main businesses. Thus, relationships with government structure the corporate portfolio towards pleasing the government and avoiding any dispute (see Table 7-8). Given this sensitive and critical relationship, the crucial duty of owners and heads of family businesses is to sustain it.

Table 7-8: Definition of relationships with government and the activities influenced by them

Influential Factors	Definition	How it affects the corporate strategy	Influenced Activity
Relationships with government	The relationship can be seen in numbers of projects with government, government's attitude to the business, and its seniors' informal relationships with government.	Alignment with government directions and intentions is critical for sustainability. The corporate portfolio decisions shadow the direction of the relationship with the government.	A1.3.3.3. Setting corporate portfolio objectives

7.3.3.2 Relationships with other Family Businesses

The second most influential factor is relationships with other local family businesses, because family businesses believe themselves distinct from other businesses and representing economic power. Thus, family businesses are believed to band together to protect their businesses against external threats in the ecosystem (see Table 7-9). Thus, to protect themselves sustainably as distinctive units, they collaborate. Negative attitudes between family members may look like threats, indicating rivalry. Accordingly, a significant element in portfolio objectives is improving relationships with their counterparts.

To show how alliances of family businesses can be influential, consider entry into new international markets. Political issues in certain countries may obstruct a family business seeking entry; it looks for a protector, another family business already operating there.

> "We collaborate with Omani company owned by a family business, to ensure collaboration and coordination. This is the way to enter the market not only for the media but for other businesses that we run without our partners, such as construction. It works like a national guard for our businesses there" Co.4

To sum up, the corporate portfolio objectives should be aligned and not in direct competition with other families' goals and strategies. Any direct competitions between family businesses is viewed as a threat in the ecosystem to the existence of both. Thus, this study proposes that this factor influences activity A1.3.3.3. Set the corporate portfolio objectives.

Table 7-9: Definition of relationships with other family businesses and the activities influenced by it

Influential Factors	Definition	How it affects the corporate strategy	Influenced Activitiy
Relationships with other family businesses	The relationship can be defined as numbers of projects/investments with other family businesses, and informal relationships with leading owners.	Alignment and coordination with other family businesses influence the direction of the corporate portfolio strategy	A1.3.3.3 Set the corporate Portfolio Objectives

7.3.3.3 Other Large Family Business Strategies

Since cooperation between family businesses is perceived as critical for sustainability, the strategies of other large family businesses are influential on the corporate strategy. Thus, collaboration with other family businesses is a major strategy that stands high on the agenda for meetings (see Table 7-10). Families collaborate with other family business not only in the region but also with foreign companies, sometimes to trade internationally to gain competitive advantage by securing incomparable resources; to invest in different baskets; or as a last resort during political turmoil's. Family businesses take an oligopolistic approach in trade. Thus, any family business constantly studies the activities and strategies of its counterparts for cooperation both formal and informal, to ensure their strategies are aligned.

> "There is a mega project in Africa other family businesses know that they cannot afford this project. Implicitly, they do not enter a bid. I take it. And if we see a bid that I cannot afford for some reason, I leave it for them" Co.1

Families monitoring changes in other corporates' boards of directors or main strategies and also any large investments inviting collaboration. New members on the directorial board represent a significant risk to a company, if their attitudes to business are negative. With enough power, they may breach or end a collaboration. Likewise, mergers and acquisitions among large family businesses can represent an opportunity or threat. Mergers can transform not only business processes but relationships and powers in the market.

Therefore, other family business strategies changes to the board, capital structure, and similar investment - are factors affecting A1.3.1. Set Owners' Goals.

Table 7-10: The Definition of relationships with strategies of other family businesses and activities influenced by the

Influential Factors	Definition	How it affects the corporate strategy	Influenced Activity
Changes in Board of Directors in other LFBBs	Affecting the structure of the board of directors of another family business with members opposing or supporting the family business	The board structure and capital structure of other family businesses influence relationships with the family and may lead to changes in the strategy direction	A1.3.1. Set Owners' Goals
Changes in the capital structure of other LFBBs	The structure of ownership of family members in other businesses. Changes in key owners.		
Similar investments or projects by other LFBBs	The strategic directions of other family members when entering similar markets.		

7.3.4 Power of the family in the business

Familiness in a business is defined in the literature as the power of the family in the organisation based on the number of family members on the board and capital structure (i.e. the proportion of capital owned by the family). This research finds other factors influencing the power of the family to steer the corporate strategy. The less the Familiness of the business, the more policy will be oriented towards finance, rather than culture or religion. This does not mean that financial policy is outside the high Familiness of the business; rather, it is always present but at different levels of importance.

> "We set dividend distribution policies to ensure a sustainable cash flow. We take account of the risks in financing different investments" Co.9

Seven family and non-family factors are found to control the influence of the preference-based influential factors on strategic decisions. The family factors are ownership in the corporate, how involved the family members are in managing the corporate, and the family's financial needs. The other factors that do the same are governance laws, ownership structure, shareholders' influence, the presence of independent members from other corporates, and functional and business unit managers.

7.3.4.1 Governance Laws

Table 7-11 shows the governance laws, set by the government to organise and control the relationship between the shareholders, directors and management. If the family business has no external shareholders, it need not enforce governance laws. Thus, it need not publish financial and non-financial information. Hence, only 37% of the large family businesses in the GCC disclose financial and non-financial information to concerned business partners (Eshhade, 2014). However, external shareholders, under governance laws, influence the corporate vision and mission, affecting the way businesses are controlled. For instance, if a company lists its shares in the public market, the governance laws about transparency can direct the family business in developing its vision and mission.

Table 7-11: Definition of governance law and the activities influenced by it

Influential Factors	Definition	How it affects the corporate strategy	Influenced Activity
Governance Law	When the corporate issues share in the public market, governance laws come into action	Governance laws affect the family's ability to enforce its influential factors	A1.1. Develop corporate level vision and mission

7.3.4.2 Ownership Structure

Ownership structure determines the board of directors and voting rights on the board (see Table 7-12). The more capital the family owns, the higher its voting rights in strategic decisions. According to SA's governance laws, the board is responsible for setting and defining the corporate vision and mission. Voting obeys the power of the capital structure. Vision and mission are affected by the views of any partner owning a significant proportion of the capital, possibly contravening the family's identity, vision and mission. Thus, changes in ownership structure influencing the vision and mission statement are proposed.

Table 7-12: Definition of change of the ownership structure and the activities influenced by it

Influential factors	Definition	How it affects the corporate strategy	Influenced Activity
Change in the Ownership Structure	The changing proportion of the capital owned and controlled by the family	The more the family owns, the more it can enforce its family factors in the vision	A.1 Develop corporate level vision and mission

7.3.4.3 Shareholders' Influences

Shareholder influence is determined by the interdependence of the board, capital structure and governance transparency laws. Shareholders can exert power only if the capital structure allows external members to wield power in controlling the company (see Table 7-13).

The greater the power of the family members in the business the more its vision aligns with the business vision, as two examples show. Co.9 has weak influence on investments because of an insignificant share of capital and hence few directors. This limits their power to influence the business vision; they can monitor but not control.

> "We do have financial investments in different corporates but we have no control over them. Sometimes we appoint members on the board not for controlling but for auditing and following up. But we do not need to manage them" Co.9

However, when the family owns everything, it has most power and therefore its vision coincides with that of the business. This applies to Co.2 who own 100% of the business, which has no external directors.

> "The family meets and sets the full strategy by ourselves. The family is the business" Co.2

Table 7-13: Definition of shareholders' influences and the activities influenced by them

Influential Factors	Definition	How it affects the corporate strategy	Influenced Activity
Shareholders' Influences	The financial needs of the non-family owners	The more powerful the shareholders, the less the family can impose its influential factors	A1.1. Develop corporate level vision and mission

7.3.4.4 Independent Board Members

If the family does not own their company outright, other companies can purchase a significant proportion. By any chosen method, one or more directors can join the board from other businesses. Under the governance laws, the board formulates vision and mission. Thus, the more independent members on the board, the less can the family exert power in this formulation, as Co.13 illustrates. The independent members are appointed from other corporates to ensure alignment with these corporates and protect their interests. To ensure this alignment, they exert power on policies and affect the family's ability to control these. Thus (see Table 7-14), it is proposed that the more independent members on a board, the less preference factors can affect the vision, mission and corporate policy. The power of independent members could lead to their being appointed at the business unit level. If so, they could influence the strategy formulation team at this level. The presence of independent members could also influence the strategy formulation team in mergers and acquisitions at this level.

Table 7-14: Definition of independent board members and the activities influenced by them

Influential Factors	Definition	How it affects the corporate strategy	Influenced Activity
Independent Board Members	Members appointed from other corporates to protect their own interests in the family corporate	Their existence weakens the impact of family business factors on business units' strategic decisions	A1.1. Develop Corporate Level Vision and Mission A1.2. Define Corporate Policy A2.1.2 Form Business Unit Strategy Team

7.3.4.5 Functional and Business Unit Managers Influence

The number of Functional and Business Unit Managers on the board influences the articulation of the corporate's vision and mission (see Table 7-15). For instance, as illustrated in Table 7-16, Co.8 showed that in creating the vision and mission families only protect the family identity in terms of religious principles. FM8 delegates full power to FBUM, so long as their way of management aligns with the corporate vision. In contrast, Co.12, which has significant power in the family business, with many functional managers on the board, define a vision based mainly on business needs, taking account of family identity and needs under the heading "Future generations". Last, in Co.2 the result is a focus on family identity since no FBUM appear on the board.

Table 7-15: Definition of functional and business unit managers' influences and the activities influenced by them

Influential Factors	Definition	How it affects the corporate strategy	Influenced Activity
Functional and Business Unit Managers' Influences	The proportion of functional managers on the board of directors.	The greater their representation on the board, the less the influence of family business factors on strategic decisions.	A1.1. Develop Corporate Vision and Mission A1.2. Define Corporate policy

Table 7-16: The role of the FBUM on the vision and mission of the business

	No Functional Managers	Existence of both	No Existence of the family member
Vision	Focus mainly on family identity and reputation	Focus on both family identity and business needs	Focus mainly on business needs
Evidence	"Our vision is to grow by protecting **our identity** and reputation in our business. Our credibility is our way to achieve our vision" Co.2	"To be a regional leader in healthcare, nutrition, wellness, beauty and prestige products, meeting the needs of customers and building capability to meet the needs of future generations" Co.12	"to be the benchmark of excellence in managing our portfolio in investments in line with Islamic principles" Co.8

7.3.4.6 Involvement of Family Members

Business units and functional managers are people who formulate the strategy for their business units. The normal situation is to delegate authority. But sometimes, in the strategy formulation process, firms appoint family members to business units, aiming to protect the family identity and to ensure its alignment with the corporate vision and mission. Thus, involving family member is proposed to influence decisions on the composition of the strategy formulation team see Table 7-17).

Table 7-17: Definition of involving family members and the activities influenced by it

Influential Factors	Definition	How it affects the Business strategy	Influenced Activity
Involving Family Members	Bringing family members into the strategy formulation team for the business unit	Family members affect the strength of impact of family factors on the business unit's strategic decisions	A2.1.2. Form Business Unit Strategy Team

7.3.4.7 Family Financial Needs

Short-term family financial needs can feature among the expenses of protecting the family identity and focusing on financial KPIs only. Vandekerkhof et al. (in press) demonstrated recently that the family's short-term financial needs influence the firm's consideration of family factors in their decisions. In other words, corporates may sometimes decide to dilute their own identity to get more short-term financial gains because of the family's financial needs (see Table 7-18). This is clear in setting the business unit objectives. To meet financial needs, the focus, support and strategic direction could move to the business units that generate most income. Thus, the greater the financial need, the less the impact of preferences on corporate decisions and the lower the focus on non-financial KPIs. The business units that focus on financial KPIs without protecting family identity may threaten the sustainability of a family business.

Table 7-18: Definition of family financial needs and the activities influenced by them

Influential Factors	Definition	How it affects the corporate strategy	Influenced Activity
Family Financial Needs	Financial needs of the family members	The higher the short-term financial needs, the less the family can activate family factors in the business unit objectives	A1.3.4 Set Business Unit Objectives

7.4 Reports-based Influential Factors

The influential factors are those measures that affect the directions of and capacity to implement the strategy. The report-based influential factors are classified into performance review reports, internal analysis reports and external analysis reports

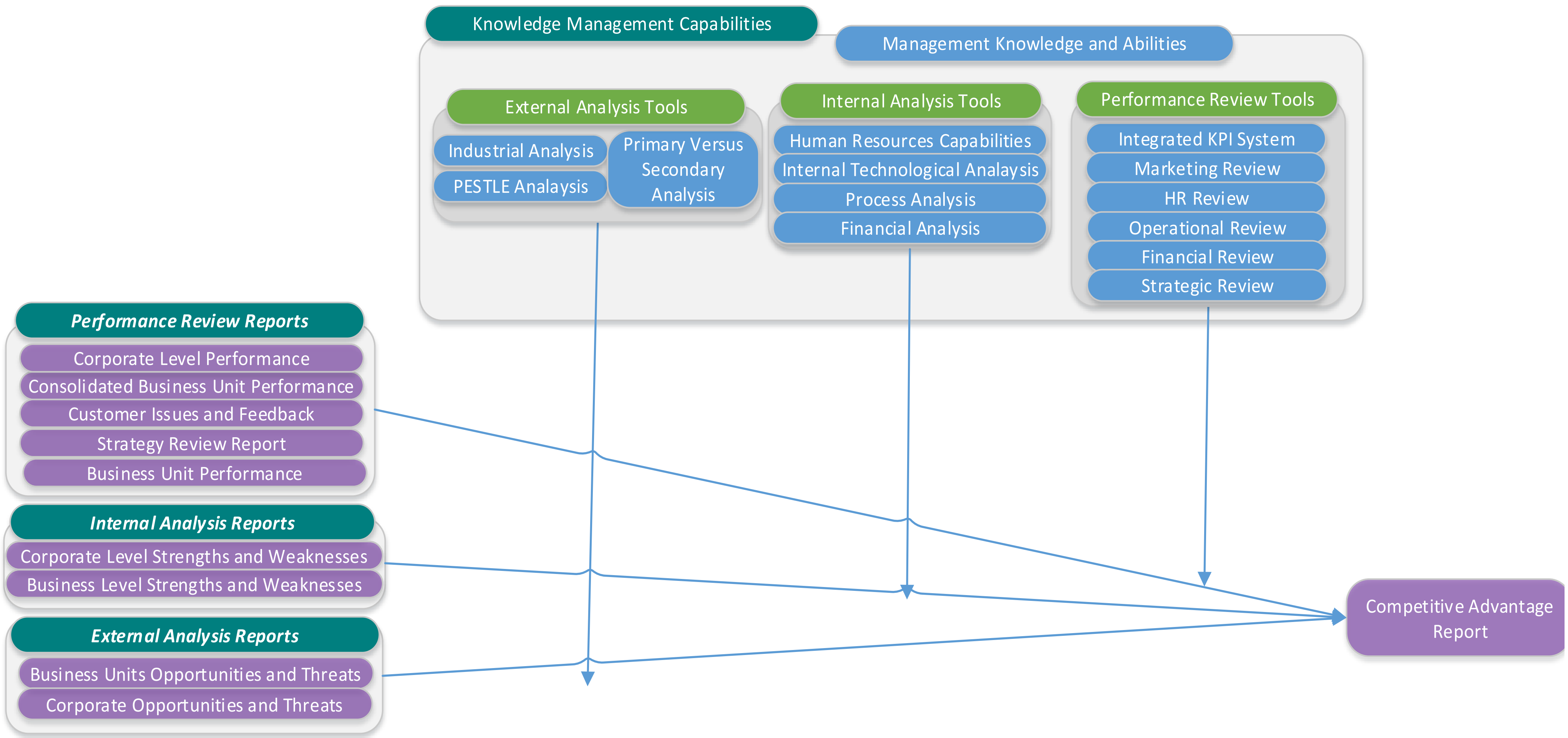


Figure 7-5 Report-based influential factors model

7.4.1 Performance Review Reports

This research found five-performance review reports produced at different stages in the strategy formulation process for different reasons. The reports concern corporate level performance, consolidated business unit performance, business unit performance, strategy review and customer issues and feedback. Each has its own tools, uses and intrinsic influential factors (see Figure 7-5).

7.4.1.1 Corporate Level Performance Report

The main objective of the corporates is to maximize shareholders' wealth (Gitman, 2015). In this research, corporate level performance reports are documents produced by an independent organisation (i.e. external auditors) to illustrate the current performance related to target and historical financial performance (see Table 7-19). Financial measures are proposed here, since this language can be used in communicating with shareholders, non-managing family members and partners. Since the corporate contains several business units, the only unified measure is financial.

Table 7-19: Definition of corporate level performance report and the contents of the influential factors

Report	Definition	Source	Contents (Influential Factors)
Corporate Level Performance	A benchmark of current performance beside targeted performance	A1.3.2 Review current portfolio performance	Current Portfolio Performance (e.g. Return on Assets, financial growth rate and Return on Equity)

7.4.1.1.1 Influential Factors in the Corporate Level Performance Report

The only influential factor generated from this report is the current portfolio performance in financial terms (see Table 7-20). This is the current financial performance, supplemented by variations from historical performance/targeted performance and future predicted values. This influential factor affects the decisions of A.1.3.3.3. Set the Corporate Portfolio Objectives in setting realistic future financial targets. It also guides two decision support activities, one being A1.3.3.3.1.3. Corporate Financial Resource Analysis, determining future cash flow availability. Additionally, current financial performance shows the corporate the usefulness and profitability of investing in its resources/business units.

Table 7-20: Definition of the factors that influence corporate level performance report and the activities influenced by them

Influential Factor	Definition	How it affects the corporate strategy	Influenced Activity
Current Portfolio Performance	Financial performance of the portfolio as a whole and its business unit's performance.	Shows the current financial and non-financial performance for setting new corporate targets.	A1.3.3.3 Set the Corporate Portfolio Objectives
		Clarifies cash flow availability for next period	A1.3.3.1.3 Corporate Financial Resource Analysis
		Shows the usefulness of resources and the return on the assets deployed	A1.3.3.1.2 Corporate Tangible Resources Analysis

7.4.1.1.2 Tools used for the Influential Factors in in the Corporate Level Performance Report

The interviewees reported three main tools. They reveal four areas of information (see Table 7-21): current financial performance, variation from previous years, variation from target and financial performance in the coming year. The tools Investigate current performance (financial reviews, analyse variation (historical variation analysis) or predict values (financial trend analysis). The financial reviews use financial measures to determine current performance through sets of measures such as Return on Investment and Earnings before Interest and Tax. Historical Variation compares sets of figures and percentages in the current year's financial performance, the previous years and the targeted performance. Trend analysis uses time series analysis methods such as regression analysis, to predict future values from historical data.

> "Considering the trend in the historical performance is the first step in understanding our direction and performance" Co.12

Table 7-21: Tools used for the influential factors in the corporate level performance report

Tool	Definition
Financial Reviews	Revises financial measures such as Return on Investment and Earnings before interest and tax (EBIT)
Historical Variation analysis (e.g. variation analysis)	Compares past years' performance and current year performance, mainly measuring growth or decline in performance
Trend Analysis	Predicting the future income from historical data

7.4.1.2 Consolidated Business Unit Portfolio Performance Report

Review Current Portfolio Performance generates not only "Corporate Level Performance" reports but also other more detailed and segmented reports called

“Consolidated Business Unit Performance” (see Table 7-22). It does the first to show the aggregate performance of the corporate as a whole, and the second to clarify in depth how each business unit contributes to the aggregate performance. Its first aim is to give strategic decisions about the business units by strengthening those that exist. It reviews their competitive advantages through alignment, vertical integration or horizontal integration, or by deciding to close a business line. Its second aim is to discover the current performance of each business unit and set them realistic target measures and to guide in assessing the competitive advantages of each. This report illustrates different business units on different matrices such as the BCG matrix.

Table 7-22: Definition of consolidated business unit portfolio performance report and the contents of its influential factors

Report	Definition	Source	Contents (Influential Factors)
Consolidated Business Unit Portfolio Performance	A summary of consolidated financial reports of business units into a unified, segmented reporting structure	A1.3.2 Review current portfolio performance	Current Business Unit Performance Business units’ revenues and controllable business unit costs. Other business financial measures are Economic Value Added and residual incomes.

7.4.1.2.1 The Influential Factor in the Consolidated Business Unit Portfolio Performance Report

The sole influential factor generated from this report is Current Business Unit Performance (see Table 7-23). It influences two decision-making activities and guides one decision-support activity. These influence two main decisions, one being A1.3.4. Set Business Unit Objectives. Future targeted performance can be set according to current performance. Moreover, mapping the current performance of different business units on one matrix can help to identifying synergy possibilities or vertical and horizontal integration. Thus, this factor is proposed to influence A1.3.3.3 Set the Corporate Portfolio Objectives

Additionally, this influential factor guides a decision support activity, A1.3.3.1 Review Business Unit Competitive Advantage. Based on its current view of the business unit, the corporate can identify the sources of competitive advantage.

Table 7-23 Definition of the factors that influence consolidated business unit portfolio performance report and the activities influenced by them

Influential Factor	Definition	How it affects the corporate strategy	Influenced Activity
Current Business Unit Performance	The current business unit performance reviewed and revised by the audit and accounting department through the corporate board.	Identifies current performance to base the new targets on realistic measures	A1.3.4 Set Business Unit Objectives
		To assess the value of gaining competitive advantage from the current performance	A1.3.3.1.1 Review Business Unit Competitive Advantage
		Vertical/horizontal/ conglomerate corporate strategy can be defined on this basis. Outsourcing, synergy and alignment strategies can be defined.	A1.3.3.3 Set the Corporate Portfolio Objectives

7.4.1.2.2 Tools Used for the Influential Factors in the Consolidated Business Unit Portfolio Performance Report

Besides variation analysis, trend analysis and financial review, several portfolio matrices are also used. Portfolio matrices map all business units in one diagram (Wheelen and Hunger, 2012). Below is an example which adopts the Boston Consulting Group (BCG) matrix. This benchmarks business units according to market share and potential growth rate. The groups are question marks, cash cows, stars and dogs. Cash cows generate cash flow from their significant market share but their growth potential is weak. Question marks have good potential to grow but a low current market share. Thus, cash cow projects can help by investing in question marks. Dog projects are to close as no market share and no potential growth while stars in booming markets and market share is high.

Value chain analysis is also a tool used in understanding the value creation process through the interrelationships across different suppliers. In the case, one of the supplier represents a bottleneck in the production process or in quality, the corporate may decide to take over or to create a business to substitute this unreliable node in the supply chain.

7.4.1.3 Business Unit Performance Report

Each business unit develops its own review report from A2.1.3. Evaluate Current Business Unit Strategy to assess each of its functions, departments and overall unit performance. It contains different KPIs to assess current performance in financial and non-financial terms (see Table 7-24)

Table 7-24: Definition of business unit performance report and the contents of its influential factors

Report	Definition	Source	Contents (Influential Factors)
Business Unit Performance	Shows the status line of the performance benchmarked with last year's performance and expected performance	A2.1.3 Evaluate current business unit strategy	Financial, Marketing, HR and Operational performance are influential factors

7.4.1.3.1 Influential Factors and Its Tools

The Business Unit Performance report documents many influential factors that affect the Create Business Unit Plans and guide the corporate in Review Current Portfolio Performance. These influential factors affecting the plans by giving functional managers more insight into their current performance. The influential factors here are financial, marketing, HR and operational performance (see Table 7-25). This classification derives from the Balanced Scorecard (BSC) by Kaplan and Norton (1996, 2012). This is because organisational performance is based on KPIs. BSC is a comprehensive framework of organisational KPIs that can be integrated to benefit the organisational strategy.

Table 7-25: Definition of the financial performance factors that influence business unit performance reports and the activities influenced by them

Influential Factor	Definition	How it affects the corporate strategy	Influenced Activity
Financial Performance	Current financial performance in terms of profitability ratios, sales and turnover ratios	The corporate defines the gap in each business unit's performance and develops a consolidated business unit performance	A1.3.2 Review Current Portfolio Performance
Marketing Performance	The market presence of the business products		
HR Performance	KPIs of current process and people - non-financial KPIs.		
Operational performance	The metrics of the current processes performance	Based on current performance, each functional manager sets his own plan	A2.4.1 Create Plan

A- Financial Performance

The literature discusses many financial indicators. This section presents the indicators noted by CEOs, namely, variation in financial performance from expectations and historical and competitors' performance (see Table 7-26).

> "We use variances in revenue and operating profits to assess our business unit performance, comparing the position between myself and others" Co.14
>
> "Comparing our business growth with market growth" Co.12

Table 7-26: Tools used for the financial performance factors in the corporate level performance report

Tools	Description
Benchmarking with external organisations	Comparing business unit performance with those of rivals
Variation analysis over time	Comparing business unit performance with historical performance
Variation analysis across sectors	Comparing business unit performance with other businesses in similar sectors
Variation analysis with the previous targets	Comparing business unit performance with targets
The current financial performance in terms of profitability ratios, sales and turnover ratios.	Financial measures to evaluate the financial performance from different perspectives.

By comparing the required figures with current performance, taking account of the trend analysis, firms assess the probability of hitting new targets. Thus, this influences the decisions in A2.4.1. Create Financial Plan. With this guidance on the current financial performance and its variations, the corporate can also better understand the business unit's performance in A1.3.2 Review current portfolio performance.

B- Market Performance

Family businesses generally want to outperform the market. Indeed, they tend to reject any business unit which does less; it might hurt the family's reputation. Market performance indicators are benchmark measurements such as market share, and annual sales level and product yield, used mainly to ensure their market position at the top of the market.

"Our targets are usually to outdo the competitors' sales by 2%" Co.12

Such influential factors affect the marketing plan and put pressure on marketing managers to secure the highest market share.

"Improvement in firm size, sales and number of employees" Co.14

C- Operational Performance

Influential factors in operational performance are those reporting the current operational and technological performance of the organisation (see Table 7-27). Operational performances are benchmarked against others in the industry to find the weaknesses and flows in the current operational and technological performance. The main tools used are benchmarking tools to discover variations in performance and areas for improvement.

Table 7-27: Tools used for the operation performance factors in the corporate level performance report

Tools	Description
Benchmarking in products and processes	A knowledge transfer tool for making improvements; compares the current processes or product characteristics with the best process.
Operations reviews	A revision of the current operational KPIs against expected/targeted levels
Level of business automation analysis	Examples are current technological readiness level, current use of technology literacy and current level of technology use compared with others in the market.
Current technological limitations analysis	Finds factors which are perceived to limit production and operational capacities such as the information system used or the quality of information technology).

D- HR Performance

Human resources indicators influence the HR plan by revealing employees' performance in terms of attendance, intention to leave, or job satisfaction (see Table 7-28). These tools collect, analyse and track performance reviews through performance management systems. Performance management systems are computerised tools which record employees' performance against predefined targets and help to analyse it. Performance reviews evaluate employees' performance from different perspectives (e.g. psychology and productivity).

> "HR competences are always monitored in our meetings to spotlight current competences and desired competences" Co.12

Table 7-28: Tools used for HR performance factors in the corporate level performance report

Tools	Description
Employees' performance reviews	Assess employees' performance against pre-defined measures according to their job description and strategy requirements
Performance Management System	A computerised tool to record employees' performance against predefined targets and help in analysing it.
Performance reviews	Review current performance but include non-quantifiable measures, e.g. leadership; negotiation and communication skills.
Current KPIs for process and people's non-financial performance.	Determines capacity of the current people and processes to gauge the feasibility of the strategy in terms of current resources and assets

7.4.1.3.2 An integrative Business unit performance Tool

Several tools can be used for gathering, assimilating and deciding about influential factors. Tools can be mere indicators (e.g. financial, operational or marketing indicators) for comparing planned performance with actual; for example, variations from the plan in sales, profits or revenues. The internal environment can be tracked if suitable resources exist and can be used. A Key Performance Indicator is a measure of someone's ability to use a resource

(Kaplan and Norton, 1996), sometimes used to assess the performance of resources themselves (see Table 7-29). KPIs refer to people, processes, customers and finances. This research used every type of indicator. Some organisations, for instance Co. 9 and Co. 12, integrate their KPI system, as a balanced scorecard, to regulate the direction of current performance towards strategic objectives. KPIs can also be integrated and benchmarked with other companies' performance. Co. 9 and Co. 12 benchmark themselves against the top 10 corporates in the world by this means.

Indicators can be seen as a integrated web of indicators for implementing business strategy, i.e. a balanced scorecard. BSCs are used by FS9 to connect people's performance with operational performance. As the chairman mentioned, if operational performance is improved, customer satisfaction and financial performance also rise. BSC can be seen as a tool for understanding and reviewing the internal environment to improve performance and achieve strategic objectives.

> "We use an integrated KPI system to ensure the direction of our performance is aligned with our strategy" Co.9

Table 7-29: Tools used for an integrative Business unit performance factors in the corporate level performance report

Tool	Definition
Key Performance Indicators (KPIs)	Tools for integrating KPIs to assess the organisation's performance against expected measures based on the strategy. The balanced scorecard is most common.

7.4.1.4 Strategy Review Report

Proposing this new report is justified by its unique function. This report audits the previous strategy implementation (see Table 7-30). It differs from previous reports by focusing on the analysis of reasons for variation. Its analysis explores and determines the main reasons for variation and proposes solutions for getting back on track. It is preferable for external consultants to prepare them, since they can look freshly at the data and pursue the reasons for variation more objectively. The report also gives several scenarios following no change in the current performance metrics and the viability of each.

Table 7-30: Definition of strategy review report and the contents of the influential factors

Report	Definition	Source	Contents (Influential Factors)
Strategy Review	Shows the status line of the performance benchmarked with the expected performance based on previous strategy.	A2.1.3 Evaluate current business unit strategy	Lessons learned from the current strategy

7.4.1.4.1 An Influential Factor

Strategy Review Performance influences one decision only, strategy focusing. The influential factor is Lessons learned from the current strategy (see Table 7-31). These expose the weaknesses and strengths derived from applying the current strategy. In other words, given the strategy review performance, decision-makers can understand the issues in the current strategy, and direct strategic focus decisions accordingly.

Table 7-31: Definition of factors that influence the strategy review report and the activity influenced by it

Influential Factor	Definition	How it affects the corporate strategy	Influenced Activity
Lessons learned from the current strategy	Documents weaknesses and strengths in applying the current strategy	Based on the variation from the plan in the current performance, strategy focus is determined	A2.1.4 Strategy focusing

7.4.1.4.2 Tools

Assumption analysis is conducted as well as the variation analysis in the business unit performance report. Assumption analysis, called by some 'scenario analysis, considers option viabilities in different situations (see Table 7-32). The environment too can be understood in light of different assumptions. In other words, as Co.9 explained,

> "If the increase in our profit is 6%, we set different assumptions. If each of them is invalidated, the projection is updated based on the impact of this assumption on the estimation"

Assumptions analysis is used for criticising the signals received from outside as candidates to consider in strategic planning.

> "You assume that the growth in Saudi, for example, will be based on 5% but the recession has invalidated this assumption and the 5% went down to 1%" Co.9

Therefore, from time to time, Co.9 revises the strategy in light of the validity of the assumptions made when the first draft of the strategy was developed.

Table 7-32: Tools used for integrative business unit performance factors in the strategy review report

Tool	Definition
Scenario based analysis	Historical data used to understand the various scenarios for future actions

7.4.1.5 Customer Issues and Feedbacks Report

Marketing and customer service departments write weekly, monthly, quarterly and annual reports (see Table 7-33), which show customers' most frequent topics. This is why 80/20 Pareto methods are used for filtering and prioritising them. Such reports present a map for appreciating the main issues, assuming that the organisations are customer-centric. That is, improving relationships with customers allows the organisation's vision and mission to prevail.

Table 7-33: Definition of customer issues and feedback report and the contents of influential factors

Report	Definition	Source	Contents (Influential Factors)
Customer Issues and Feedback	Summarises customer issues, feedback and enquiries, proposing solutions and causes	A2.1.1 Review Customer Feedback	Customer Issues and needs

7.4.1.5.1 Influential Factors

Customer issues and needs is this report's only influential factor. Its influential factor comprises the nature, frequency and proposed solution for the issues. This influential factor is proposed to influence two decision-making activities (see Table 7-34). The first is A2.1.3. Evaluate Current Business Unit Strategy; customer issues can indicate the success of the current strategy performance. The second is A2.1.2 Form Business Unit Strategy Team, since suitable employees will be chosen to fit the strategy and the nature of the issues. For instance, because there are some issues with the steel used in constructions, the purchasing manager of the steel is involved in the strategy, enabling the steel issues to be addressed in the new strategy.

Table 7-34: Definition of the factors that influence customer issues and feedback reports and the activities influenced by them

Influential Factor	Description	How it affects the corporate strategy	Influenced Activity
Customer Issues and needs	Customer issues and needs: number, type and reasons	It helps to define the strategy formulation team and to evaluate the current strategy	A2.1.3 Evaluate Current Business Unit Strategy
		It determines the optimal strategy formulation team to address customer issues	A2.1.2 Form Business Unit Strategy Team

7.4.1.6 Tools used for Influential Factor in the Customer Issues and Feedbacks Report

Listen to customer feedback requires two main tools and analysing them requires one. As observed by CEOs and strategy managers, interviews and surveys are used to gather the problem issues and collect data from large groups of customers, depending on the type of customer (see Table 7-35). Business-to-business customers have informal interviews whereas the business-to-customer industries emphasise surveys. Pareto is observed by interviewers as a way of filtering and prioritising customer issues. Marketing departments may offer insightful understanding of the issues listed in the Pareto chart.

Table 7-35: Tools used for the factors in customer issues and feedback reports

Tool	Description
Interviews	Meetings with customers to discuss their preferences, issues and feedback
Surveys	Structured ways of measuring customers' attitudes and loyalty
Pareto	An analytic method showing that 80% of the problem is caused by 20% of the reason. This enables managers to identify the main problem.

7.4.2 Internal Analysis

Internal analysis takes place on corporate and business levels, to find the strengths and weaknesses of resources, assets and capabilities. The following sections define the reports, influential factors and tools used for each.

7.4.2.1 Corporate Level Strengths and Weaknesses Report

This report was not used by any of the companies (see **Table 7-36**), but is here proposed as a way of unifying the understanding of the external environment. Kindred reports, called 'Investment Guidelines and Process', are found in companies such as B14. But this report is too generic and comprehensive to use in formulating corporate portfolio objectives. The output of Investment Guidelines and Process certainly focuses on evaluating current investment opportunities, but the purpose of the proposed report is to discover new opportunities in the market and set the portfolio objectives on threats. This report is developed through consolidating business unit reports. It summarises and evaluates business units' resources, capabilities and assets and their proposed sources of competitive advantage.

Table 7-36: Definition of the corporate level strengths and weaknesses report and the contents of the influential factors

Reports	Definition	Source	Contents (Influential Factors)
Corporate Level Strengths and Weaknesses	A consolidated report on the current internal state of corporate and business units, comprising the resources, capabilities and assets that can improve organisational competitiveness	A1.3.3.1.1 Review Business Unit Competitive Advantage A1.3.3.1.2 Corporate Tangible Resources Analysis A1.3.3.1.3 Corporate Financial Resources Analysis	Corporate Resources Capabilities and Assets (e.g. resource utilisation level, optimisation level and sources of competitive advantage)

7.4.2.1.1 Influential Factors

The main influential factor consists of the corporate resources, capabilities and assets in terms of strengths and weaknesses (see Table 7-37) - the same resource can yield both. The main difference is the relative gain from a resource relative to best practice and competitors' performance. if this resource is far above competitors' and inimitable, it can bring competitive advantage. It should be noted that resources cannot generate benefits without the organisational capabilities to use them.

> "Our people's ability to use the highest technology is an important factor in our HR plan, since we are moving to more computerised and automised business" Co.12

The resource can supply competitive advantage if it is VRIO (valuable, rare, imitable and organisational) (Barney et al., 2011). Based on the value of this resource as a weakness, strength, competitive advantage or distinctive competence, the corporate can decide whether to choose vertical, horizontal, or synergy strategic orientation. This factor is proposed to influence A1.3.3.3. Set the corporate portfolio objectives

Table 7-37: Definition of the factors that influence the corporate level strengths and weaknesses report and the activities influenced by them

Influential Factor	Definition	How it affects the corporate strategy	Influenced Activity
Corporate Resources Capabilities and Assets	All the resource capabilities and assets controlled by the corporate directly or indirectly through its business units.	Vertical/horizontal/conglomerate corporate strategy can be defined on this basis. Outsourcing, synergy and alignment strategies can also be defined.	A1.3.3.3. Set the corporate portfolio objectives

7.4.2.1.2 Tools

This tool is an information system that integrates information about organisational resources in a single system, such as the ERP, which can generate reports on the level of resource use, productivity and cost performance of each centre. This enterprise system cannot evaluate relative and benchmarked performance against that of other competitors. The consultant companies simply benchmark the current operational KPI against other competitors and best in industry, as explained in reviewing current performance.

7.4.2.2 Business Level Strength and Weaknesses Report

Business level strength and weakness are assessed in a consolidated report of the business unit's current internal state, consisting of the resources and capabilities that can influence organisational competitive advantage (see **Table 7-38**). Based on the Resource Based View (Barney et al., 2011), organisational resources can bring competitive advantage only if they are VRIO, as noted above. This business level report guides business units to the key strategies aligned with their sources of competitive advantage.

Table 7-38: Definition of business level strengths and weaknesses report and the contents of the influential factors

Report	Definition	Source	Contents (Influential Factors)
Business Level Strengths and Weaknesses	A consolidated report of the current internal state of the business unit, missing the resources, capabilities and assets that improve organisational competitiveness	A2.2.1.1 People Analysis	Business Unit Weakness and strengths
		A2.2.1.2 Technological Analysis	Internal Financial Resources
		A2.2.1.3 Organisational Analysis	Level of business automation
			Current technological limitations

7.4.2.2.1 Influential Factors

Business Unit Weaknesses and Strengths are reported in order to guide competitive advantage reporting and influence planning decisions (see Table 7-39). Based on the strengths, and taking account of the external environment's opportunities and threats, the business unit strategy formulation team identifies the sources of competitive advantage. Internal financial resources availability, levels of business automation and perceived technological limitations strongly influence financial, production and engineering plans.

Table 7-39: Definition of the factors that influence the business level strengths and weaknesses report and the activities influenced by them

Influential Factors	Definition	How it affects the BU strategy	Influenced Activity
Business Unit Weakness and strengths	What the business unit does better or worse than its rivals, including the effective, efficient and innovative use of resources.	Used to identify current and needed business capacity to be differentiated in the market, using competitive advantage opportunities from current and expected resources	A2.2.3 Analyse Business Unit Competitive Advantage
Level of business automation	The extent to which processes are paperless.	The production plan assesses the weaknesses and strengths at the level of automated and technological operations.	
Current technological limitations	The restrictions on process streamlining because of technological factors.		
Internal Financial Resources	Cash availability for future investments	To exploit internal financial resources in the financial planning so that financial needs are level with financial sources.	A2.4.1. Create Financial Plan

7.4.2.2.2 Tools

The tools used in understanding the internal environment are systems analysis, process analysis and mapping and capability analysis. These tools are used by Co.12 to detect weaknesses in internal processes and improve and outperform competitors by leveraging the process performance.

> "We used business process mapping and documentation analysis to understand and map our business processes so that we could identify the weaknesses in our business process" Co.12

> "Information received on the benchmarking process from the top business in the field"

7.4.3 External Analysis

External analyses are made twice, for different purposes. The corporate as a parent company seeks market opportunities, protecting the interests of its business units and safeguarding the corporate reputation. The business units as profit centres aim to improve productivity, efficiency and effectiveness through the opportunities defined by the corporate. Thus, corporate level opportunities and threats and business level opportunities and threats are both reported. They use PESTLE and industrial analysis but with different reasons and orientations.

7.4.3.1 Corporate Level Opportunities and Threats Report

Corporates, through consultants, continuously prepare reports on the external environment. Viable system theory precludes corporates from ignoring changes in the external environment. Quarterly reports spotlighting corporate opportunities and threats in the market are proposed. They contain two sub-reports to reflect two types of influential factor: macro and micro (see Table 7-40). The macro factors are assessed through PESTLE, gauging the opportunities and threats in the market whereas the micro factors assess new market opportunities through industry analysis and inform the business units, open new business units or merge with/acquire other corporates.

Table 7-40: Definition of corporate level opportunities and threats report and the contents of the influential factors

Reports	Definition	Source	Influence to	Factors	Contents (Influential Factors)
Corporate Level Opportunities and Threats	A consolidated report of the current external state of the corporate and business units, consisting of market opportunities, and potential and current threats to the unit and the corporate	A1.3.3.2.1 PESTLE Analysis A1.3.3.2.2 Industrial Analysis	A1.3.3.3 Set corporate portfolio Objectives	Political Factors, Economic Factors, Legal Factors, Stability Factors, Technological Factors and Market Related factors (plausibility of the new market opportunities in terms of market forces). Identifies and proposes new technological opportunities for business units	Identifies the market opportunities for the current business units, for possible business units and mergers/acquisitions involving other corporates.

7.4.3.1.1 PESTLE Report

Corporates preparing PESTLE reports to discover new opportunities or threats in the market. These reports are critical for developing corporate strategy; they enable corporates to understand the macro-environment and thus sustain their existence and that of their business units. This research assumes that corporates look proactively for opportunities and threats and inform their business units accordingly. Because centralising the macro-environment strengthens corporates' ability to synergise and align their effort better than other corporates. Political, economic, social, technological and legal factors count as PESTLE macro environment factors.

A. Political Factors

Political factors come from government activities, interventions and actions. Some are preference-based, such as relationship with government as discussed above, while others are report based. The latter include government expenditure and government strategies in the geopolitical environment (see Table 7-41). The government can influence business by fiscal or monetary policies (Samuelson et al., 2010). However, in this research monetary policy has not been found important for CEOs and at corporate level, because, as noted above, most family businesses in this research hesitate to deal with interest in any way, since it might compromise their identity. Furthermore, regional interest rates are virtually fixed and do not affect the market. They can affect only investments in international markets, for instance, Turkey's. Co.9, a clear example, who substantially invests in foreign markets, mentioned that Saudi markets are insensitive to changes in the interest rate, while Turkey's investors respond to changes with volatility. Thus, monitoring government expenditure and what it goes on is critically influential on the corporate portfolio.

> "Our study is based on government expenditure and how they expend it. That is why our strategy formulation process is a continuous process to be kept aligned with the governmental expenditure indicators. Our businesses and projects portfolio is led by this" Co. 7

The government's expenditure/budget is used to indicate the government's orientation and directions, by which the corporate adjusts its businesses' configurations, shadowing the government strategy. It does so because its greatest concern is to maintain its close relationship, as one of the leading family businesses in the GCC countries noted:

> "We review governmental priorities from time to time to ensure we are aligned with its strategy. It is a continuous process" Co.7

"The most important influential factor for me is the political one. The government direction has changed from constructions and building to more military-oriented strategy for the war in Yemen" Co.7

Thus, on the corporate strategic level, paralleling the family business objectives with government strategy is perceived to be critical for large family businesses in the region. The same was noted by 5 family business leaders.

"When 2030 is developed, we will have changed our vision and strategy to fit with the country's strategy" Co.7

"There is an important analysis on the government situation, analysis of government spending and of course the budget and future direction. We decide on general direction, reviewed every year" Co.12

Likewise, it is critical to shadow the government strategy in the geopolitical environment. Nowadays, Saudi family businesses with branches and investments in Qatar are very negatively affected by the ban. Thus, it becomes critical to study the geopolitical factors and predict geopolitical decisions to mitigate. Ultimately a factor in every owner's goals is the government's economic policy. Family members take account of future economic policies in deciding on their goals, which later transform into portfolio structure and future investment or de-investment. Their main tools are the reports from political NGOs such as the UN or the World Bank, and political indexes, including those of political stability and geopolitical power.

Table 7-41: Definition of the political factors and the activities influenced by them

Influential Factor	Definition	How it affects the corporate strategy	Influenced Activity
Government geopolitical strategies	Government's relations with neighbouring countries	Relationships with some countries can affect their businesses	A1.3.1. Set Owners' Goals
Stability of the legal infrastructure	Speed of regulatory change	Unstable legal conditions may persuade owners to withdraw the corporate from certain markets	
Government expenditure	Size and allocation of government expenditure	Direction of the strategy and its goals are determined by the orientation of government expenditure	A1.3.1. Set Owners' Goals A1.3.3.3 Set the Corporate Portfolio Objectives

B. Economic Factors

The economic factors, including GDP growth and interest and inflation rates (i.e. purchasing power) (see Table 7-42) provide the financial macro-economic environment. As established by the interviewees, the required rate of return is determined by identifying the average market rate (market interest rate) plus other factors. The other factors concern the expected growth of the country, i.e. the current 3% growth in GDP in the GCC region (World Bank, February 2017) The required rate of return should increase by 3% to compensate for investment risks. Finally, the expected growth and financial needs from the business units are determined by the family and shareholders' financial needs. These are the influential economic factors affecting A1.3.4. Set Business Unit Objectives.

Table 7-42: Definition of the economic factors and the activities influenced by them

Influential Factor	Definition	How it affects the corporate strategy	Influenced Activity
The country's growth in GDP	It represents the expected average market return	The required return is at minimum the market return plus premiums for inflation and covering the cost of financing	A1.3.4 Set Business Unit Objectives
Purchasing Power	It is an effective measure of inflation, yielding society's ability to purchase a basket of products and services.		
Cost of Finance (Market Interest Rate)	Required rate of return based on stock market return		

C. Social and Cultural Factors

Social and Cultural factors are those determining a society's current demographic, ethnic and ideological features (see Table 7-43). Changes in these bring opportunities or threats to particular business units. As one company noted, the current product lines focus on classic furniture. When the market preferences changed, corporate 9 reflected in their investments and focused on modern furniture. Moreover, the Filipinos and Indians arriving in Saudi Arabia gave Company (10) the chance to open a new business line for them. Socio-cultural factors affecting corporate portfolio objectives in such ways.

Table 7-43: Definition of the social and cultural factors and the activities influenced by them

Influential Factor	Definition	How it affects the corporate strategy	Influenced Activity
Market demographic distribution	Changes in age and gender distributions in the market.	Creates new opportunities for satisfying changed social factors. But can be threats if they make some product lines obsolete.	A1.3.3.3 Set the Corporate Portfolio Objectives
Ethnic distribution	Changes in the race/ethnic structure of society (e.g. the presence of Indian and Filipino migrants)		
Ideologies in the society	Changes in preferences and lifestyle		

The tools used here are interviews, questionnaires, website surveys for discovering new purchasing trends and secondary reports from market research companies and public data.

D. Technological Factors

Technological factors are changes in current processes, due to new advances in knowledge and science. Those most often perceived are in information technology and methods of production (see Table 7-44). Technological factors are perceived at the corporate level as changes in the current technology for doing business or else as disruptive. The aim of studying technological factors is to create alignment and synergy between different business units or to alert business units about a new disruptive technology. For example, since 2010, the GCC corporates have sought a unified system such as ERP to integrate their business units, reduce operational costs and to improve the synergy across conglomerates. Since then, changes in the integration technology are perceived to have a direct effect on the ability to align business processes across units. Thus, changes in this technology are proposed to influence the corporate portfolio objectives.

A new disruptive technology adopted by a competitor may close a business unit down. Likewise, the corporate's ability to explore disruptive technology and adopt it first creates a significant advantage for its business units. Once online banking services appeared, for example, Company 7 was among the first in the market to adopt them. Its pioneering work increased its market share significantly within a few years.

Table 7-44: Definition of the technological factors and the activities influenced by them

Influential Factor	Definition	How it affects the corporate strategy	Influenced Activity
Changes in integration technology	Changes in the mechanism to integrate business units into a single unified system	The corporate portfolio objectives can be influenced by the level of integration regarding t level of alignment and synergy between business units (e.g. supply chain management, unified RFID technology)	A1.3.3.3 Set the Corporate Portfolio Objectives
Disruptive Technology	A new technology that can change business models, making existing models obsolete	A new disruptive technology could make a business unit obsolete and thus, could affect investment or divestment in business units	

Both kinds are surveyed and analysed in secondary reports by professional institutions such as CIO.com, MIT publications and others.

E. Legal Factors

Legal factors are those elements that governments use to govern the interactions in the ecosystem. The two-main report-based factors here (see Table 7-45) are the regulations that restrict activities or encourage incentives in certain businesses. To maintain their relationship with government, all businesses must observe its rules and regulations. As the literature points out, family businesses always want to be seen as good citizens (Zellweger et al., 2012) and avoid political issues. This can affect the portfolio's management and structure. The aim in clarifying the legal infrastructure is to understand governmental changes in its relations with family businesses. For instance, SA's entertainment industry which had been strictly controlled, is now being encouraged by more relaxed rules.

The second kind of regulation found to be influential on the corporate portfolio objectives concerns taxes, including revenue and capital taxes. Currently, the Kingdom has no taxes; but a new VAT system has been proposed for January 2018, which is perceived as a factor in reassessing current investments in the country. In Kuwait, too, the capital tax is compelling Company to break up the company capital and distribute the capital ownership to reduce the tax.

> "When the new tax system is imposed, lots of family businesses are broken down into small companies to reduce this tax. This tax is imposed on any company income above 11 million Kuwaiti Dinar" Co.2

Thus, the degree of stability in the legal infrastructure and tax laws is proposed to influence the family's goals. Additionally, because the taxes differ between countries, it is proposed that this factor influences the distribution of family monies.

Table 7-45: Definition of the legal factors and the activities influenced by them

Influential Factor	Definition	How it affects the corporate strategy	Influenced Activity
New regulations affecting business	New legislation for running business units	Family corporates want to appear good citizens, setting their objectives in full alignment with new regulations	A1.3.3.3 Set the Corporate Portfolio Objectives.
Revenue Zakat/Taxes	The percentage of tax on the corporate revenues	Corporates' intentions to enter new markets or distribute income are influenced by tax.	A1.3.1 Set Owners' Goals

7.4.3.1.2 Industrial Report

The industry actors are competitors, customers, suppliers, new entrants and substitutes. As illustrated in Chapter Five, the least important is competitors, while the most important factors are customers and international new entrants.

A. Competitors' power

Competitors' power includes their access to financial resources, growth, ability to control resources and the existence of international competitors, together with the suppliers' power in this market, considered as part of penetrating new markets (see Table 7-46).

> "New international players should be monitored because they can bring unexpected technologies or capacities. They cannot easily be anticipated" Co.14

Unlike Porter's strategy axiology. Which is based on head-to-head competition, blue ocean strategy focuses on finding a new niche instead of competing for the same market segment.

> "They may compete head-to-head with you, but they might be a niche player who does not collide. They can make much more money there than in an established segment" Co.9

Table 7-46: Definition of competitors' power factors and the activities influenced by them

Influential factor	Definition	How it affects the corporate strategy	Influenced Activity
Competitors' power and closeness to our performance	The differences in performance between the business units and the competing one	It is considered as a risk factor that affects the business plans and setting of the objectives.	A1.3.3.3 Set the Corporate Portfolio Objectives
Competitors' access to financial resources	The competitors' ability to increase their capital quickly	The higher the ability, the lower the attractiveness of the market	
Competitors' cost structure	The percentage of the variable cost to the fixed cost	The higher the fixed cost, the lower the attractiveness of the market	

Influential factor	Definition	How it affects the corporate strategy	Influenced Activity
Competitors' growth	The percentage increase in sales per annum	The higher the growth, the less the opportunity, with cautions.	
Controlling the resources	The resources available to competitors: people, technology and reputation	The greater the resources, the lower the attractiveness of the market	
International Competitors	The existence of a competitor's headquarters outside the country	The existence of international competitors in the local market is a threat, but for international markets an opportunity	
Internationalisation of new entrants	The possibility of entering international suppliers in the market	The higher the possibility, the more precautions should be taken	

B. Potential of New International Substitutes

In developing a new market or product, the potential of new international substitutes should not be forgotten (see Table 7-47). Family businesses are quite relaxed about local competition and substitutes because their power in terms of their relationships with other big businesses, brands, or resources exceeds that of local competitors. However, international substitutes or competitors can bring unexpected hazards.

> "Local new players are not so important because our access to the market is better." Co.12

Table 7-47: Definition of the customer power factor and the activities influenced by it

Influential factor	Definition	How it affects the corporate strategy	Influenced Activity
Cost structure of the substitutes provider	Ratio of fixed cost to the variable cost to the substitute producers	The higher the ratio, the stronger the expected competition and the less the attractiveness of the market	A1.3.3.3 Set the Corporate Portfolio Objectives

C. Customer Power

Customer power is kept in mind when discussing whether to expand a business; it refers not to their needs and interests, defined through marketing plans (see Table 7-48) but to the number and dominance of customers, and the importance they confer on the products, set out at corporate level on the portfolio plan with the aim of calculating the relative power of the customers in this market (Porter, 1985). It is very risky if the market is dominated by a few customers, as in B2Bs, because these customers can easily turn to other suppliers. The influential factor is, then, the customers. In addition, if the product is not critical for the buyers, it would be risky to exert power by increasing its price. These bargaining power factors are considered in developing new products or new markets.

Table 7-48: Definition of the customer power factors and the activities influenced by it

Influential factor	Definition	How it affects the corporate strategy	Influenced Activity
Number of customers	Number of customers	The higher the number, the more attractive the market, taking competitors and legal aspects into consideration.	A1.3.3.3 Set the Corporate Portfolio Objectives
Customer size	Purchasing power of the potential customers (i.e. (B2B) or (B2C))	B2B markets are more collaborations and partnership than B2C	
Importance of the products for the buyers	The buyers' insensitivity to changes in the product price	The higher the importance, the more the attractiveness of the market	

D. Suppliers

It is crucial to understand the suppliers' relationship with the current competitors in a prospective market. Supplier concentration gives the supplier power in bargaining about prices because of their potential for collusion (see Table 7-49).

Table 7-49: Definition of the suppliers factor and the activities influenced by it

Influential factor	Definition	How it affects the corporate strategy	Influenced Activity
Major changes in a big supplier's strategies	Changes that can affect the relationship with suppliers (e.g. closing, bankruptcy, expansion, quality)	May be a reason for leaving or entering a market	A1.3.3.3 Set the Corporate Portfolio Objectives

7.4.3.1.3 Tools for analysing Industry Factors

The tool used here is market space analysis, to map competitors according to various market factors to discover unserved niches, which enable an organisation to position products appropriately:

> "Arar is a very rural area few competitors… Because it is unserved by any of our competitors, we opened there. This is better for me than competing in big cities against full competition" Co.9

7.4.3.2 Business Level Opportunities and Threats Report

While the corporate aims to explore and discover opportunities, the business unit aims to evaluate the opportunities and initiatives proposed by the corporate (see Table 7-50) Thus, the scope of its external analysis is narrower than the corporate's. It is influenced only by competitors, customers, technology, social and legal factors. These are not sent as raw data to decision-makers but are analysed and consolidated in competitive advantage reports.

Table 7-50: Definition of the business level opportunities and threats report and the contents of its influential factors

Report	Definition	Source	
Business Level Opportunities and Threats	A consolidated report of the current external state of the corporate and business units: their market opportunities and potential or current threats to the business and the corporate	A2.2.2.1 Market Forces Analysis A2.2.2.2 Legal Analysis	Competitors, customers, technological, social and Legal factors

7.4.3.2.1 Competitors' influential factors and tools

Competitors' behaviours influence the business unit strategy in different ways. New players are not risky in themselves since the family business has a monopolistic access to resources (see Table 7-51), unless they come from abroad. They present no direct threat to the business units but because they can bring new and unexpected production capacity to the market, they can disturb the businesses.

Table 7-51: Definition of the competitors' factor and the activities influenced by it

Influential factor	Definition	How it affects the Business strategy	Influenced Activity – through Competitive Advantage report
International competitors	Current international competitors can bring unexpected capacities, technologies and ideas from overseas	This can influence the vision, objectives and business plans in handling it; i.e. if the potential risk exceeds the potential return, a business can withdraw	A2.3.2 Establish Business Unit Objectives
New players in the market	The number and capacity of potential new players in the market		A2.3.1 Develop Business Unit Vision and Mission Statement

7.4.3.2.2 Customer Influential Factors and Tools

Customers are studied business units to establish its objectives and plan its marketing (see Table 7-52). The sales forecast is used to plan marketing activities such as promotion, pricing, placing and product

> "Sales forecast/customer needs is based on government expenditure on constructions" Co.7

> "Tenure with the customers, because this indicates the trust between them and my company. A fifty-year relationship with a customer can reduce any side effects of any of our actions" Co.12

Table 7-52: Definition of the customer factor and the activities influenced by it

Influential factor	Definition	How it affects the corporate strategy	Influenced Activity
Customer number and size	The number, market share and size of current and potential markets	Based on market size, it affects marketing activities such as promotion, pricing, placing and product	A2.3.2 Create Marketing Plan

7.4.3.2.3 Technological Factors and Tools

Business units aim to improve their efficiency and effectiveness in operation. Technology plays a vital role in the production and operation performance and differentiating the technology may bring competitive advantage (see Table 7-53). Thus, new technologies in the market may cause changes in the strategy focus to exploit these opportunities. The focus of a business unit has changed in response to this new method to gain competitive advantage from pioneering the method.

New business process technologies and new production technologies are also proposed as influential factors in production and engineering plans. Not absorbing new technologies soon enough may handicap a firm.

Table 7-53: Definition of the technological factors and the activities influenced by it

<table>
<tr><th>Influential factor</th><th>Definition</th><th>How it affects the Business strategy</th><th>Influenced Activity</th></tr>
<tr><td>New business process technology</td><td>The existence in the market of new technology for improving business performance</td><td rowspan="2">By comparing current technology and how it is used with other new technologies available and how they can affect processes and production, investment in new technologies can be determined.</td><td>A2.4.2 Create HR and Business improvement Plan</td></tr>
<tr><td>New production technologies</td><td>The existence in the market of new technology for improving production capabilities</td><td>A2.4.2 Create Production, Engineering and R&D Plan</td></tr>
</table>

7.4.3.2.4 Social and Culture Factors and Tools

Social factors also influence business units, which aim to understand the changes in customer preferences and needs. Preferences can change over time, be seasonal; or vary with location

> "In Ramadan we face a recession, our sales affected significantly. Our products seem to be luxuries and not necessities" Co.2

Thus, the market's religious and ideological preferences are followed up by marketing people to explain market changes (see Table 7-54). Likewise, changes in demographics may influence the desirability of certain products; see Chapter

5 section 5.4.2.1.2, where the introduction of Noddle to KSA was a risk; but the Pakistani and Indonesians buyers created demand for it.

Table 7-54: Definition of the social and culture factors and the activities influenced by them

Influential Factors	Definition	Influence on the business unit strategy	Influenced Activity
Market ideologies	The beliefs, values and norms of the customers	The market plan relies on this information to target the right customers and right markets in the right way.	A2.4.4 Create Marketing Plan
Market Demographic Distribution	Demographic distribution involving gender, income, age, marital status and education		
Market Lifestyle	How the targeted customers behave in their community		

7.4.3.2.5 Legal Factors and Tools

HR planning is influenced by changes in the labour laws (see Table 7-55). A clear example is Saudisation, which requires Saudi companies to hire a certain quota of Saudis, changing HR recruitment plans in response.

> "Our business HR plans have been changed because of Saudisation rules and female worker quotas" Co.12

Table 7-55: Definition of the legal factor and the activities influenced by it

Influential Factors	Definition	Influence on the business unit strategy	Influenced Activity
New Regulations Affecting Business	External Corporate Analysis (PESTLE)		A2.4.2 Create HR and Business Improvement plan

7.4.3.2.6 Integrative Tools

Marketing and Systems Dynamics is a tool used to understand the dynamics of external environment in terms of the interactions between external factors. For example,

> "The interest rate can affect the power of competitors to have access to finance, if we have the finance available from the parent company, we can compete better" Co.12

Marketing dynamics also include the

> "Interactions between customers, interest rate and the ability to have car loans for buying a new car" Co.5

Therefore, some companies like Co.7 and Co.12 rely on data analytics for understanding the marketing dynamics better so that their strategy can fit better with the ecosystem.

"This can be done through the study of their resources, their production, their customers, their expertise, their philosophy and managerial philosophy and by their strengths and weaknesses" Co.4

7.4.4 Strategic Business Level Competitive Advantage Report

All the strengths, weaknesses, opportunities and threats are combined, summarised and analysed in the competitive advantage report (see Table 7-56). This report is the basis for positioning the business unit vision and mission and establishing business unit objectives. Moreover, on this basis marketing plans and HR Plans change, to increase the competitive advantage. This report guides A.1.3.3.1.1. Review Business Unit Competitive Advantage, in order to propose improvements for assessing the competitive advantage of each business unit and the potential for leveraging competitive advantage for the business units through synergy strategies.

Table 7-56: Definition of the strategic business unit competitive advantage report and the contents of the influential factors

Report	Definition	Source	Influence to	Influence on Corporate and Business strategy
Strategic BU Competitive Adantage	It concerns the organisation's sources of competitive advantage.	A2.2.3 Analyse BU Competitive Advantages	A2.3.1 Develop Business Unit Vision and Mission statement	To orient and direct the vision and mission towards the sources of competitive advantage.
			A2.3.2 Establish Business Unit Objectives	To identify the business objectives based on realistic measures and reflecting key sources of competitive advantage.
			A1.3.3.1.1 Review Business Units Competitive Advantage	
			A2.4.2 Create HR and Business Improvement Plan	To identify how human resources can use potential sources of competitive advantage
			A2.4.4 Marketing Plans	To transform sources of competitive advantage into profitable opportunities.

7.5 Summary

This chapter detailed the preference-based and report-based influential factors. Preference-based factors were proposed to influence the making of decisions that are based on report-based factors. The strength of these preference-based factors comes from the Familiness of the business. The preference-based influential factors are the origins of the family business identity, protecting family identity (normative function) and protecting family business growth (social function). The Familiness of the business factors are modified by the family's financial needs, shareholders' influences, functional business unit management, ownership structure, independent members on the board, involvement of the family members and governance laws.

The report-based influential factors are summarised as performance factors, five internal and thirty externals. The quality of the knowledge created from the influential factors affects the quality of the decision-making. Since this quality is based on the tools used to collect, analyse and report these influential factors, tools are proposed from the literature and from the recommendations in the interviews. The tools are classified as performance review tools, internal analysis tools or external analysis tools.

All these findings are based on the interviews in 15 case studies, complemented by research on best practice in the literature. These results should be validated in a case study to verify the applicability and practicality of the elements of the framework.

8 Industrial case study: Validation of Framework for the Formulation Process of Knowledge Driven Strategy

8.1 Introduction

This chapter purposes to validate the research findings using two different approaches: case study validation and expert evaluation. While the case study validation focuses on the applicability, usability and usefulness of the proposed framework from the collaborating company perspective, the expert judgment focuses on generalisability of the findings by asking experts about the applicability, usability and usefulness of the research findings in different Large Family Businesses operating in the GCC. Thus, this chapter is structured into two main sections: Case Study Validation and Expert Judgement Validation see Figure 8-1.

This section presents the validation of the KD-Stg-FP Framework which has been presented in sections 6.3, 6.4, 7.1 and 7.6) through the application of an industrial case study and qualitative validation through experts' judgment. After the introduction in Section 8.1, the chapter falls into four sections. The case study validation may be found in Section 8.2, with an overview of the case study in Section 8.2.1. Section 8.2.2 contains challenges to the strategy formulation, which is described in section 8.2.3, The KD-Stg-FP Framework: Addressing the Gaps between the proposed framework and the actual one. Section 8.3 reports the validation by Expert Judgments and the chapter ends with a summary in Section 8.4.

Figure 8-1: The chapter structure

8.2 Case Study Validation

Figure 8-2 illustrates the three steps of the case study validation. The first step is an overview of the collaborating company, giving its history, founder, products and structure. After describing the context, the second step is to examine the currently perceived challenges of the strategy formulation. The third step is to identify gaps, which is linked to the process of finding areas for improvement in the current strategy.

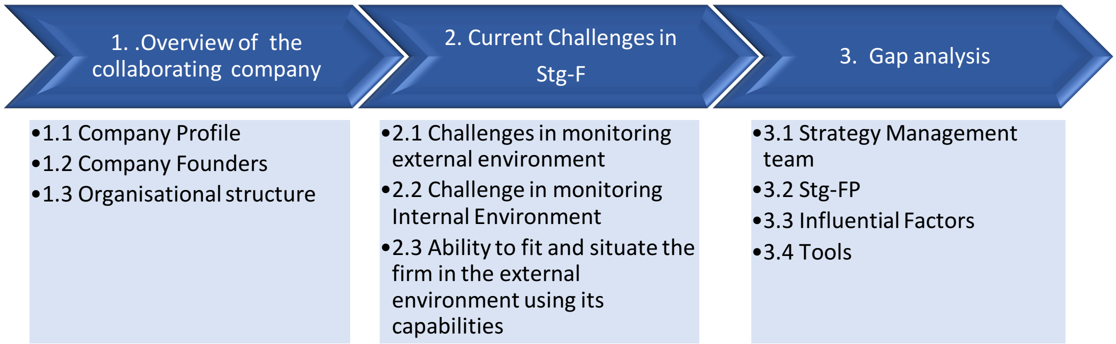


Figure 8-2: Case Study Validation process

8.2.1 An Overview of the Collaborating Company

The corporate was founded in the early 1990s and set up as a pioneer in the distribution of heating, ventilation and air conditioning (HVAC) products for a foreign brand. The firm started as a joint venture between local and foreign partners. It offers cooling and heating systems, building management systems, industrial and commercial refrigeration, security, and fire safety systems. It clearly identifies itself as the largest supplier of air conditioning in the region and claims that its products and services contribute greatly to “Building Efficiency” through integrated and smart solutions. This firm was one of the first in Saudi Arabia to present products and services offering sustainable solutions that optimize energy use and improve the levels of security and comfort.

It believes that human capital is the company’s cornerstone, so it focuses on engaging and communicating with employees by means of various effective managerial tools and techniques and by its heavy emphasis on investing in people. For this reason, it seeks to create a working environment that attracts and retains talented employees. The foreign partner brand is known for its high-quality products and services worldwide; hence, in their joint venture they aim to represent an organisation which is outstanding in the quality of processes, environment, transactions and systems, all of which are built on transparency and trust in their interactions with customers, trade partners, employees and vendors. Some of its projects have been located in the Holy Haram (Makkah), the Clock Tower (Makkah), the Kingdom Tower (Riyadh), Al Masjid Al Nabawi (Al-Madinah) and the King Abdullah Financial District.

The structure of this organisation fits its main purpose, which is that of a business serving other businesses. Therefore, as shown in the organisational structure in Figure 8-3, the organisation executive board consists of a CEO, a financial officer, supply chain manager, production manager and VP of sales and operations managers. It should be noted that the top management does not include a head of marketing, marketing research or any kind of customer profiling. The customers are the concern of the customer relationship manager, who works under the VP for sales and operations. It should also be noted that there are no marketing consultants among the interviewees. The main business model of this business is Business to Business (B2B), where the firm sells to other businesses rather than final consumers. The main sources of competitive advantage in this market are reputation and relations in the market.

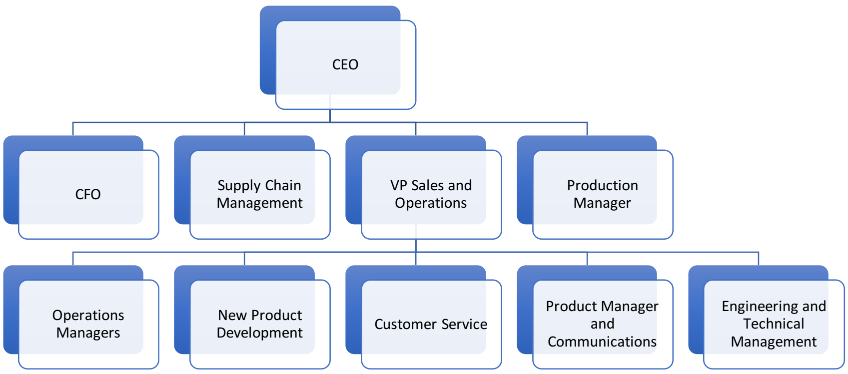


Figure 8-3: The organisational structure of the collaborating company

8.2.2 Current Challenges in Strategy Formulation

In this case study strategy formulation is subject to three main challenges. These are 1) Understanding the External Environment; 2) Understanding the Internal

Environment; and 3) Adapting the internal environment to the external changes see Figure 8-4.

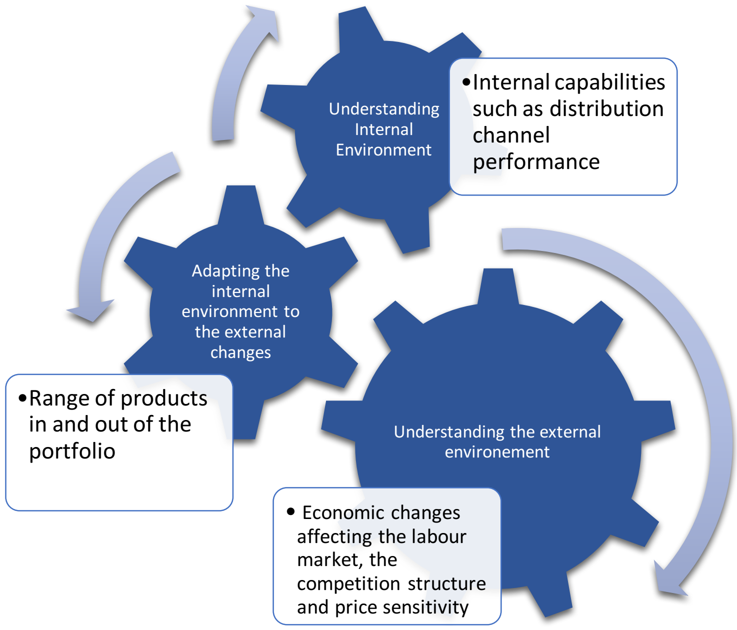


Figure 8-4: The main challenges in the collaboration company

8.2.2.1 Challenge of Monitoring the External Environment

The VP for sales and operations highlighted the difficulty of capturing, analysing and absorbing the market data in the strategy. It is not clear how changes in the economy affect the company performance, but this interviewee believed that learning about it this was important for improving the firm's performance. The following key observations relate to the economy and the market, as summarised in Table 8-1. Moreover, according to the strategy manager, there is no way of identifying how changes in the economy can affect the firms' ability to attract new talents. The main challenge is the difficulty of collecting and analysing the economic data continuously and measuring their impact:

> "Data are not available and not reliable enough for decision making" (Strategy Manager)

The marketing manager said that he could not precisely analyse how economic changes affected customers' sensitivity to prices and how this affected the competitive structure in the market. Moreover, the company cannot access live market data. In other words, there are no systematic ways to identify promptly the significance of changes in the market.

> "The economic environment is a little bit vague for us. The growth rate of the economy does not have a clear impact on the employee market and market forces." VP for Sales and Operations

To sum up, the company has no clear and systematic way of gauging the impact of all the economic and market factors. The inscrutability of the external environment is widely acknowledged in the respondents' words.

Table 8-1: Challenge in monitoring and analysing changes in external environment

External Data	Description	Challenge	Areas for improvement	Interviewee
Economic Data	Including inflation, interest rate and the country's GDP	It is not known how changes in economic factors affect the company's performance.	Ability to monitor and analyse the impact of these data on company performance	VP Sales and Operations
		or how these changes affect the recruitment of talent		Strategy Formulation manager
Market Data	Market share: the relationship of firm sales to market sales	The daily and monthly changes in the market share are not known	Ability to monitor and analyse the market performance continuously	Marketing manager
	Customer data	The customer's sensitivity to price changes is unknown		

8.2.2.2 Challenge in monitoring the internal environment

The second challenge is the inability to collect, analyse and absorb the internal changes in the environment. In the strategy, the changes in the internal environment are defined by influential factors within the firm which affect its performance. The strategy formulation manager reported the internal environmental challenges as shown in Table 8-2 as changes in either 1). Employees' performance; or 2). Process performance. The employees' performance refers to the knowledge, skills and abilities of employees, whereas the process performance refers to the metrics and Key Performance Indicators (KPIs) of each process. This challenge was reported by the strategy formulation manager. The company has a clear understanding of the employees' knowledge, skills and abilities, but has no systematic and structured system for updating and deploying these attributes easily.

Moreover, the process performance is not well monitored and assessed. There is no structured way of understanding the performance of the company's logistics, distribution channels or production quality. The metrics used are purely technical statistics such as the number of defects and quality problems; but nothing is noted about the performance from the perspective of capabilities. The difficulty of understanding the environment seems to be the main problem when calculated risks and initiatives are called for and also for assessing the firm's objectives and improving its situation in the market.

Table 8-2: Challenges in monitoring and analysing changes in internal environment

External Data	Description	Challenge	Areas for improvement	Interviewee
Employees' Performance Data	The employees' skills, knowledge and abilities	Inability to find talented people at the right time for different tasks	Having a database of employees' skills, knowledge and abilities	Strategy Formulation Manager
Process Performance Data	Key performance indicators for measuring the performance of different business processes	Inability to identify the process capabilities for serving different purposes	A structured KPI system to capture, monitor and analyse process performance	

8.2.2.3 Challenge in the Ability to Fit and Situate the Firm In the External Environment Using its Capabilities

The third challenge and the outcome of the previous challenges is the difficulty of adapting the firm and its capabilities to changes in external environment. Yet the business model was based on subcontracting for other firms, such as the holding company. The main challenge arises when the subcontracting market falls due to recession; in this case the company found it difficult to move to the retail market and sell to final consumers. The interviewees were dissatisfied with the performance of the retail lines. This may have resulted from its inability to understand the capabilities of its distribution channels and promotional plans and of changes in customers and the economy.

The corporate had a harder task because it did not involve the marketing manager on the board when it moved into the retail market. Marketing management is still seen as part of functional management, not senior management. This undoubtedly had impact on its ability to understand the market dynamics.

8.3 KD-Stg-FP Framework: Addressing the Gaps Between the Proposed and the Actual Framework

The framework is seen through four perspectives for its validation is done, as shown in Figure 8-4 The dark green and dark blue boxes represent Decision Making activities, tools and influential factors while the light green and light blue boxes denote Decision Support activities, tools and influential factors. The red box and one star boxes are for the new elements in this framework, which are the Independent member in the board and new tools are added, as shown in sections 8.3.1 and 8.3.6.2.1. The purple boxes and the two star boxes are for missed or weak elements, such as corporate external scanning, the tools used for the external scanning and preference-based influential factors, as discussed in sections 8.3.3 and 8.3.6.2.2). These latter are the strategy formulation team, strategy formulation process, influential factors and tools

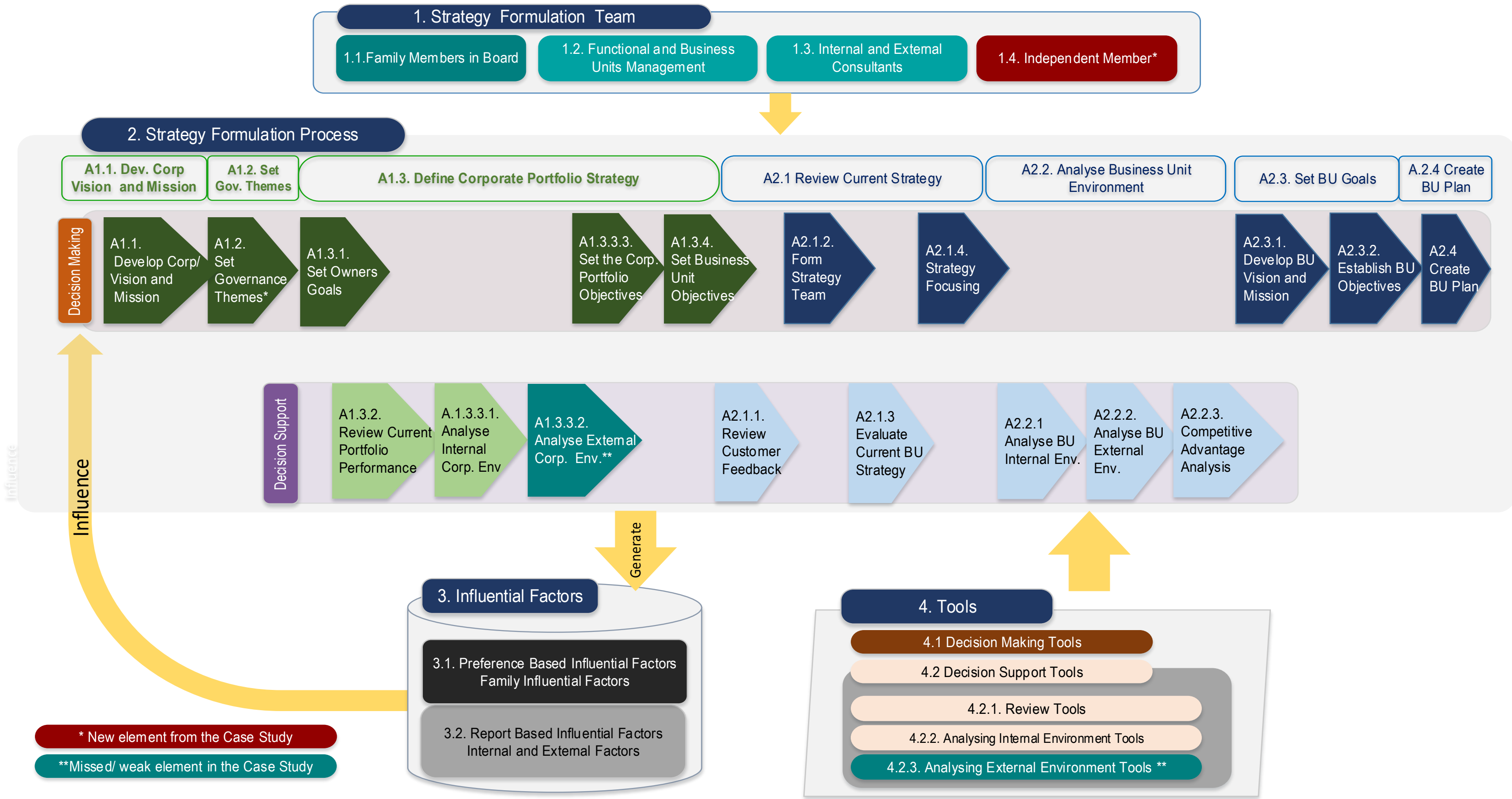


Figure 8-5:The Framework for KD-Stg-F in collaborating company As -Is

8.3.1 Strategy Formulation Approach

This study proposes strategy formulation process with the mixed approach, i.e. in the iterative and not the sequential form, mixing top down and bottom up approaches as advised in the literature (see sections (3.3 and 4.4) and investigated in most of the companies studied in Chapter 5 (see section 5.2). Using this mixed approach, the corporate level strategy explores the opportunities in the market, while the business level unit is being informed of ways to investigate these opportunities. Once the business unit confirms the viability of the opportunity/threat, the corporate and business unit strategies proceed. The iterative approach in this research is proposed to enable the corporate to be more proactive; it adopts the perspective of the business unit manager in the corporate and business strategies.

Table 8-3 summarises the situation in this case study. The board receives ideas, issues and reports from the business units and functional managers. Based on these reports under the vision and mission of the board of directors, the corporate sets a strategy formulation which in turn defines the objectives of the business units. But the area for improvement here is that the corporate does yet not search the external environment; it does not do any external scanning or even understand the competences of its business units.

Thus, the pilot view of the corporate to find any synergetic or new marketing opportunities is limited. The business unit, as proposed and as found, simply reacts to surveys of the environment by others. To be sure, there is a business unit for external scanning which aims to understand the company's competitors, customers and suppliers, but the intention here is only to improve sales and reduce costs. If the information is received only from the bottom up, the organisation strategy focuses only on improving performance in terms of operating costs and improved sales. It falls short of transforming performance, expanding into new markets or creating synergetic opportunities between business units.

Table 8-3: Proposed strategy formulation approach in the case study

Proposed	Applied	How the strategy proposed in the framework can improve the case study	Validation from the case study
Iterative not straight line	Bottom managers give information to the board. The board passes orders and objectives down to the bottom.	Board members collect their high-level information (PESTLE) to form a global view and synergetic view, while business has a focused view. Iterations are continuous until the two views fit and are best able to direct the board and corporate	They agreed with the idea and believed that they would have to become more iterative, no longer using the traditional sequential model.

8.3.2 Case Study: Strategy Formulation Team

Error! Reference source not found. shows the current practice of the strategy formulation team in the collaborating company. The team consists of the following:

- Family Members On Board, represented in this case by the CEO
- Functional managers who may be represented by a range of managers such as the financial director, vice president for sales and operation or business lines leaders, to name a few. In the scenario of this case study the vice president for sales and operation, financial director, and marketing manager represented this group.
- The internal consultant was represented in the case study by the strategy manager. Currently, his tasks are to organise, facilitate and prepare the data for the workshops and meetings of the strategy formulation process.
- Independent Members On Board (IMOB) are the members of the board appointed by the international partner, who owned a significant share of the capital. His role is to ensure that the business is aligned with and not in conflict with his organisations.
- The strategy formulation team does not change to reflect the new needs. the team composition is the same in all the time.

The application of the KD-Stg-FP framework in the collaborating company highlights an area of improvement for the strategy formulation team to consider.

This is related to the fact that no one in the team is responsible for gathering and analysing external data. This affects the company's ability to understand its external environment, especially its economic, technological and legal features. Therefore, it would be well advised to appoint a consultant who would scan, analyse and report the external environment. This would enable the company to adapt its products better to the market. This recommendation in the KD-Stg-FP framework addresses the points that were captured during the visit to the collaborating company. The strategy manager reviewed this analysis, including this recommendation and commented.

> "I agree. You put your finger on the problem. I believe this solution makes sense to us "(Strategy Manager)

8.3.3 Case Study: Strategy Formulation Process

This research classified the strategy formulation process activities into decision support and decision making. The decision-making activities mostly set the direction of the corporate and business, while the others support the decision-making activities by providing the relevant influential factors that should be kept in mind. Decision making is heavily influenced by subjectivity and preferences, including family identity and reputation of the family members and board of directors, together with information developed by the decision support activities. Thus, as proposed in this research, weaknesses in any of these activities tend to affect the strategic decision; both activities are necessary.

The collaborating company makes all the decisions, but the decision support activities are not as strong as they should be. For instance, the business relies on a captive strategy (i.e. reacting to the strategy of other businesses) on the part of one of its partners. Due to the recession, the relations between this corporate and others were weakened. Thus, when it had to take a decision to introduce new products (a new type of air conditioner) into a new market, its undeveloped ability to scan external and internal environments made the collaborating company struggle to position itself in the market. In the event, it was also dissatisfied with its own performance.

The proposed diagnosis, with which the collaborating company agreed, is set out in Table 8-4. The reason for the poor performance, above, was the inability to scan, analyse, interpret and integrate external and internal information in the strategy formulation process. The decisions were mainly influenced by preferences and few were based on external knowledge. The main problem was in the approach, which let the flow of information come mainly from the bottom upwards; it would have been improved by a new clear and systematic flow from a corporate proactive pilot view.

Table 8-4: Organising the activity so that it depended on Decision Support and Decision Making

	Decision Making Activities	Decision Support Activities
Corporate Strategy Formulation Process	**Vision and Mission Statement**	
	Define Corporate Policy	
	Define Corporate Portfolio Strategy	
	Set owners' goals	
		Review current portfolio performance
	Set the strategy direction	
		Analyse Corporate Internal Environment (**Weak**)
		Analyse Corporate External Environment (**Not done**)
	Set the corporate Portfolio Objectives	
	Set Business Unit Objectives	
Business Strategy Formulation Process	**Review Current Strategy**	
		Review customer feedback
	Form Strategy Team	
		Evaluate Current Strategy
	Strategy Focusing	
		Analyse BU Environment
		Analyse BU External Environment
		Analyse BU Internal Environment
		Competitive Advantage Analysis
	Set BU Goals	
	Develop Vision and Mission Statement	
	Establish BU objectives	
	Define Strategy (Create Plans)	

This present understanding of the author the current practise in the collaborating company in relation in Stg-FP. The detailed explanations found in Table 8-5 and Table 8-6. In order to find out which activities are already there and which activities enhance and polish and which activities are missing that be introduce in order to enhance it. The following tables (Table 8-17 and Table 8-18) were designed to give a global view of all the activities, influential factors and tools used in the collaborating company on the corporate and business unit levels. The following sections are to give an overview of the strategy formulation process in corporate and business unit before moving to the influential factors.

8.3.4 Case Study: Strategy Formulation Process at the corporate level

According to Chapter 6 section 6.4.1, corporate level strategy consists of three main activities: 1) A1.1 “Develop Corporate Level Vision and Mission”; 2) A1.2 “Define Corporate Policy”; and 3) A1.3 "Define Corporate Portfolio Strategy”. In this case study, it has been found, as illustrated in Table 8-5, that these are most of the main activities in the corporate level strategy.

A1.1 “Develop Corporate level Vision and Mission” exists in the collaboration company because the international partner proposed it. It also engages in activity A1.2 “Define Corporate Policy” to ensure the performance of its business units and the alignment of its activities with the corporate values.

Table 8-5: The Activities of Corporate Level Strategy

Activity	At company	Parameter
A1.1 Develop Corporate Level Vision and Mission	Vision and Mission	Its vision is to “create and sustain the Best Performing Buildings in Saudi Arabia and Lebanon” and to “be the supplier of choice for Building Owners, Contractors and our 3rd Party Channel Partners”.
A1.2 “Define Corporate Policy”	Policy	Its policy focuses on integrity, customer satisfaction, employee engagement, innovation and sustainability. Its policy in projects is to create a healthier, safer and more sustainable world through protecting the environment and spreading green growth.
A1.3” Define Corporate Portfolio Strategy”	Define corporate portfolio strategy	New expansion opportunities are not on the agenda Financial and market performance are targeted by each business unit

The activities of the A1.3 “Define Corporate Portfolio Strategy” are A1.3.1“set owner’s goals”, A1.3.2 “review current portfolio performance”, A1.3.3 “set the strategy direction” and A1.3.4 “set business unit objectives”.

In setting the strategy direction phase, the board are asking functional managers and business units’ managers, but not consultants, to scan, analyse and report the external and only on the business level but not the corporate level. The corporate portfolio objectives are formulated on the basis of this information from the business units.

No corporate external or internal scanning is carried out to understand the corporate PESTLE. Thus, there is no reports for external, internal scanning and for analysing the strategic business unit competitive advantage. In the objectives, the board defines the expected growth rate and the required rate of return for the corporate and on this basis the targets for each business unit are formulated.

Two areas for improvement were welcomed by the interviewees in the case study (see Table 8-6). They are A1.3.3.2 “Analyse corporate external environment” for the PESTLE analysis and A1.3.3.3 “Set the corporate portfolio objectives” spotlighting the expansion strategy and the portfolio structure. The corporate missed out these two activities because the internal management was “listening” from inside, without taking an active role in understanding the external environment direction. This Decision Support orientation affected the decision-making orientation. In other words, because of the inability to take a global and synergetic look at the environment and its business units, no decisions could be made to search actively for new markets or new opportunities.

Table 8-6: Areas for improvement in corporate level strategy

Not Existed	Comment
A1.3.3.2 Analyse corporate external environment	The financial director confirmed there was no provision for including economic factors in the analysis, nor any way of assessing the influence of economic factors on organisational decisions. Political factors also were understood and absorbed only by relations represented on the board. The corporate had no systematic way of understanding the corporate PESTLE.
A1.3.3.3 Set the corporate portfolio objectives	The strategy manager confirmed the lack of a mechanism to understand the portfolio structure and its business units. There was no way, either, for plotting all the business units in one matrix such as the BCG matrix. The reason is the corporate weaknesses in approaching the environment from a global and synergetic standpoint.

Table 8-6 was discussed with the strategy manager. He believed that this showed a correct diagnosis and he was interested in applying these recommendations to the corporate strategy.

8.3.5 Case Study: Strategy Formulation Process at the business level

Two businesses operate under this umbrella, each of which is directed towards a certain customer group. The first is devoted to government projects while the second targets direct consumers. The government projects are more important because the firm is subcontracted to the government’s major vendor. The validation concerns the other business segment, at the level of final consumers. The four main activities of Stg-FP proposed by this research are found to be used by the collaborating company. In this case study, also, the fourteen sub activities proposed by this research are found to be similar.

8.3.5.1 A2.1 Review Current Business Unit Strategy

Activity A2.1 “Review Current Business Unit Strategy" is undertaken by the collaborating company. This activity contains four main sub activities, namely, 1) A2.1.1 “Review customer feedback”; 2) A2.1.2 “Form strategy team”; 3) A2.1.3 “Evaluate current strategy”; and 4) A2.1.4 “Strategy focusing”.

In A2.1.1 “Review customer feedback” which is applied in the present case, the business unit managers and their CEO look seriously at the customers’ feedback and discuss it every week. In A2.1.2 “Form strategy team”, as it exists in the company, the strategy formulation team comes together to discuss the issues if there has been a significant number of complaints or changes in customers’ attitudes and preferences. At this level of strategy formulation, the strategy formulation team does not include the foreign and independent board members. In this meeting at business level, the discussion concerns current performance and expected and targeted performance. The company uses key performance indicators to review its strategies, which justifies the application of A2.1.3 “Evaluate current business unit strategy”. From the results of this evaluation, A2.1.4 “Strategy focusing” is directed.

8.3.5.2 A2.2 Analyse Business Unit Environment

In activity A2.2 “Analyse Business Unit Environment” the external and internal environment is scanned for the collaborating company by members of its staff including marketing and HR managers; it follows that activity A2.2.1.1 “People Analysis” is carried out internally also. And activity A2.2.2.1” Market Forces Analysis” is undertaken by the marketing manager, who relies on his sales force to scanning the environment, while the HR uses the performance management system to capture the internal environment. The tools used for this were not comprehensive and the firm seems to be limited in its ability to understand the current economic, legal, political, technological and environmental factors. The data about activity A2.2.2.2 “Legal Analysis “in the collaborating company shows that legal and political elements are scanned from public knowledge and informal networks.

The interviewees in the collaborating company considered the following areas for improvement: that economic and technological factors are still not studied and investigated in depth on the business level; that the relative power of the market players is not scanned and analysed either on the corporate level or the business level; and that the market was studied merely for the sake of increasing sales without taking account of such relevant market changes as the purchasing power of the customers, inflation, recession and the market business cycle. The other main difference between this current practice of the collaborating company and the proposed one was that the analysis was made internally with no consultants and that the analytical knowledge and skills of the people who were assessing the external market was limited. This is reflected in the level of comprehensiveness and sophistication of the tools used and reports generated. The reports that they generated were limited to the level of sales and market share and failed to report with insight about rigorous marketing forecasts and the analysis of marketing dynamics as shown in previous chapters. The strategy manager agreed with the above recommendations and analysis but he defended the company in some respects:

> “There is a good level of understanding of the market and a good level of analysis is done to compare our competitors’ technologies “Strategy Manager

8.3.5.3 A2.3 Set Business Units Goals

The strengths, weaknesses, opportunities and threats (SWOT) to a company are formulated on the basis of its understanding of the internal and external environment. Activity A2.3” Set Business Unit Goal” in the collaborating company was proposed because it lets a firm position its firm vision and mission. At present the collaborating company does not do this, but bases its vision and mission on that of its international partner. However, the business level strategy does not a reveal a clear business identity, because it borrows its identity from the international partner, though with local family values in mind. According to this vision, its goals are defined and its objectives and targets are set at the corporate level, based on a SWOT analysis.

8.3.5.4 A2.4 Create Business Unit Plan

Finally, having chosen these targets as mentioned in the A2.3 “Strategy Business Unit Goals activity, the A2.4 “Define Business Unit Strategy” activity can start. Each functional manager formulates his department plan according to the targets.

Because previous plans are not well documented, the managers’ ability to take to heart the lessons learned is limited. It was acknowledged by the strategy manager that this could improve the planning process at the functional level. Here it is shown as an area for improvement. If the previous plans had been well documented it would have helped the VP for sales and operation to consolidate all previous plans with the help of his staff and use them to develop a new plan.

The strategy manager said that he

> “Agreed with this analysis and these ideas” Strategy Manager

8.3.6 Case Study: Influential factors affecting the Strategy Formulation Process

The influential factors are factors affecting the strategies either at corporate level or at business level.

8.3.6.1 Case Study: Corporate Level Strategy Influential Factors

In the corporate strategy, some factors influence 1) A1.1 “Develop the corporate level vision and mission”; some affect 2) A1.2 “Define corporate policy”; and others affect 3) A1.3 “Define corporate portfolio strategy”.

8.3.6.1.1 Influential factors affecting the Development of the Corporate Level Vision and Mission

The influential factors affecting the A1.1” Develop the corporate level vision and mission” are the power of the family members on the board of directors and family identity. The greater the power of the family members, the more influence the family can exert on the vision in the collaborating company, because the family controls only 50% of the capital and appoints two of the four members of the board.

These limits the power of the family to formulate the vision, the mission, the policy and the corporate portfolio strategy as illustrated in Table 8-9. The vision, mission and policy are formulated and set by the international partner. Moreover, no company shares are sold in the open market; therefore, there is no need to keep the factor of "governance laws" in mind. The details of the influential factors appear in Table 8-7.

Table 8-7: The influential factors affecting the development of the corporate level vision and mission

Factors	Influential Factors	Existence	Rationale
Power of family members on the board	Number of family members on the board	Weak	The power of family members is limited. The vision and mission are those of the international partner as long as they do not conflict with the values of the family members
	Independence of the members of the board of directors	Weak	
	Ownership Capital	Medium	
	Governance Laws	Do not exist	The firm is not a public organisation. Therefore, there are no governance and transparency rules to control the power of the family members
	Functional and Business Unit managers (FBU) influences	Weak	International partner enforces its vision and mission on the corporate
Family Identity	Historical Development	Medium	The family has a long history in the field but so has the other partner.
	Family Reputation	Strong	The family reputation and the emotions attached to it Whoever contributes more capital has control over which business opportunities are accepted and which are not.
	Emotion/Wealth	Strong	

8.3.6.1.2 Influential factors affecting Define Corporate Policy

The corporate policy reflects what is accepted and what is not. The main corporate policies for the collaborating company are "transparency with stakeholders" and an "open market" in which to work with everyone on small or large issues

> "We maintain an open-door policy for any assistance or inquiries you may have, no matter how small or large." Corporate website

This policy has implications for the corporate portfolio since the corporate has to accept all projects regardless of size. Nevertheless, as mentioned in the implicit vision, the family does not accept being number three or indeed not being the first in the market. This affects the business strategy in terms of its vision, mission, objectives and focus on premier status in all markets that it enters.

The family's religious and cultural preferences have not been found to have impact, due to the nature of the products and also to the power of the international partner which enforces its policy and values on the family business. Details of the influential factors are illustrated in Table 8-8.

> "Religious and cultural values are not considered because our vision, mission and values are generic and do not contradict any of our values" Strategy Manager

Table 8-8: The two main influential factors derived from the family that affect the defined corporate policy

Factors	Influential Factors	Existence	Comment
Family Identity	Family religion	Weak	The business is led by professional managers (not family) and the international board also affects the business. The vision, mission, values and policy are set by the international partner and do not contradict the religious and cultural values of the corporate.
	Family culture	Weak	
	Family constitution	Weak	
Power of family members on the board	International members on the board	Strong	
	Functional and Business Unit Managers on the board	Medium	

8.3.6.1.3 Influential Factors Affecting the Defined Corporate Portfolio Strategy

Many of the influential factors proposed by this research have not been found essential in setting the portfolio objectives. The reason for this is that the collaborating company shares the capital equally with the international partner, which works in subcontracting and the business to business market and there are no external shareholders. Furthermore, as noted above, because of failing to study the corporate PESTLE, the firm ignores many influential factors, which according to the interviewees harms the organisational performance. The details of the influential factors are revealed in detail in Table 8-9, as follows.

Areas for improvement lie in the limited setting of financial objectives at business level (setting the strategic direction); the ability to capture, analyse and absorb the growth of the national GDP; and knowledge of consumer purchasing power and future family business financial needs. This limits the organisation's ability to set the financial objectives efficiently, because it has no mechanisms for capturing, analysing and absorbing the external influential economic factors, despite what is claimed:

> "External economic factors are well observed and their influence on priorities and objectives as they change." Strategy Manager

Table 8-9: Influential factors affecting define corporate portfolio strategy

	Influential Factors			Existed	Comment
A1.3.1Set Owners Goals	Protecting and Fostering Family Identity Objectives	Next Generation Interests,		Weak	The existence of the international partner by 50% diminishes these factors
		Socio- Emotion Wealth			
		Religious and Cultural interests,			
		Family internal distributions			
	Family Business Growth and continuity objectives	Government Strategy	Government Expenditure	Strong	Most of projects are for governments and mega projects in Middle East.
			Government Strategies in the geopolitical environment	Medium	
			Stability in the legal infrastructure	Strong	
			Revenue Taxes	Weak	Taxes in Saudi Arabia does not influence the business decisions
		Other Family Business (LFBB) Strategies	Changes on the board of Directors of other LFBB	Strong	A significant part of the business is with, collaboration, or subcontracting other family businesses. They do not mind to lose so as to sustain relationships with other familiarise
			Changes in the capital structure of other LFBB		
			Similar investments or projects by other LFBB		
A.1.3.2 Define Corporate Strategy Direction – Set the corporate portfolio objectives	Set Business Growth Objectives (New Market Opportunities)	Competitor Power	Competitors cost structure	Strong	The movement to retail market and being inspired to lead the market pushed them to analyse other competitors and buyers in the retail market.
			Competitors access to financial resources		
			Competitors Growth		
			Controlling the resources		
			International Competitors		
		Customers Power	Customer size,	Strong	
			Number of customers		
			Importance of the products for the buyers		
		Suppliers Power	Major changes in the big supplier's strategies	Strong	The business is producing manufacturing products which highly relied on other businesses outputs
			Supplier Concentration		
			Suppliers relationships with other competitors		
		Substitutes Power	cost structure of the substitutes provider	Weak	They do not perceive to have clear substitutes to their products
		New Entrants Power	Internationalisation of the new entrants	Strong	International competitors are monitored
		Corporate Resource Capabilities and Asses		Weak	This perceived as weakness
		Current Portfolio Performance		Weak	The current portfolio performance is not used in the strategy
		Technological Factors	Change in the integration technology	Moderate	The secondary data is used to follow up. but they are not considered with taking into consideration other SWOT factors
			Disruptive Technology		
	Family Business Continuity	Government Expenditure		Strong	The majority of the business is B2B and Government based.
		Relationships with government			
		Relationship with other family business			

	Influential Factors		Existed	Comment
		New regulations affecting business,		
		Zakat/Taxes	Weak	No critical role or impact
	Protecting Family Identity	Next Generation Interests	Weak	Business is led by International partner
		Socio-Emotion Wealth		
		Religious and Cultural Values		
A1.3.3 Set BU Objectives	Shareholders Financial Needs		Strong	Each business unit manager has a clear target to start his business strategy.
	Family Financial Needs		Weak	
	Growth GDP of the country,		Weak	
	Purchasing Power,		Weak	
	Cost of Finance (Market Interest Rate)		Strong	
	Current Business Unit Performance		Strong	

8.3.6.2 Case Study: Business Level Strategy

The various influential factors affecting different activities in the business level strategy. The decision-making activities are the A2.1.2 “Form BU strategy Team” and A2.1.4 “strategy focusing” in reviewing the strategy, A2.3 “Setting BU Goals” and A2.4 “Create BU Plan”.

8.3.6.2.1 Influential Factors Affecting the Review Of The Current Business Unit Strategy

In A2.1“Review Current BU Strategy” there are only two decision making activities: A2.1.2 “Forming a BU strategy Team” and A2.1.4 “Strategy focusing” as shown in Table 8-12. Since the business in the collaborating company is limited in its Familiness, the impact of the family members’ involvement is limited. Additionally, because the board of directors is not involved in the business unit strategy, the involvement of the independent board members is limited. Finally, only business unit managers take the lead in developing the business unit strategies. (see Table 8-10)

A2.1.4 “Strategy Focusing”, as a decision-making activity, is influenced negatively because of the inability of the corporate to understand its PESTLE and thus developing new opportunities for business unit managers. Hence market opportunities and new technologies in the market have only weak influence in the strategy.

Table 8-10: Influential factors affecting Review Current Strategy

Sub-Activity	Influential Factors	Influence	Comment
A2.1.2 Forming a Strategy Team	Involvement of the Family Member	Weak	Board of directors is involved only if there is a significant change in the firm's strategic orientation
	Independent Board Members	Weak	
	Management Skills and Competence	Strong	
A2.2.4 Strategy Focusing	Lessons learned from the current strategy	Weak	Because there is no strategy review, the lessons learned are not taking into consideration in the strategy focusing

1.2.7.2.1: Influential factors affecting the Setting of the Business Unit Goals

Table 8-11 illustrates the vision and mission of the business, which are formulated on the basis of the corporate level vision and mission. The family business role here is also weak because the family business power is limited in the collaborating company. The objectives are set by the board in the corporate level strategy and are also are set according to the strategy review and the business vision and mission. Because this corporate mainly targets other businesses, all retail related factors are ignored, even though a new retail level business unit has been set up. However, the main limitation that the interviewees perceived in the business units is that the firm, dominated by B2B marketing tools, disregards factors to do with retail sales, despite their importance.

Table 8-11: Influential factors affecting the setting of business unit goals

Sub Activity	Influential Factor	Existed	Comment
Develop Mission Statement and Vision	New players in the market	weak	B2B industry
	Customer Issues and needs	Strong	
	Family Business Unit Identity	Weak	Dominated by the foreign and corporate level. No differences at the business level.
Establish Business Objectives	Competitors' power and closeness to the case study's performance	Weak	B2B industry, relationships with the parent company. Even BUs which focus on B2C still lack understanding of these factors which are believed to be main areas for improvement in this BU
	International competitors	Weak	
	Government relations, directions, orientations and strategy	Strong	

8.3.6.2.2 Influential Factors Affecting the Create Business Unit Plan

As proposed in this research, all the plans are used and integrated as revealed in Table 8-12. All the plans affect one another; the financial targets affect the marketing plan and the marketing and financial targets affect the production plan. All the above affect the HR plan to improve capabilities and to match them with future demands. The collaborating company does all this constantly. However, they seem to have only limited ability to match the HR plan with all the other plans.

The problem is in forecasting HR needs in the future so there will be no gap between firm's requirements and the availability of human resources to meet them

Table 8-12: Influential factors affecting the create business unit plan

Sub Activity	Description	Existed	Comment
Financial Plan	Financial Performance	Strong	
HR and Business Improvement Plan	HR Performance	Strong	
	Level of business automation	Weak	No expertise or consultants for improving internal business processes
	New business process technology	Weak	
Production, Engineering and R&D Plans	Current technological limitations	Weak	New product development is linked to the international partner
	New production technologies	Weak	
Marketing Plan	Market Performance (Market Share, Sales, etc.)	Weak	B2B, based on relationships and subcontracting.
	Market Demographic Distribution	Weak	Type of industry is not relevant
	Market Religious and ideologies	Weak	
Develop a consolidated Master Plan	Explicit Knowledge	Weak	No knowledge management system, archival management, no lessons learned by management
	Implicit Knowledge - employees knowledge	Weak	
	External Consultants	Weak	
	Management Skills	Weak	

The plans are not well documented in a way that can be used for improving future plans. There is no knowledge management for plans that would improve the planning process. Therefore, the areas for improvement should have a centralised planning unit to document, analyse and report the lessons to be learned from implementing the previous plan. By doing so, the firm could improve new planning activities and avoid previous mistakes.

The above analysis was reviewed and verified by the strategy manager. His comment showed his agreement with the analysis and areas for improvement.

8.3.7 Case Study: Tools for the Strategy Formulation Process

Among the tools used in the strategy formulation process are customer surveys, interviews, workshops, brainstorming sessions, key performance Indicators (KPIs), sales force systems, performance management systems, cash requirements analyses, value analyses, negotiation with suppliers, questionnaires and discussions. The tools used in this case study company are similar to the findings, except for the value analysis. The value analysis was not seen in other companies.

8.3.7.1 Decision Making Tools

The decision-making tools are those used in bringing out ideas and the brainstorming by various members of the organisation at any given time. Proposed tools in the collaborating company, as shown in

Table 8-13 are based on workshops and meetings such as were observed in the present research. These tools are used in the corporate level strategy for A1.1 “Develop Corporate level Vision and Mission”; A1.2 “Define Corporate Policy”; A1.3 "Define Corporate Portfolio Strategy”; A1.3.1” Set owners Goals”; A1.3.3 “Set the Strategy Direction”; A1.3.3.3 “Set the Corporate Portfolio Objectives”; and A1.3.4“Set Business Unit Objectives”. They are also used at the business level for A2.1.2 “Form BU Strategy Team”; A2.1.4 “Strategy Focusing”; A2.3.1 “Developing Business Unit Vision and Mission Statement”; A2.3 “Set BU Goals”; and A2.4 “Create BU Plans”. All these tools but the Town Halls use the same name. However, in informal meetings, this has a different name.
The main purpose in using workshops is to mix the top down and bottom up approaches. Thus, in the collaborating company, each decision is made after debates and meetings with different and relevant workers in the corporate.

Table 8-13: The decision-making tools

Tool	Known by this name	Comment
Workshops	Yes	
Informal/ irregular meetings (Town Halls)	Different name	Used by another name for informal meetings
Strategy formulation presentation and sessions	Yes	
Working Sessions	Yes	
Facilitated workshops	Yes	
Regular Meetings	Yes	

8.3.7.2 Decision Support Tools

Decision Support tools are used in Decision Support activities to collect, store, analyse and report the external and internal environment. These tools are divisible into review tools and tools for external and internal analysis.

8.3.7.2.1 Review Tools

The review tools benchmark the current performance according to the targets for performance, mainly on the basis of established indicators. In the collaborating company, as illustrated in Table 8-16, various indicators are used to monitor and review performance, such as sales reviews, customer reviews, cost performance reviews and financial performance reviews. They set the expected performance regarding finance, cost, customers and sales each year. At the end of the year, they review these indicators. Only customer feedback is reviewed every week.

In the collaborating company, the strategy team review the current strategy, taking account of the organisation's capabilities. The key performance indicators are used to find any differences between the actual performance and the expected performance so that the organisation can take note of its weaknesses in implementing its current strategy. The business level strategy uses the feedback from the A2.1"Review Current BU Strategy" to direct the new strategy.

Table 8-14: The tools used to analyse the factors (IFs) which influence the Review activities

Tool	Exist	Comment
Financial Reviews	Yes	
Benchmarking	Yes	
Historical Variation analysis	Yes	
Employees' performance reviews	Yes	
Operations reviews	Yes	
Key Performance Indicators (BSC)	No	It is proposed to try them to see if they are useful and make sense
Performance reviews	Yes	
Sales turnover analysis	Yes	
Performance Management System	No	
Scenario Based Analysis	No	

The collaborating company does not use a comprehensive framework for integrating these key performance indicators (KPIs) such as the balanced scorecard. The balanced scorecard (BSC) is proposed for them as a way of integrating KPIs with the business unit's objectives and corporate objectives. Both see it as a useful tool which makes sense to them as an integrated framework for measuring performance and connecting these indicators to the main strategy.

The communication between business level and corporate level is concerned with financial indicators only; it is not an integrative KPIs system as the balanced score card is. The BSC would enable the corporate level to understand what is behind the financial measures so that it could propose achievable and challengeable targets to the business level managers.
When the corporate sets its portfolio objectives, it should use an integrative tool to give a comprehensive target for its business levels. This is related to the first recommendation. The targets should be based on KPIs, not merely financial or market targets. The strategy manager reviewed this section and completely agreed with it. He also showed an interest in developing an integrative KPI system for leading and controlling the business unit's performance. His comment was "Yes, I agree no clear framework. We need it" Strategy Manager

8.3.7.2.2 Internal Analysis Tools

Table 8-15 reveals that the collaborating company uses a range of tools in its internal analysis. The new tool found here is value analysis, which they use because it is a contract-based tool meant for designing new constructions. It is also used by management way when it wants to isolate and remove activities which add no value. This tool helps them to distinguish these activities from the others.

Table 8-15: The tools used to analyse the IF which affect the Internal Analysis activities

Tool	In Used	Comment
Employees Capabilities' studies	No	
Listing resources with their capabilities	Yes	
Value Chain Analysis	No	The firm does not use it but after discussing its use with top management, operations managers found it an important tool which they would be interested in using
Value Analysis	New	
Financial and Operational Leverage Analysis	No	The firm does not use it and does not perceive it to be important, because there are no loans or debts in the capital structure.
Hurdle Rate analysis (risk and return) (Required rate of return)	Yes	
Income/growth power analysis	No	Business is based on deals/contracts; thus, the growth function cannot be easily calculated or estimated.
Process Mapping	Yes	
Cash Requirement analysis	Yes	
Human Resource Availability	No	There is a human resource management system but it does not detail staff availability or its capabilities.

A "detailed capability study" is proposed for the collaborating company as a way of learning the knowledge, skills and abilities of its employees. The marketing vice president and the vice president of operations complain about the firm's inability to find the right person in the right place at the right time. In addition, the management frustrated by its ignorance about the capabilities of the employees who cannot be deployed to best advantage. For the collaborating company matching the employees' capabilities with their rate of pay is an issue. Thus, they find capabilities studies useful for resolving these issues. The strategy manager also is interested in the "Detailed capability studies". He believes that they would enable him to better understand the strengths and weaknesses of the business.

8.3.7.2.3 External Analysis Tools

The business level analyses strategy in order to increase sales, make better purchasing decisions, and improve the business processes and the efficiency of production. The aim at the business level is not to expand to other markets or to produce new products. If the marketers find new opportunities, they are sent to the strategy team to consider at the corporate level, but not at the business level. This perpetuates the segregation between the corporate level and business level strategy. The external environment analysis scans competitors' prices, market shares, suppliers' prices and quality, as illustrated in Table 8-16.

Table 8-16: The tools used to analyse the if which affect the external analysis

Tool	In use	Comment
Secondary Data analysis (Industry, Economic and political reports)	Yes	
Interviews	Yes	
Survey (Questionnaire)	Yes	
Business Intelligence	Yes	
Government Expenditure and budget analysis (Trends, forecasting and classifications)	Yes	
Market Research Reports	No	These tools need a specialised person/department to collect data and use them; no one of this kind is available to this corporate
PESTLE template	No	
Market Space Analysis (Positioning Analysis)	No	
A study of market requirements	No	
Source of sustainable competitive analysis	No	
Portfolio Matrices (e.g. BCG)	No	The company has no synergic view across business units. This was proposed to them and they accepted it as a new direction to take.
Niche Markets analysis	No	
Mystery Shoppers	No	The marketing department is new to retailing. Most of the company's activities are with other businesses, leaving no need to use these tools. However, they are needed for retailing business units. The employees are happy with the ideas proposed.
Sales force system	No	
Market intelligence	No	
Market Dynamics (Market share analysis) -	No	
Word of mouth analysis	No	
Customer engagement analysis	No	
Market situation analysis	Yes	
Sales forecasting and estimations	Yes	
Customer service complaints analysis	Yes	Customer service department collects data
Market Scanning	Yes	Bought by marketing research company
Analysis of future demand by industry	Yes	

There are three areas for improvement here. The first and second improvements would be to have a proactive and synergetic view while the third is about the ability to gather, analyse and report changes in the external environment.

First, a proactive view is proposed for the corporate; it could have this if it actively sought new market opportunities and sent their data to the business units. However, all the tools that are needed for this proactive review, such as a structured PESTLE analysis, market space analysis, or a study of market requirements, are missing. This also affects the size of the business, because family relations and relations with partners tend to keep matters static for a long time.

Second, the synergetic view is also suggested for the collaborating company. It should align business units with one another and improve their capabilities and performance. As noted, such related tools as a BCG matrix and niche market analysis have never been prepared, because each business unit is perceived in isolation. They were able to be coordinated to deliver contracts in response to market needs but not to transform business performance.

Third, a critical issue for the collaborating company is its limited ability to analyse the external environment. Thus, because the corporate's board is too busy on operational activities to make these analyses, it is proposed to have the task done by an internal department of specialised consultants called the business development unit. This is a research centre which leads the business level by capturing and analysing consumer market dynamics, together with those of the suppliers' market. This may improve the firm's market positioning and the efficiency of the purchasing decisions and will be reflected in improved capabilities regarding data and business analysis. One of the interviewees said

"I agree, analysis models are not used" Strategy Manager

Table 8-17: The corporate level Stg-FP as-is in the collaborating company

Activities				Comment	Influential Factors	Tools
A1.1Develop Corporate level Vision and Mission				The vision, mission and policy are enforced by the foreign partner who controls the enterprise.	Number on board of directors capital structure, not-public company (no governance laws), Shareholder influence is strong and family identity is weak	Workshops Town hall (Irregular Meetings)
A1.2Define Corporate Policy						
A1.3Define Corporate Portfolio Strategy	A1.3.1Set Owners' Goals			Both external board members (representing the foreign company) and family board (members representing the family) sit together to define the future business goals	Protecting business growth influential factors (not existed) Family business growth and continuity (Existed) Country Investments and Major Projects, Country Directions of investments, other families' strategies	
	A1.3.2Review Current Portfolio performance			Each business manager reports his performance and problems. The corporate reviews its performance		
	A1.3.3Set the Strategy Direction	A1.3.3.1Analyse Internal Corporate Environment	A1.3.3.1.1 Review Business Units Competitive Advantage	Weakness		
			A1.3.3.1.2 Corporate Recourses Analysis	Analysing corporate intangible and tangible resources - but not in a systematic and structured way		Capability and Resources Analysis
			A1.3.3.1.4 Corporate Financial Recourses Analysis	Analysing the cash availability to meet future plans, determining the cost of finance (required rate of return), the ability to borrow from banks (including the interest rate and amounts).		Financial Measure
		A1.3.3.2 Analyse Corporate	PESTLE Analysis	**(No PESTLE Analysis).** Only sporadically reviewing and reading secondary economic and government official reports to understand the		Secondary Data analysis (economic and professional

		External Environment		environment. No Systematic way of understanding the external environment		reports; Online Databases), New technologies
			A1.3.3.2.7 Market Analysis	Using Porter's model to understand the bargaining power of different stakeholders in the market development or product development strategies (i.e. portfolio directions).		Market Intelligence, Market Knowledge (market size and future needs), and Supply chain analysis (including their strategies, capabilities and future directions).
		A1.3.3.3Set the Corporate Portfolio Objectives		In a corporate meeting, all relevant functional and business units' managers meet the board of directors to define and clarify the strategic directions of business units. But there **is no corporate strategy in terms of growth strategy**.	SWOT of each business units and corporate SWOT including Business Units' Buyers', competitors' and new entrants' powers, Corporate financial resources available, New market opportunities, Country Investment Directions, changes in energy costs	Town hall (Irregular Meetings) Brainstorming Meetings
	A1.3.3Set Business Unit Objectives			There are certain financial objectives required from each business manager.	Cost of finance, purchasing power and growth of GDP of the economy	

Table 8-18: The business level Stg-FP as-is in the collaborating company

	Sub Activity		Comment	Influential factors	Tools
Review strategy	Review Customer feedback		Very important. Weekly meeting to discuss it		Customers surveys and interviews
	Form Strategy team		It has a strategy team from professional departments, board of directors and consultants	Family and independent members are not involved in reviewing the strategy but involved in Decision Support based on reviews results. managers skill and competences affect the strategy	Workshops and Brainstorming sessions
	Current strategy evaluation		It uses key performance indicators to review their strategies	Variations in key performance indicators between years are most important.	Key Performance Indicators, Operations Review
	Strategy focusing		This is part of the strategy consideration	Market opportunities are addressed to expand in certain markets	
Analyse Environment	Analyse Business Unit Internal environment	People Analysis	Human resources are analysed based on market and technical needs. Organisational analyses use process mapping		Process Mapping
		Technological Analysis			
		Organisational Analysis			
	Analyse Business Unit External Environment	Market Forces analysis	To understand the environment for marketing plans and selling opportunities.		Sales force system, Surveys
		Legal Analysis	Understanding the new legal regulations affecting the business		
	Competitive Advantage Analysis		Capability gap analysis for improved plans.		No tools used
Set goals	Develop Vision and Mission		Vision comes from the foreign company and partly based on the strategy focusing	Organisational purpose, customer issues and needs, new players in the market. ***No business level identity***	Workshops and Brainstorming
	Established business objectives		financial, marketing and production objectives come from portfolio objectives and from strategy focusing	Competitor's powers and closeness to performance, international competitors, government relations and direction and corporate enforced market and financial targets, introduction of new channels by competitors, competitor's local investments.	Workshops and Brainstorming

	Sub Activity	Comment	Influential factors	Tools
Define strategy	Create financial plan	Creating financial plan based on financial targets required by the board.	Financial targets, financial position, cash requirements plan, new market targets, new financial targets and HR and business improvement plan.	Cash Requirements Analysis
	Create marketing plan	Its marketing plan is based on financial plans	Customer segment, lifestyle, financial and production targets, corporate enforced market targets. Price affordability, location of the product and market competitiveness. Existence of skilled marketers and sales people. ***No knowledge management, no documentation of know-how→ but acknowledging its importance***	Sales forecasting and estimations. Questionnaires and discussions, Quotation Analysis
	HR and Performance improvement plan	Restructuring plan based on marketing and financial plans	Availability of talented employees and the cost of them at the right time. New financial targets, new market targets and level of business automation. ***No new business process technology***	Performance Management System, Value Analysis*
	Production, engineering and new product development plan	There is a production plan based on marketing and financial plans.	Research and development, financial plan and marketing plan, new technology operation, customer segment and product. ***No knowledge management, no documentation of know-how→ but they acknowledge its importance***	Negotiation with suppliers
	Consolidated plan	All plans are consolidated in one master plan	The abilities of the team, ***no lessons learned, the previous plans are not used as lessons learned***	Regular meeting

Table 8-19: The report used from the collaboration company in the case study

Report	Source	Where to use it	Collaboration company	Comments
Corporate Level Performance	A1.3.2 Review current portfolio performance	A1.3.3.3 Set the Corporate Portfolio Objectives	Yes	JV P&L Measures plan vs actual in revenue and budgets
		A1.3.3.1.2 Corporate Tangible Resources Analysis	No	Currently, the company does not do tangible resource analysis,
		A1.3.3.1.3 Corporate Financial Resource Analysis	Yes	Secured Volume report Reports the sales on monthly basis by business line
Consolidated Business Unit Portfolio Performance		A1.3.4 Set Business Unit Objectives	Yes	Report: Billing Report This reports the revenue of each business line
		A1.3.3.1.1 Review Business Unit Competitive Advantage	No	There is no systematic and organised competitive analysis is conducted
		A.1.3.3.3 Set the Corporate Portfolio Objectives	No	There is no mechanisms to have a synergetic global view for the BUs
Corporate Level Strengths and Weaknesses	A1.3.3.1.1 Review Business Unit Competitive Advantage	A1.3.3.3 Set the corporate portfolio Objectives	No	This process is arbitrary with no formal analysis or documentation to the data. there are secondary data reports bought from outside. But, there is no analysis of these reports in the light of the corporate strength and weaknesses. Thus, the collaborating company does not know how to fit itself in the ecosystem properly so as to realise the competitive advantage for its subsidiaries.
	A1.3.3.1.2 Corporate Tangible Resources Analysis		No	
	A1.3.3.1.3 Corporate Financial Resources Analysis		No	
Corporate Level Opportunities and Threats	A1.3.3.2.1 PESTLE Analysis		No	
	A1.3.3.2.2 Industrial Analysis		No	
Customer Issues and Feedback	A2.1.1 Review Customer Feedback	A2.1.2 Form Business Unit Strategy Team	No	Strategy formulation team is fixed and not reflecting the new challenges
		A2.1.3 Evaluate Current Business Unit Strategy	Yes	Reports: Customer Complaints Measures number of complaints by business
Strategy Review	A2.1.3 Evaluate current	A2.1.4 Strategy focusing	No	There is no review for the current strategy. since the

	business unit strategy			approach is a reactive one, the business unit just focuses on the customer complaints as a review tool
Business Unit Performance		A1.3.2 Review Current Portfolio Performance	No	
		A.2.4.1 Create Plan	**Yes**	Business line profit and loss (P&L) statements Measure revenue, gross margin and earnings before income tax (EBIT)
Strategic BU Competitive Advantage	A2.2.3 Analyse BU Competitive Advantages	A2.3.1 Develop Business Unit Vision and Mission statement	No	The collaborating company perceives it as weaknesses as the there is no structured and systemized approach for collecting, analysing and reporting external and internal changes in the environment to be reflected in the strategy.
		A2.3.2 Establish Business Unit Objectives	No	
		A1.3.3.1.1 Review Business Units Competitive Advantage	No	
		A2.4.2 Create HR and Business Improvement Plan	No	
		A2.4.4 Marketing Plans	No	
Business Level Strengths and Weaknesses	A2.2.1.1 People Analysis	A2.2.3 Analyse Business Unit Competitive Advantage	No	
	A2.2.1.2 Technological Analysis		No	
	A2.2.1.3 Organisational Analysis		No	
		A.2.4.1 Create Financial Plan	No	
Business Opportunities and Threats	A2.2.2.1 Market Forces Analysis	A2.2.3 Analyse Business Unit Competitive Advantage	No	
	A2.2.2.2 Legal Analysis		No	

8.4 Validation by Expert Judgment

After validating the framework by means of a case study, expert judgment was called upon to validate the framework from academic and professional perspectives. The aim of validation by expert judgement is also to improve the applicability of the research findings in different contexts. Twelve experts were approached but eight of them accepted the invitation. Those Eight experts were interviewed for discussing the framework, tools, models, taxonomy and listsas illustrated in Table 8-20 . The overall feedback was positive but some critical comments were received. The research outputs were improved on the basis of these comments, as well as the case study results, and are presented again in this chapter as the final product. Strategy Formulation Process. The strategy formulation process is analysed in this thesis in order to learn more about the current formulation activities of the family business strategy and to use the best-in-practice guidance to improve them.

Table 8-20: Experts' profiles about their positions and number of experience

Expert	Position	number of experience	Experience
Ex1	Prime Minister Consultant in Lebanon for international relationships. Consultant and Academic in business development	10	Consultant, Academic
Ex2	Managing Partner at ISG Firm – A family business adviser firm operating out of Dubai and Jeddah. Partner at the Faster Family Business Club at New York USA.	15	Consultant
Ex3	Consulting & Development Strategic planning expert where he has strategic planning for a large number of government agencies, profitability and charity	8	Consultant and Practitioner
Ex4	Chief Strategic Development officer at the Saudi Binladen Group	17	Practitioner
Ex5	Research Director, Executive director of scholarships. Faculty member of the Saudi University in Family Business Strategy	11	Consultant and Academic
EX6	Senior consultant, owner of the Oxford Strategic Consulting and a specialist in Family Business	20	Consultant and Academic
EX7	Vice Chairman of Al Rajhi, a Large Family Corporate –. Guest lecturer in Strategy at a Saudi University	5	Family Business Owner and Academic
EX8	Manager Partner at Calibre consultancy.	7	Consultant

The process can be divided into corporate and business strategy and into decision support and decision-making activities. This model is based on an approach newly developed in this thesis, called the ambidextrous strategy formulation process, which is iterative, adaptive and based on mixing proactive with reactive and also top down and bottom up approaches. The model is depicted through IDEF0 to map the factors which influence the activities so as to improve the strategy formulation process in LFB in the GCC region. The following sections list the points of strength and weakness. The final model is based on the recommendations of the experts, taking into consideration the list of strengths and these research findings.

8.4.1 Strategy Formulation Process

8.4.1.1 Strength Points

The validation focused on three levels: 1) the underpinning strategy approach for the model, 2) the model in itself in terms of sequencing, consistency and clarity and 3) the taxonomy of the activities in the model (see Table 8-21).

The underpinning strategy approach was praised by the experts, who saw it as useful, drawn from evidence and critical for the strategy of a large family business. They addressed the importance of the iterative, adaptable, mixed direction (i.e. top down and bottom up), the pro-activeness of the corporate and the reactiveness of the business units.

The model was judged to be useful, clear, consistent and robust enough to fit a variety of large family business strategies in the Gulf Council countries. The robustness of a model is "the ability of a system to resist change without adapting its initial stable configuration" (Wieland and Wallenburg, 2012). This process model is perceived to be adaptable, extendable and representative of best-in-practice processes.

The classification of activities into decision support and decision-making activities was seen to be essential; it improved the organisation's ability to devise better strategies. This was seen by the experts to be a focal point in reviewing, monitoring and regulating the strategy formulation process in a way that would improve it.

Table 8-21: Summary of the experts' quoted views of the strengths in the strategy formulation process

Expert	Comments	Themes
Ex1	I liked how the process and activities are structured and organised. They represent reality. It makes sense that you classified activities into decision support and decision-making activities	Structured and Organised Representing reality Classification of decision support and making activities
Ex2	It is really clear and useful. The relationships are very clear. The sequence and process are clear.	Clear and useful Clarify of the relationships, sequence and process
Ex3	I agree with you – the vision and mission to take the top down approach and SWOT analysis for bottom up. This makes sense, the iterative and adaptive process. The	Top Down versus Bottom Up

Expert	Comments	Themes
	relationship between corporate and business makes sense using the model and IDEF0. You made it a crystal clear to anyone. I cannot agree more that the corporate role should be more proactive than the business unit's reactive position. The corporate is mainly about prediction.	Iterative and adaptive process Robustness of the process and IDEF0 Clarity of the model Underpinning strategic approach is valid and accepted
Ex4	I agree with it. Decision making is an art and a science. thus, the classification makes sense and is really interesting The "review" is not odd. All organisations review their performance before setting a new strategy. I am happy with the decision making and decision support classification. This makes sense.	Clarity and consistency of the classification of the activities Having a Review" is important
Ex5	I completely agree with you. The vision and mission is for achieving top down but policy is made bottom up.	The underpinning strategic approach is valid and accepted
Ex6	Very useful model which allows components to be added and modified.	Usefulness and Robustness of the model
	Given the differences between the motivations of families vs. other types of stakeholders more commonly considered in strategy theory, then a first step should be to clarify and agree the goals and strategic intent of the family owners.	The differences in motivation between family members and non-family members in decision making and decision support
	The classification of decision support and decision making is a very useful idea. The process of information gathering and research is often either inadequate (leading to intuitive unguided decisions), or too detailed and quantified (so it is impossible to assimilate and use) or provides loads of information on the wrong things. A clear process of supporting research and information, based on the requirements of the strategic process, is extremely valuable and we have done this for several large organisations. It also allows a continuous monitoring of key information points to inform regular strategic reviews and decision-making.	The usefulness of classifying activities into decision support and decision making The model makes possible a continuous monitoring of the key information to help strategic reviews
Ex6	We have carried out such 'evidence-based strategy formulation' for, amongst others, the Minister of the Economy in the UAE	Supporting other research conducted by researchers in Oxford regarding strategy formulation process in the UAE.
EX7	It is true and considering all aspects and factors that may influence the strategy formulation. I agree with it. The strongest point is taking the family members' goals into consideration. I am fine with it as is. I can give it not less than 8.	Considering family members' goals.
EX8	The decision support and decision-making classification is useful	The classification is useful

8.4.1.2 Areas of Improvement

There are five main areas for improvement (see Table 8-22), as follows: 1) There are no signs for showing the iterative process; 2) the word policy is confusing; 3) different functions should be added to the model to show who should do what; 4) leadership styles and the way in which they may influence the strategy process should be borne in mind; and 5) the role of the centralised services in the strategy formulation should be described. The leadership style and the role of the centralised services, though important, are beyond the scope of this research. Some methodological limitations are involved, since they were not part of the conceptual framework, which was derived from the literature and not part of the research methodology. The other areas for improvement are addressed in the final version, as shown in Figure 8-5.

Table 8-22: Summary of the expert's quotations about the weakness points in strategy formulation process

Expert	Experience	Themes
Ex1	There are no clear arrows to **show the iterative process**. I wish that you had put signs for showing feedback and the loop across the strategic decision activities.	Arrows required to show the iterative process Signs required for showing the feedback and loop of the activities
Ex2	It seems to me more top down, you have to put some symbols showing up **the iteration process**. Some organisations are not giving objectives to the business units and end when they set the policies. Others are doing the full process, as you mentioned.	Symbols showing the iteration process are required
Ex3	I believe the prediction functionality of the corporate should be spotlighted, as it is more critical for the corporate level than the business. Scanning environment is different from ***predicting the future***. The arrows need to be clear …to show the iteration process	Arrows required to show the iteration process
Ex4	The word policy could be confusing to me. Policy for me is an implementation approach. It could be named a "Behaviour Objective". I prefer to see more specific and clear roles in terms of job descriptions and specifications. The clarity of roles, tasks, accountabilities and responsibilities is a very critical issue for successful strategies. It is also better to replace the word "corporate" by the word "family"	The use of word policy is confusing Better to incorporate the roles in the model Replacing the word corporate by the word family
Ex5	I am not happy with the concept "Policy". It can be changed to "Values". I prefer to change the word "Objectives" in "Set corporate portfolio objectives" to be "Long-term objectives".	Objecting to the use of the word policy. Changing the word objectives to be long term objectives
EX6	You also might discuss the purpose of strategy formulation – which is probably most valuable in guiding decisions, especially about unforeseen opportunities, rather than as a planning tool.	Adding circular arrows to show the iteration process. Relating leadership styles to the strategy process.

Expert	Experience	Themes
	It feels slightly formal, rigid and static i.e. non-organic so you might want to include some **circular arrows** and timings suggesting repeated versions, frequent reviewed. If there was time, you might relate some of the strategic process to the Gulf Leadership Style as this suggests an agile, vision-setting, consultative, emergent and opportunistic approach to strategy which has many strengths As a holding strategy, there are probably theories around about degrees of centralisation/involvement – for example, Olayan is pretty hands-off, acting as an investment company whereas Majid Al Futtaim, for example, is very much an integrated controlled business. also questions of centralised service provision, etc.	The existence of the centralised services can be seen as a future research subject. To add them would improve the model
EX7	None	
EX8	Change the [word] "Policy" it confuses me. Do you mean 'behaviour'? At the business level, scanning should come before the "reviewing" the strategy. Feedback in the process should be clear.	The word policy should be changed.

8.4.1.3 Final Strategy Formulation Process

The final model for the strategy formulation process considered the main weaknesses spotlighted by the experts. Thus, Figure 8-6 shows the improvement achieved by changing the word policy to themes in "Set Governance Themes". This concept is more comprehensive and has been used in UK government publications (e.g. by MSPs, MPs and other professionals). Governance themes are defined as controlling mechanisms through which to deliver changes, achieve outcomes and realize the objectives of the strategy (Axelos "MSP", 2014; Axelos "MoP", 2013). The second enhancement is cyclical arrows as to show the iterative process as well as the mixing of top down and bottom up approaches. Finally, the third enhancement is the back-arrows from activity A2.2.1 in the business units to activity A1.3.3.1 at the corporate level and from activity A2.2.2 in the business units to activity A1.3.3.2 in the corporate level, to show the interaction between bottoms up and top down and to show the feedback loop more precisely.

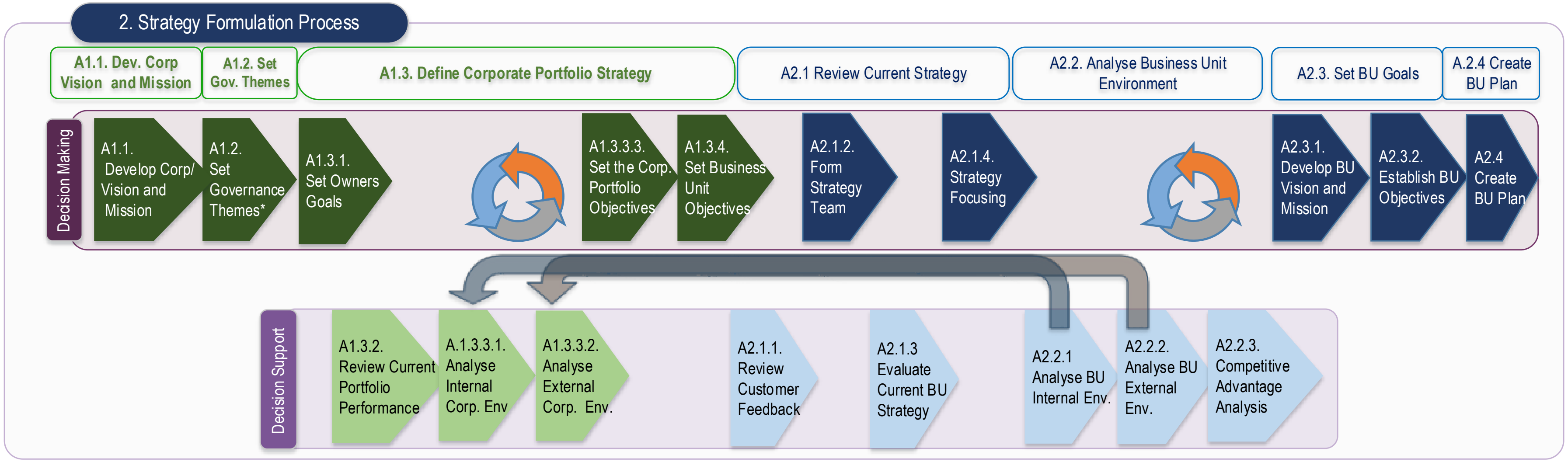


Figure 8-6: The final model for the strategy formulation process

8.4.2 Strategy Formulation Team Model

8.4.2.1 Strengths

The strategy formulation team model was found by the experts to be clear, comprehensive and in line with the evidence. For instance, experts 8,1 and 7 said

> "Good and *comprehensive* and generic" EX8
>
> "It is clear and makes sense" EX1
>
> "Very appropriate. *That is embedded in the process.* I am fine with it. I rate it not less than 8 out of 10." EX7

The most common aspects are the normative and social functions of the family members. For instance, Expert 3 found the social function the most important element of the strategy:

> "Really, the role of the family is interesting and absolutely true. The relationships' function (i.e. the social function) is more important than anything else. It is even more than the strategy itself and more important than the efficiency and effectiveness of the organisations. Without this function, organisations cannot easily be sustained." EX3

The family's social function was seen as "Very critical" by expert 3, who found it the main source of partnerships, even for firms hoping to work globally:

> "I liked the normative function and social function. The social function is very critical, as without it, no firms can go global. Most partnerships are based on social function." EX4

The normative function of the family also occupied the attention of the experts. For instance, expert 6 saw it as the source of the strategy goals and intent.

> "Family members should definitely set the goals and strategic intent" EX6

Including an independent member on the board, as found in the case study validation, was also judged important; it added to the local respect for the corporate "Independent members improve the corporate respect" EX3

Finally, consultation was found to be important, even critical, in the Gulf Council countries leadership:

> "A particular strength of the Gulf Leadership Style is that it allows for extensive consultation and input (as strategy emerges) from all sorts of key stakeholders." EX6

As already clarified in the findings and the model, the use of consultants depends mainly on the problem, issue and case. This is why they are selected in the process model after "Review current portfolio performance"

> "External consultants are used depending on the situation and problem" EX5

8.4.2.2 Areas for Improvement

The point most often addressed by the experts was the role of the independent board member in the strategy formulation. This role was seen as leading the strategy, but only auditing and not taking decisions in the formulation of strategy.

> "The independent may not be able to take a decision as he *is an outsider* to the organisation. "EX3

However, Ex4 believed that the role should be extended beyond auditing to taking decisions and deciding on the direction of the strategy:

> "The independent member's role should not be only to be an outsider. He should not be only an auditor." EX 4

The last view was that he should limited to auditing strategy only.

> "An independent auditor does a strategic audit, not a general audit." EX7

It is likely, in fact, that the situation depends on the organisation's interaction with its partners. Independent members come from partners to protect their own interests, to review and to ensure the transparency of the organisational strategy. Therefore, this research modifies the expert judgements by the research findings and clarifies that the role of the independent is "Aligning the corporate vision, mission, governance themes and objectives with the corporate interests. This definition was perceived positively by the experts.

8.4.2.3 Final Strategy Formulation Team

The final version took into consideration the best practice from the literature, customisation based on the interviews, validation from the case study and the expert judgements. The highest preference in the preference-based methods is for the independent, since his role is to act on behalf of an external organisation whose needs he must satisfy. Thus, the function of the independent is mainly to be a strategic auditor assessing the organisational strategy. The highest preference in the knowledge-based method goes to the consultants who are assumed to be objective and capable of transferring knowledge to the firm geared to their need and to solving the problem. Thus, their function is mainly that of knowledge management.

The Family and the Functional and Business Unit managers are in between. The family function is to sustain the firm through its normative power and its social function. The Functional and Business Unit managers function as technocrats who understand their performance and take responsibility for delivering the strategy. Thus, their inputs are critical in the strategy formulation, but these inputs still retain some level of subjectivity.

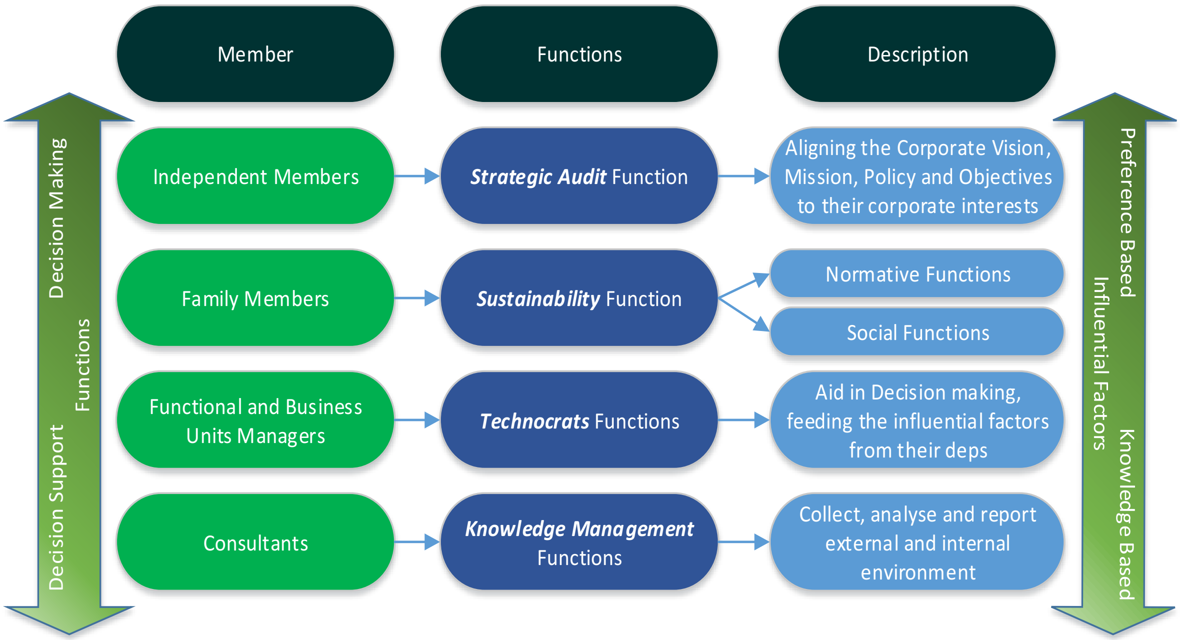


Figure 8-7: Final model for the strategy formulation team

8.4.3 Influential Factors Model

1. Strengths

The experts were satisfied with the influential factors. They were perceived to be comprehensive enough.

> "Very much covered all aspects. I am fine with it. EX7
>
> "It makes sense. I cannot agree more" EX2
>
> "Extremely useful to identify and take account of factors" EX6

The main attraction was mainly the influential family factors, which were the main driver of the preferences and interests the fed into the decisions.

> "I liked the classification. When we take the influential into consideration, the strategy becomes more robust. Indeed, the clarity of your financial factors makes the strategy a lot easier to formulate. As you clarified, the influential factors in a family business are not like any influential factors in other businesses." EX1

This fact not only leads the decisions of the corporate but also influences the whole corporate culture.

> "It is good. it is clear enough and makes sense to me. Identity is a really critical factor. Identity is mainly a culture creation process more than a management process" EX3

8.4.3.1 Areas for Improvement

The main area for improvement is to find who should represent each influential factor. It is argued in this research that the consultants and business unit managers should do so. However, because so many factors are involved, it could be excessive for managers to collect all of them.

> "It would be better if we could determine who should collect, analyse and interpret which influential factors." EX4

The answer may lie in having a centralised information system; as one expert said,

> "Integrating influential factors into a single information system could help family business a lot." EX4

Thus, the main area of improvement is summed up as developing an information system that integrates, captures, collects, analyses and reports the influential factors:

> "I prefer to see the influential factors in terms of Key Performance Indicators. The existence of a centralised data repository system for these indicators would also help the business a lot" EX1

Not only reactive indicators could be useful, but also using and developing proactive indicators that could modify the future.

> "I wish you could put some predictive indicators of the future." EX2

Although this point is interesting, it is outside the scope of this study and would be better addressed in future research. From the factors perspective, the factors to consider are 1) the size of the family; 2) the availability of family funding for the next generation:

> "I propose another influential factor: the family size – the family size can expand faster than the growth in the business size – and Family fund availability for the next generations." EX2

Although these points are useful, only one expert addressed them. They have not been found elsewhere in the literature, interviews, case study validation and experts' validation.

8.4.4 Taxonomy of Tools

The tools were found to be comprehensive and varied. In addition, the classification was acceptable and made sense to them

> "The classification makes sense. I see it is ok. I see it in many cases in real life" EX1
>
> "Excellent! Very comprehensive and conclusive" EX2
>
> "A comprehensive list of tools and where they would be used is great" EX6
>
> "General high level and taxonomy is fine." EX7

Indeed, the area of improvement, as perceived by one expert, was the classifying of tools by industry and by field. The tools related more closely to industry than to purpose. For instance, the tools used in service organisations might be different from those used in manufacturing.

> "I disagree with the examples in the [taxonomy of] tools. Tools can be used in different places at different times in different positions. For me, the classification should be more dynamic." EX 4

Thus, they were perceived as

> "Too generic" EX8

This suggests that a future researcher might develop a library of tools for each industry and sector.

8.5 Summary

The strategy formulation team were found to have proposed something similar to what is proposed in the present study, except for including internal or external consultants to monitor and analyse the environment. The strategy formulation process in itself was similar to what is proposed but the differences were influential factors. Finally, all the tools except for a few were similar: where the difference lay in including marketing specialists and the need of the sector of the relevant tools:

> "A clear supporting research and information process, based on the requirements of the strategic process, is extremely valuable and we have done this for several large organisations" EX6

9 Discussion and Conclusions

9.1 Introduction

This research aimed to develop a knowledge driven framework for strategy formulation in large family-based businesses in the GCC region. Three different approaches to strategy development (i.e. formal, adaptive and ambidextrous) are developed in the literature. Each of them has pros and cons. The formal approach is structured and efficient but not effective and does not fit with a turbulent environment. The adaptive is unstructured and effective in turbulent times but not effective. Large family businesses operating in this region face many challenges in the local and international environment. Thus, the ambidextrous approach is proposed in this research as a mixture of the two so that strategy formulation can be efficient, effective and adaptive.

Frameworks must be developed in which to adopt this approach. The knowledge driven strategy formulation process was developed on the basis of the literature. It consists of strategy formulation process, strategy formulation teachers who lead the process; influential factors affecting the decision making during the process; and the tools used to collect, analyse and report these tools. This framework imposes a series of steps. A questionnaire was used to verify which activities were most important; which are applied and used; to identify which influential factors are perceived to be most important; and which of them are effectively collected, analysed and reported in decision-making activities. Interviews were used to learn more about the proposed framework and to extend it. Finally, a case study was used to validate the framework and expert interviewees were asked to evaluate the findings.

The main contributions of the present study are few researchers have studied large family based businesses comprehensively from the standpoint of strategy in order to help them to define a more accurate strategy for dealing with changes in the ecosystem. The Strategy Formulation Process Framework, which consists of a novel strategy formulation process, a new model of the influential factors, a new strategy formulation model and the tools taxonomy. On the operational level, the mind map of the influential factors was developed; IDEF0 was also developed for mapping the influential factors on the strategy formulation process. In addition, the lists were updated.

The chapter is structured as follows. After reviewing the framework for knowledge driven strategy formulation, the contributions to knowledge are spotlighted. Next, the main areas for improvement are considered, followed by a section on future research.

9.2 Knowledge Driven Strategy Formulation Process Framework

This research developed the framework for a Strategy Formulation Process, as shown in Figure 9-1, based on the literature and improved by material from questionnaires, interviews, a case study and expert judgements. It consists of a knowledge driven process of strategy formulation, a strategy formulation team model, an influential factors model and a tools taxonomy.

Deliverable 1: Strategy Formulation Team Model.

There are four main groups of players in the team: all family members, Functional and Business Unit Managers, consultants and Independent Members.

Family members have two main roles: normative functions and social function. The normative function is to safeguard the family business identity, and include and take sustainability issues such as succession strategies and issues to the board agenda. The social function is to safeguard the family business in the ecosystem by ensuring that the connections with external influential stakeholders are considered in the strategy; these are the government and other large family businesses. Family members are highly influenced by preference based factors such as socio-emotional ones regarding wealth, family identity and religious values. The consultants are the organisation's eyes (Beer, 2010); they continuously analyse and report the external and internal environment. Their main function is to lead influential factor activities so that the strategy formulation team can take decisions when necessary.

The role of functional and business unit managers is to aim at decision making and also feed in and evaluate information given by the consultants about their internal environment. Because it has been found that organisations are adopting a bottom up strategy, they also involve the business units' managers in the decision-making process. This is a top down strategy, in the sense that once the decisions have been made by the team, each business unit manager has to conform to it and implement it. The final decision is made by the board but these managers help to make them and their views carry much weight with the boards. Each manager also reports about the performance of his department, its strengths, weaknesses and sources of competitive advantage so that the team can support the business unit and its functions.

Independent members perform a strategic audit. They come from other organisations/investors to make sure that the family businesses are aligned with their own corporate visions, missions and policies. The major investors such as banks or other large family businesses whom they represent invest significant amounts in the family businesses.

Deliverable 2: Strategy Formulation Process

Strategy formulation process activities can be classified twice according to the level of the strategy and how they deal with influential factors. At the strategy level, they are classified into corporate level strategy and business level strategy. Corporate level strategy activities number three: Develop corporate level vision and mission, set governance theme and define corporate portfolio strategy (include set owners' goals, review current portfolio performance, set the strategic direction and set business unit objectives). Business level strategy activities are review current strategy, analyse the business unit's environment, set business unit goals and create business unit plan.

Activities demarcation is based on ways of dealing with influential factors and can be classified into decision support activities and decision-making activities. The decision support activities are to collect, analyse and report the influential factors whereas the decision-making activities are to use these influential factors to take well-informed decisions.

The decision-making activities are those activities in which the strategy formulation team makes strategic decisions, such as the firm's vision, mission, objectives, policies, directions and plans. The decision support activities, as shown in Figure 9-1are those activities used to collect, analyse and report the influential factors to the strategy formulation team so that they can take well-informed decisions. These influential factor activities are classified into review related activities, analyse external environment and analyse internal environment.

Deliverable 3: Influential Factor Model

Influential factors are either preference based or report based. Preference based factors are those intangible factors that influence the decision-making activities. These factors are influenced by the Familiness of the business, which is operationalised by the percentage of the family members on the board, the percentage of investment of the family in the firm and level of involvement in the business. These preference-based factors affect the way in which the knowledge based factors are read and interpreted and they influence the decisions of the firm. Examples are the family identity, its socio-emotional capital, family values and religious values.

The report based factors can be reviews of performance, external or other internal factors. They are collected, analysed and reported by consultants to help the strategy formulation team take well-informed decisions. The report based factors are either internal or external factors. Internal factors are those influential factors that affect the way in which the organisation evaluates itself in terms of capabilities and competences. The evaluation takes two perspectives: a historical perspective in terms of reviewing the performance and current situation regarding what the organisation can do. Thus, revised influential factors are required if there is a gap in performance between the old strategy and current performance. Reviewing the current situation is meant to identify the strengths and weaknesses of the firm in terms of resources, capabilities and competences that enable a firm to outperform its competitors.

External factors are those factors external to the business unit and the corporate level which still influence the strategic decisions of the corporate and the business. The corporate’s orientation seeks proactively to make transformational changes by understanding the expected changes in the macro environment such as entering new markets or aligning different business units while business units take a reactive orientation to improve their efficiency and effectiveness.

Thus, external factors are either macro or industry related. The macro factors are mainly the job of the corporate to scan and analyse continuously the set of indicators monitored by consultants. These are categorised into Political, Economic, Social, Technological, Legal and Environmental factors. The industry related factors are the business-related factors influencing their existence in the market, the ability to increase sales and improve efficiency. They are the power of competitors, suppliers, new entrants and substitutes. The corporate can study these influential factors when it aims to invest in a new on the basis of human resources supported by the relevant technology. Examples of these tools are capability analysis, human resources analysis and process mapping analysis. The external scanning tools are mechanisms for understanding the changes in the ecosystem. These tools are many and varied in use according to the industry, awareness of the tools and capacity them. The tools range from the mystery shoppers used by business-to-customers marketing to government expenditure analysis for business-to-government businesses.

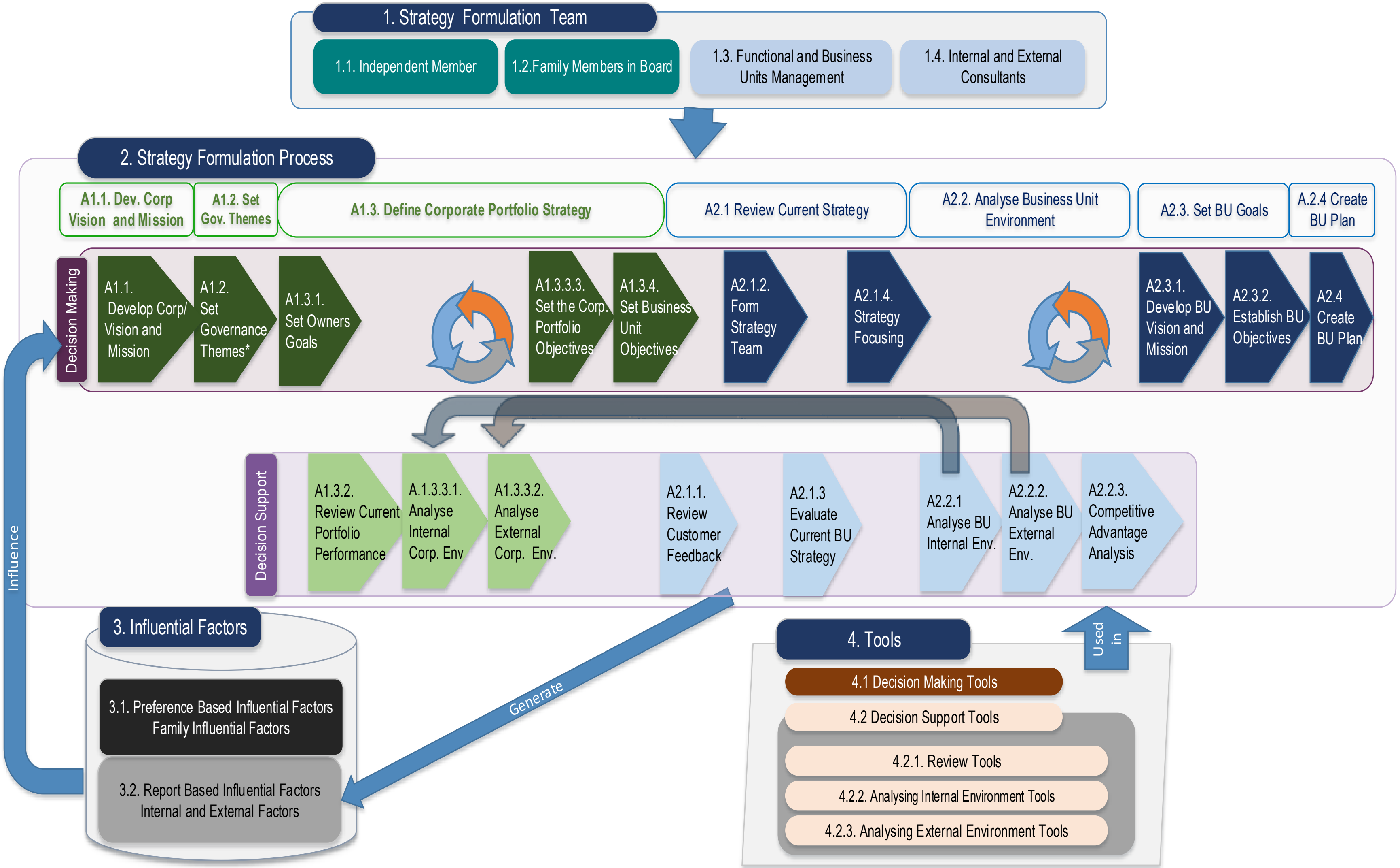


Figure 9-1: Final framework of the knowledge driven strategy formulation process

9.3 Contributions to knowledge

1- Few researchers have studied large family based businesses thoroughly from the standpoint of strategy. The present research detailed and customised the strategy formulation process so as to help them to define a more accurate strategy for dealing with changes in the ecosystem.

2- Development of a new strategy formulation team model: this research developed a team model to show that the variety of roles in the strategy team is useful because each role has a different function. Functions are exercised by technocrats and knowledge management teams, to serve normative and social purposes. This research is novel is showing the vitality and value of these functions in developing strategies.

3- Creation of a knowledge driven strategy formulation process: this research describes the strategy formulation process using IDEF0 to show the activities and relationships between the different activities in the strategy.

4- Construction of a map and model of the influential factors: this research is one of the few which has identified and mapped the influential factors on a firm's decision-making activities, and identified which decision support activities are responsible for them. All of these complicated interactions are visualised and simplified by means of the mind map.

5- Creation of a new tools taxonomy: this research is new in its taxonomy of the tools designating them either as decision making or decision support tools. In addition, it classifies the support tools into review, internal scanning and external scanning groups. It is new to show and to map these tools on the basis of the activities where they are used and it helps organisations to improve their ability to formulate strategies through clarifying which tools should be used when and why and what the expected outputs might be.

9.4 Conclusions

This research has several conclusions to offer:

Strategy formulation approach

1- In the literature, strategies are shown to travel in two directions: from the top down (i.e. sequential, rationalistic) and from the bottom up (i.e. iterative, based on the situation). Each of them has its pros and cons; hence, one was chosen which had elements of both. The ambidextrous, or mixed, strategy formulation process is found to serve the interests of the interviewed companies.

2- The corporate has more resources and can better understand the external environment than its subsidiaries can; thus, it is proposed that the corporate level strategy should take a proactive approach in developing and identifying the opportunities, while the business unit strategy should take a reactive approach, studying, validating and pursuing the opportunities discovered by the corporate.

Strategy formulation team

1- Strategy formulation team at the corporate level is different from that at the business level. While the corporate level is determined by the Familiness of the business, the business level is determined by the problems addressed and faced by the business unit. The business unit strategy formulation team should take action after reviewing the current strategy and should pay attention to the voice of the customer.

2- The family has two main functions, the normative and the social, in developing the firm's strategies. Both are critical in sustaining the business. The normative function focuses mainly on protecting the family identity and relations between family members, while the social function is to hook the family business into relationships with other family businesses and with government. Without building strong formal and informal relationships with the government and other large family business, a firm's sustainability is threatened.

3- It is proposed that consultants should work assiduously to collect, analyse and report the changes in the external and internal environment, to improve the effectiveness of the firm's decisions. They should be included in the strategy formulation team.

4- This research argues that a mix of roles and functions in the strategy formulation team could benefit strategy formulation. Family members alone or consultants alone, it is argued, influence the power of the team to develop an effective strategy.

Strategy formulation process

1- Strategy formulation process activities are classified into decision-making activities and decision support activities. Decision support activities are meant to document the report based influential factors, whereas decision-making activities use the influential factors in developing a well-informed decision.

2- Before the field study, 6 decision making activities and 3 decision support activities had been discussed (see Table 4-3, above). After the field study, 11 decision-making activities and 8 decision support activities could be listed (see Appendix C1).

3- Each decision-making activity creates a decision which is based on another decision and influenced by report based factors and preference based factors. Each decision support activity makes one or more report that collects, analyses and documents a group of influential factors and feeds in another decision or guides another decision support activity.

4- The family controls the behaviour of the business unit strategy through setting the corporate vision and mission and the business unit objectives. Each business unit is free to choose the mechanism for implementing these objectives. However, its vision, mission and objectives should all be formulated in alignment with the corporate ones.

Influential factors

1- Strategy consists of sets of decisions. Both certain knowledge and what are called influential factors should be available for taking the right decisions. In family businesses, it has been found that the preference based influential factors play critical roles in formulating the understanding of the situation and the decisions taken owe much to the influential factors.

2- The preference based influential factors are moderated by the Familiness of the business, while the report based factors are moderated by the tools used for collecting and analysing these factors.
3- There are 62 influential factors that affect the strategy formulation process in large family businesses (see Appendix C): 43 report based factors and 19 preference based factors. Of these, 52 affect the corporate level, while 10 affect the business level. Before the present field study, only 11 had been studied (see Tables 4-6 and 4-7) together with 9 report based and preference based influential factors (see Tables 4-4 and 4-5).

9.5 Research Limitations

This research was of use in understanding the practices of 15 large family businesses in the GCC region. This was not altogether easy to arrange: in one way, gaining access to 15 CEOs and strategy directors in large family businesses was not easy but challenging and limited the data to 15 corporates only, even though it was compensated for by validating interviews with experts who had experience with more than 5 strategy formulation projects in large family businesses. Moreover, the ability to conduct many case studies was constrained, due to the sensitivity of the topic and also by time and financial resources. It took a significant effort to arrange a one-hour interview with the CEOs. Inevitably, then, interviewing more CEOs and including more case studies would have strengthened these research findings and made them more generalizable.

The influential factors and tools cannot be claimed to be an inclusive list. The research experience with 15 companies certainly helped to developing a model and taxonomy of the influential factors and tools. But the chance to interview the leaders of more companies would probably have yielded more influential factors and tools. After all, it was observed in the interviews that these influential factors and tools differed according to the industry (banking and financial service firms are different from construction and pharmaceutical firms; the type of customer (for example, end users, business, government) and the geographical scope (e.g. international investment projects in the USA and the Middle East have different influential factors from local investments). This is why the present research could not have an inclusive list. The subject is one that could be explored further in future research.

9.6 Future Work

9.6.1 Identify influential factors and tools by the industry

This study was comprehensive in terms of covering a range of large family businesses in the GCC. It also developed a model for understanding the origin and use of the influential factors. The findings suggest that the importance of influential factors and the use of the tools are different in different industries. Thus, it may be useful to identify the most often perceived influential factors by focusing future research on a particular industry. This could offer valuable help to family businesses in the sectors chosen.

9.6.2 Examine the relationship between knowledge management capabilities of different influential factors and the corporate and business strategic performance.

This research addressed the importance of considering many influential factors. It also showed that the main determinant in considering influential factors is their ability to capture, analyse and report evidence, called the knowledge management capabilities of these factors. This research took an interpretive stance, i.e. reality was approached from the practitioners' perspective without any objective test to see whether these influential factors did indeed affect the corporate strategic performance. Consequently, it was found advisable to have the research conclusions formulated as propositions for correlating and testing the knowledge management capabilities of various influential factors on different aspects of corporate strategic performance (e.g. competitive advantage, sustainable growth and the ability to secure the organisation's strategic objectives). Further, because the influential factors were too numerous to be considered in one questionnaire, it seems advisable to have undertaken several studies to assess the impact of all the groups of capabilities of strategic performance. Such research should be controlled taking into consideration variations in the size of firms and the Familiness of the business and the industry.

9.6.3 A replicable study on other family businesses in the GCC

The main focus of this research was large family businesses, in which a family is able to build formal and informal social connections with the government and other large family businesses. This is, however, not expected of the medium-sized or small family businesses. This raises the question, what are the factors that could be unique to the large family businesses which ensures their sustainability? Large family businesses, moreover, can access all the resources they need at any time, unlike a small entrepreneurial family. It would be unexpected if the influential factors and tools used by the LFBBs are not generalizable to small family businesses. Access to the same data, tools and consultants would be a problem for small and medium-sized family business firms.

9.6.4 Investigation of the role of the familiness of the business on the direction of the strategic decisions

This research showed that preference based influential factors influence the strategic decisions of the corporate and the family and that the family exerts control and power over the corporate and business units in imposing their vision, mission, policies and objectives. Unfortunately, this research could not investigate these controlling tools in depth. Hence, it would be interesting if a longitudinal case study could follow the process of strategy formulation from the vision statement onward to define the strategy in order to find how the family exerts power and which decisions are most influenced by family and which least. Ethnographic research is the key here so as to observe and note all the processes and spotlight the political dynamics between actors in the strategy formulation team and describe the knowledge and tools used in each activity.

9.6.5 Develop a portfolio matrix of family business sustainability

This research found that the role of family members on the board of LFBBs is to guarantee the normative and social functions so that the family business can be sustained. Therefore, it is proposed that future research should develop a portfolio matrix on which to plot all projects and investments. This could help the family to balance the two functions, for any weaknesses in either of these would, it is believed, threaten the sustainability of the family business. In other words, if a firm's relationship with government was not as good as expected, it could threaten the existence of the family in the ecosystem for some time. This matrix could be developed by case study research using secondary data and interviews. In such matrix, all the investments could be mapped, validated and improved by interviewees. An Analytic Hierarchy Process Model (AHP) could also improve the matrix values and indices.

9.6.6 Develop family business complexity factors

These factors, based on the number of relationships, objectives, interests, preferences of all the family members involved in the strategic decision marking could be reviewed.

9.6.7 A framework for understanding the contingencies of the governing mechanisms between corporate and business

The current controlling mechanisms found in this research are either soft or hard. The soft ones are the vision, mission and policy of the firm in its values, whereas the hard ones concern its objectives. It is not clearly known whether all of the organisations surveyed use all of these controlling mechanisms. In the expert's comments, the point was raised that some corporates control only by their vision and mission while others use goals, long-term objectives and short-term objectives. But the level of the delegation of power from the board members and the level of use of hard and soft mechanisms are still unknown.

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APPENDICES

Appendix A

Knowledge Driven Strategy Formulation Process to Sustain Large Family-Based Businesses

Academic Supervisors: Dr. Ahmed Al-Ashaab and Dr. Patrick McLaughlin

Researcher: Hania Binladen

Email: h.s. binladen@ cranfield.ac.uk

Questionnaire

Owner /CEO section

Strategy Formulation Approach

Q1. Do you have a formal process to formulate strategy? Please describe briefly?

……………………………………………………………………………………………

……………………………………………………………………………………………

……………………………………………………………………………………………

Strategy Formulation Team

Q2. How do you formulate the team that will define the strategy?

Q 2.1) Do you involve the employees, functional managers or only the board and top managers? And why?

……………………………………………………………………………………………

……………………………………………………………………………………………

Q2.2) Do you contact consulting companies?

……………………………………………………………………………………………

……………………………………………………………………………………………

Family Influential Factors

Influential factors drive the formulation of strategy processes. Factors are for example external change that companies cannot control as economic or culture, and internal factors to the business as family value, communication, team management etc.

Generic Influential Factors

Q3. What are the typical influential factors that are present during the strategy formulation? How do you identify these factors?

……………………………………………………………………………………………

……………………………………………………………………………………………

Strategy formulation process

Develop Vision and Mission Influential factors

Q4.1) Is planning the succession considered in the family vision? how?

……………………………………………………………………………………………

……………………………………………………………………………………………

Q4.2) During goal setting, do you consider the historical development of the company?

……………………………………………………………………………………………

……………………………………………………………………………………………

Define Corporate Policy

Q4.3) How are the family values, interest, prestige and commitment defined during strategy formulation? How do they influence corporate policy?

……………………………………………………………………………………………

……………………………………………………………………………………………

Define Corporate Portfolio Strategy

Q4.4) How are the family values, interest, prestige and commitment defined during strategy formulation? How do they influence the way in which corporate portfolio objectives is set?

……………………………………………………………………………………………

Decision Making Tools

Q5. Would a detailed knowledge of these factors be available during the strategy formulation process? If so, in what form and how do you present it?

……………………………………………………………………………………………

……………………………………………………………………………………………

Strategic Manager Section

Strategy Formulation Process

Q 6.1) Which of the following activities would you consider as importance to be part of the process of strategy formulation?

Activities	Importance					How effective are your current practices?				
	Very Low	Low	Medium	High	Very High	Very poor	Poor	Effective	Very effective	Excellent
1.Strategy Review: Review your business strategy										
2.1External Analysis: Scan the external environment (e.g. competitors and customers)										
2.2Internal Analysis: scan your organisation capabilities, resources and assets										
3.Set goals: Set vision, mission and aobjectives										
4.Creat Plans: Develop a consolidated plan from other functional plans										

Q.6.2) What factors trigger the formulation or review of a strategy within a certain period?

……………………………………………………………………………………………

……………………………………………………………………………………………

Influential Factors

External environment (It includes all the factors that are outside the direct control of a company) PESTLE Framework

Q7.1) Which of the following factors do you consider when conducting the analysis of the external environment that is out of your control and have the potential to impact your strategic decisions?

Factors	Importance					How effective are you to control or forecast these factors?				
	Very Low	Low	Medium	High	Very High	Very Poor	Poor	Effective	Very Effective	Excellent
Economic										
1. Exchange rate										
2. Interest rate										
3. GDP Growth										
4. Inflation										
Politic										
1.Government Policies (Zakaah on Wealth)										
Legal										
1.Regulation: the rule or condition that governs procedure of how company have to operate.										
Social-Culture										
1. Population size										
2. Population age										
3. Geographic Distribution										
4. Ethnic mix										
5. Change the attitude of people towards work										
6. Shift the preferences towards other products styles										
Environment										
1. Consider the safeguard of the environment										
Technology										
1. Rapid technology change brings opportunity or threat										
2. Affect process, logistic etc.										
Others:										

Industry analysis

Q7.2 Which of the following factors (related to the activities) are more important in the Industry environment analysis and how much do they influence the company choice?

Options	Importance					How effective are you in capturing these factors?				
	Very Low	Low	Medium	High	Very High	Very Low	Low	Medium	High	Very High
New Entrance power										
Suppliers Bargaining power										
Buyers (customers) bargaining power										
Substitutes bargaining powers										
Competitors power										
Others										

Internal analysis

(Analysis of the company strength and weakness within the organization)

Q7.3) Which of the following factors do you consider in the analysis of your internal capabilities? Please mark their level of importance.

Factors	Importance				
	Very Low	Low	Medium	High	Very High
1. **Resources:** Employees skills, knowledge and abilities					
2. **Capabilities**					
2.1. Organisational Capabilities					
2.2. Business Process Capabilities					
3. **Assets**					
3.1 Intangible asset					
3.2 Tangible asset					
4 **Others**					

Q7.4) As a family business which of the following factors are more influent in leading you in the marketing process?

Factors	Influence				
	Very Low	Low	Medium	High	Very High
Family public image					
Promotion					
Sale force					
Market trends					
Customer needs					
Others:					

Tools

Q8.1) How do you measure the effectiveness of the factors listed in Q 7.4?

……

……

Q8.2) Do you do extensive study about your current capabilities of HR and physical resources, commercial situation/process? How?

……

……

Q8.3) How do you understand your competitors?

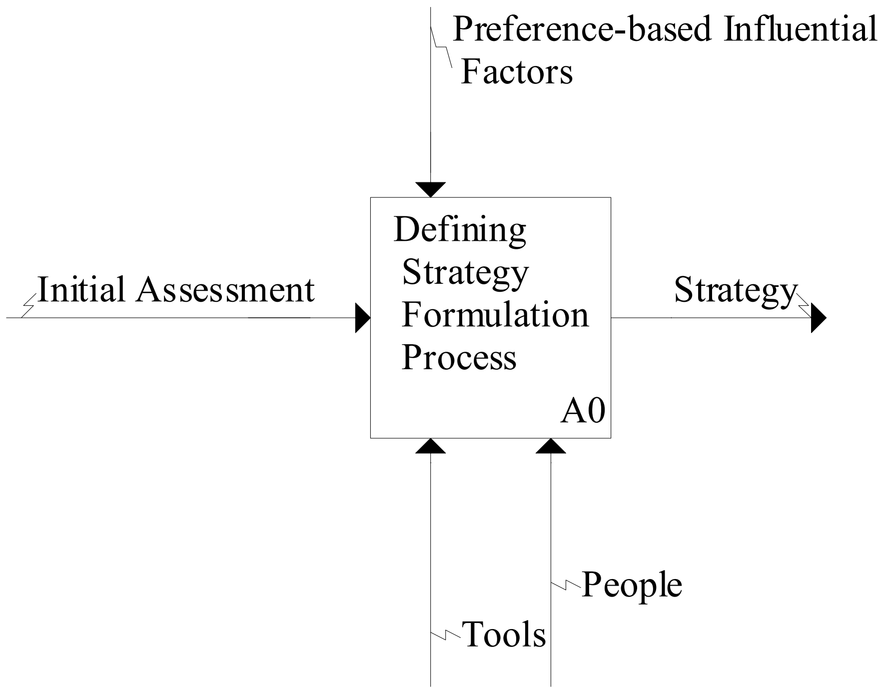
……

Q8.4) How do you identify the influential factors?

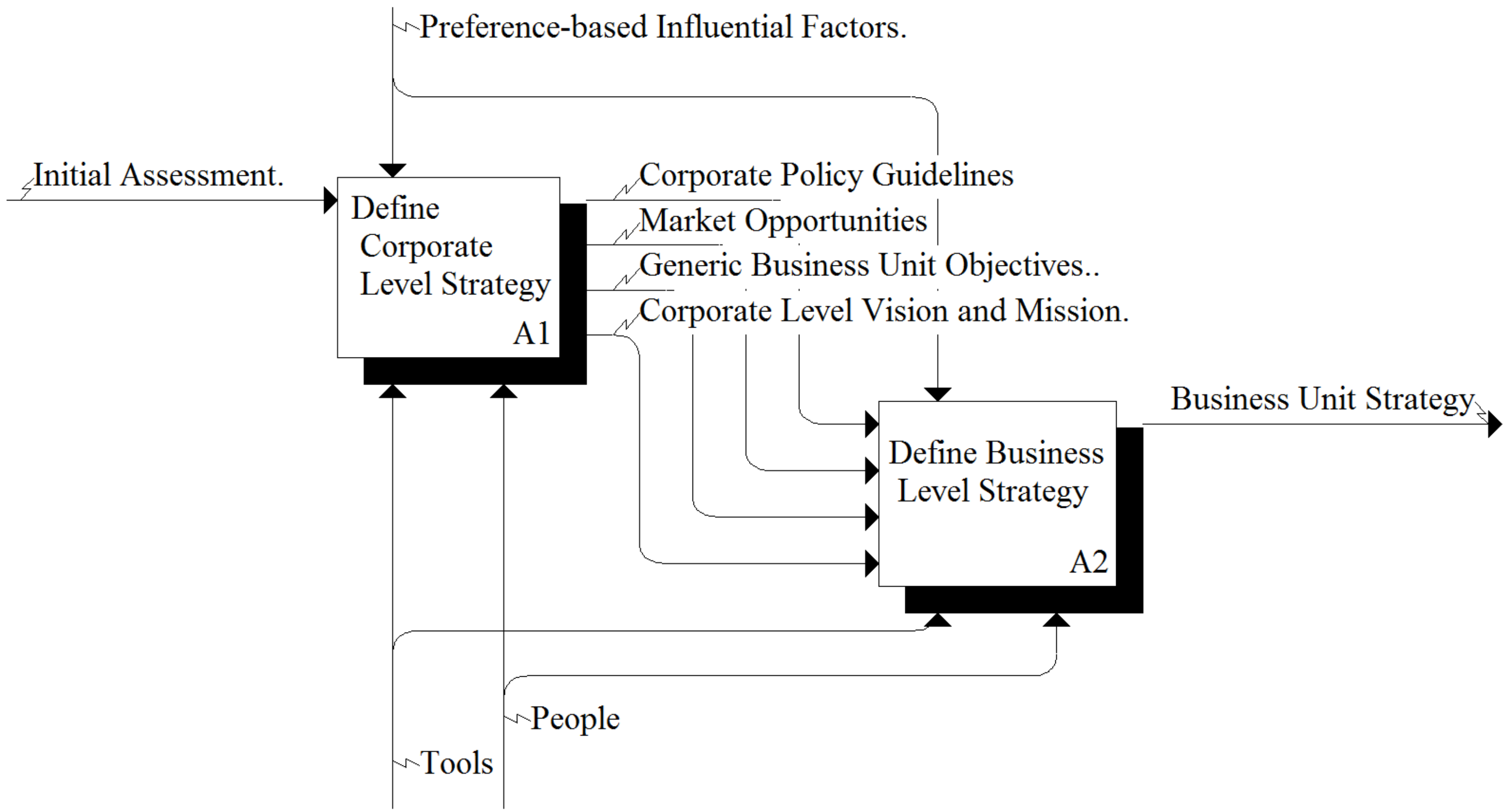
Appendix B

B.1 Chapter 4:

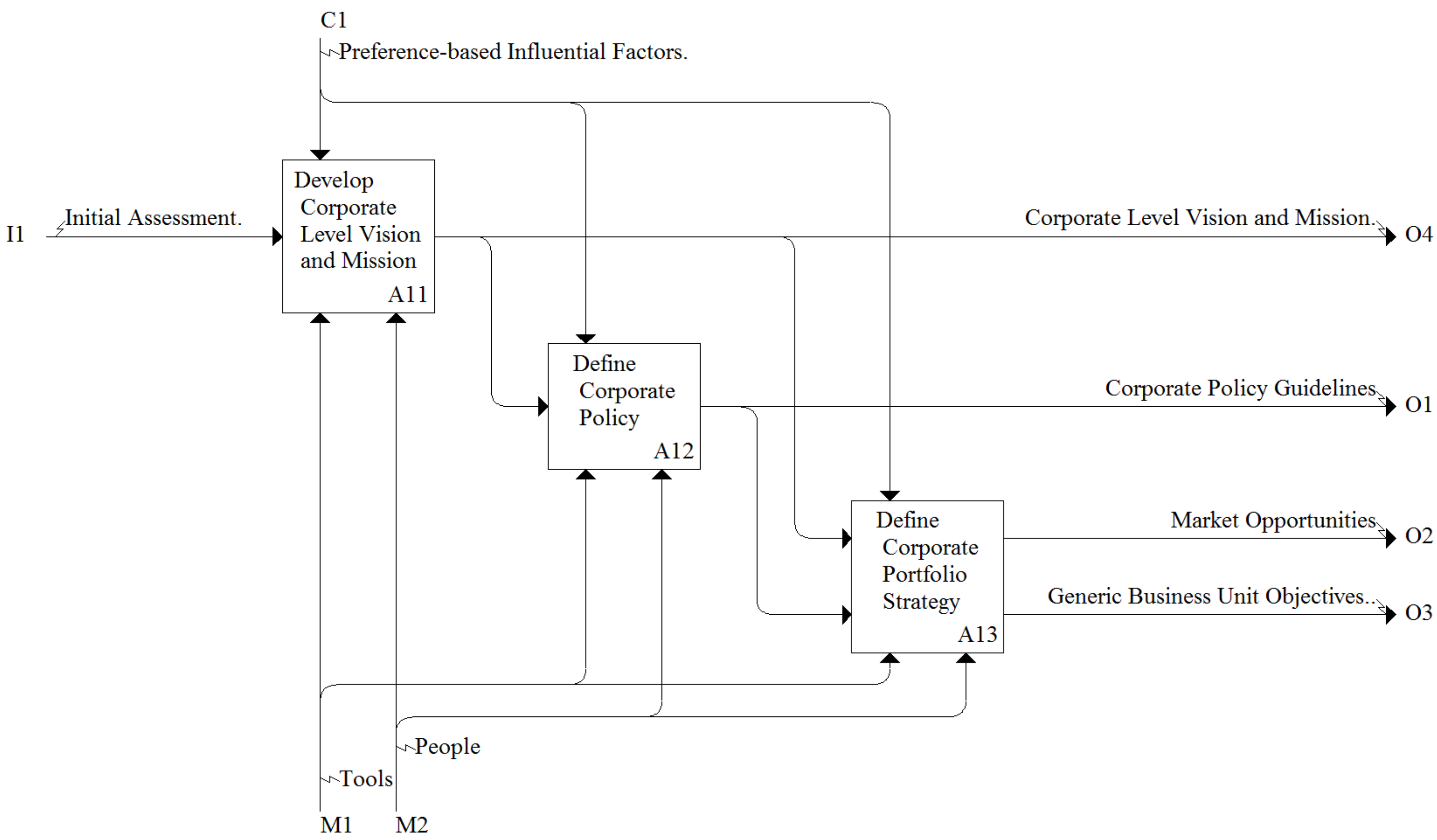
Title: AD Define a Strategy Formulation Process Model for Family Businesses



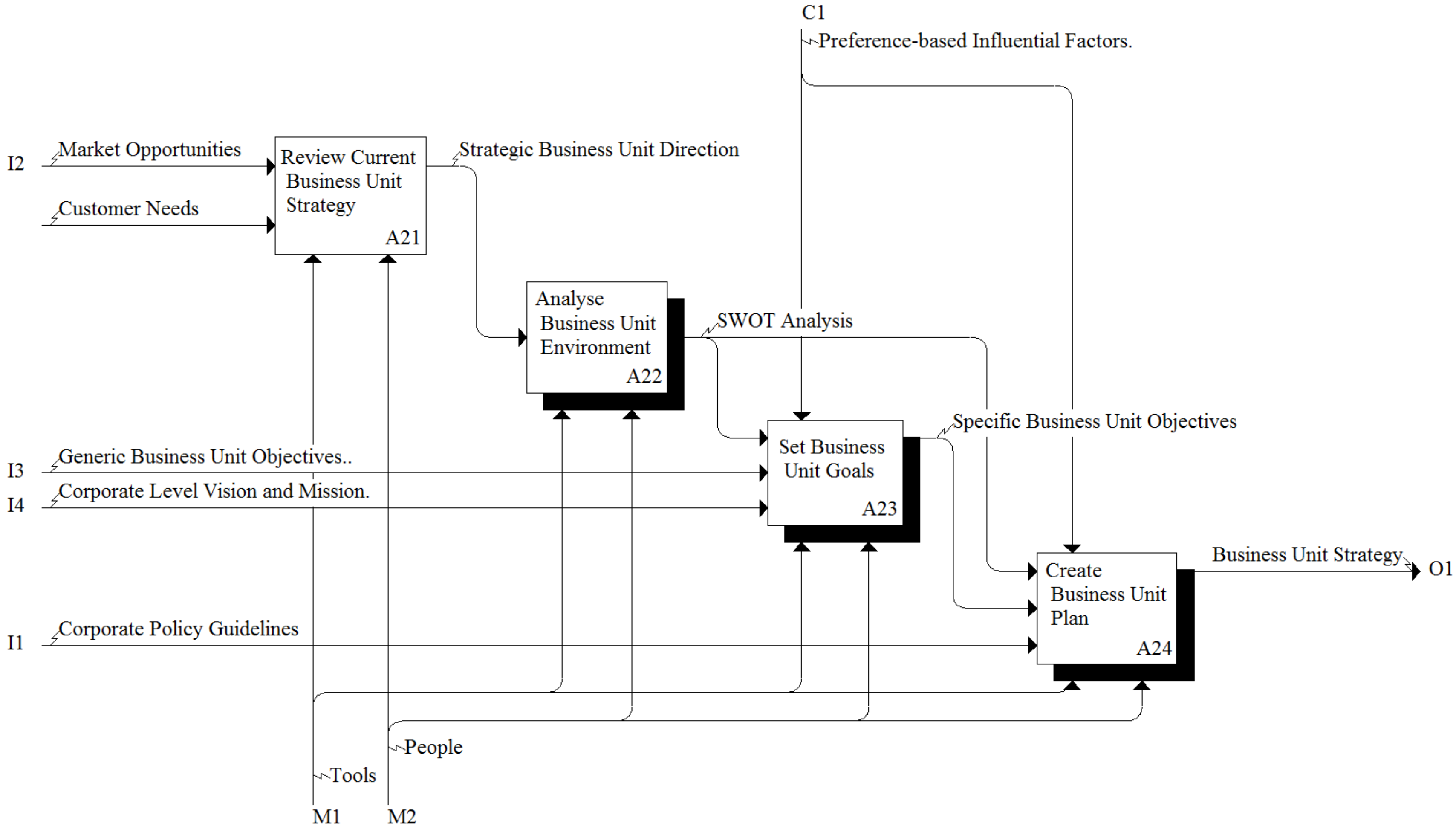
Title: A0: Define Strategy Formulation Process



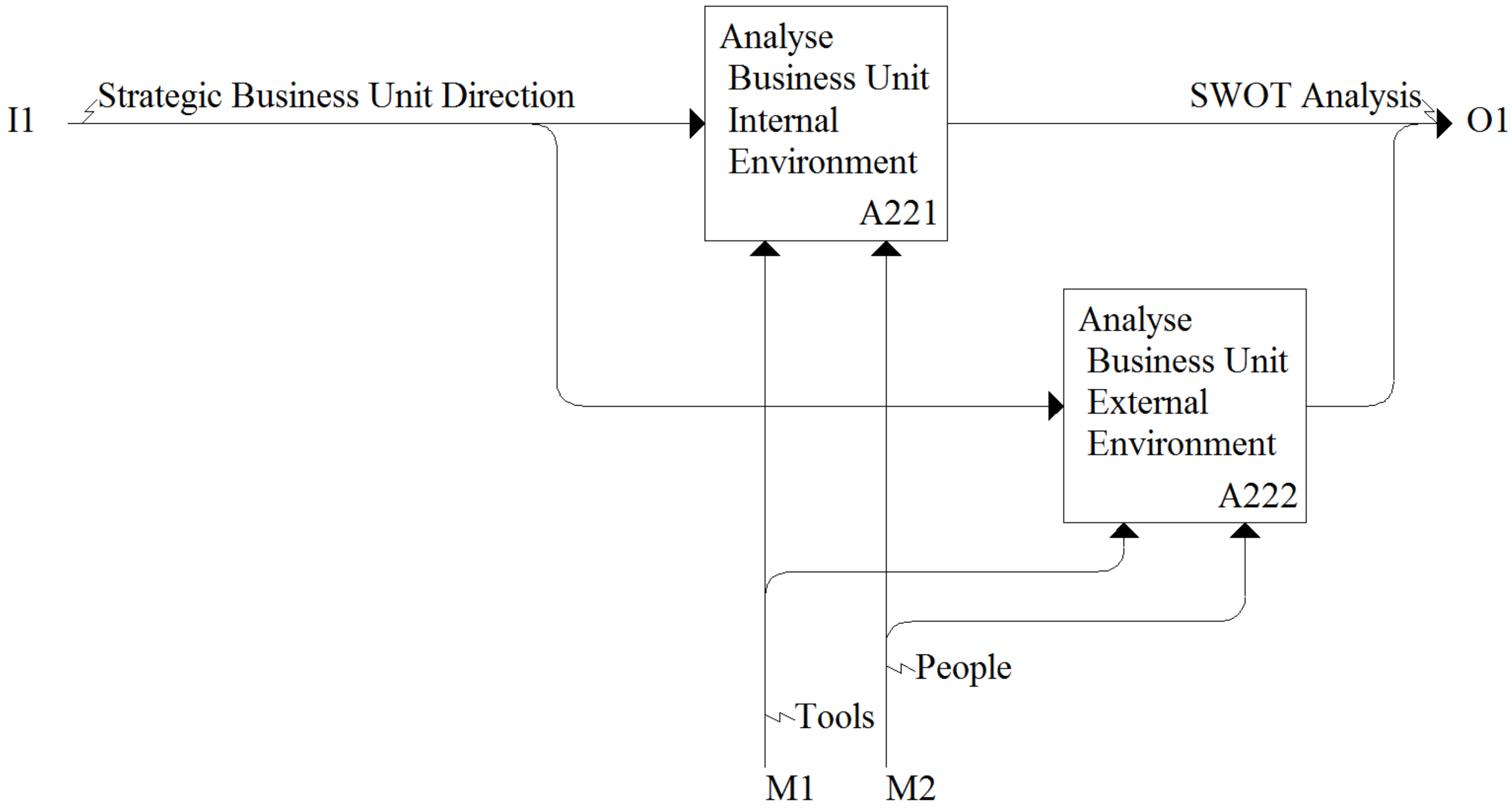
Title: A1: Define Corporate Level Strategy



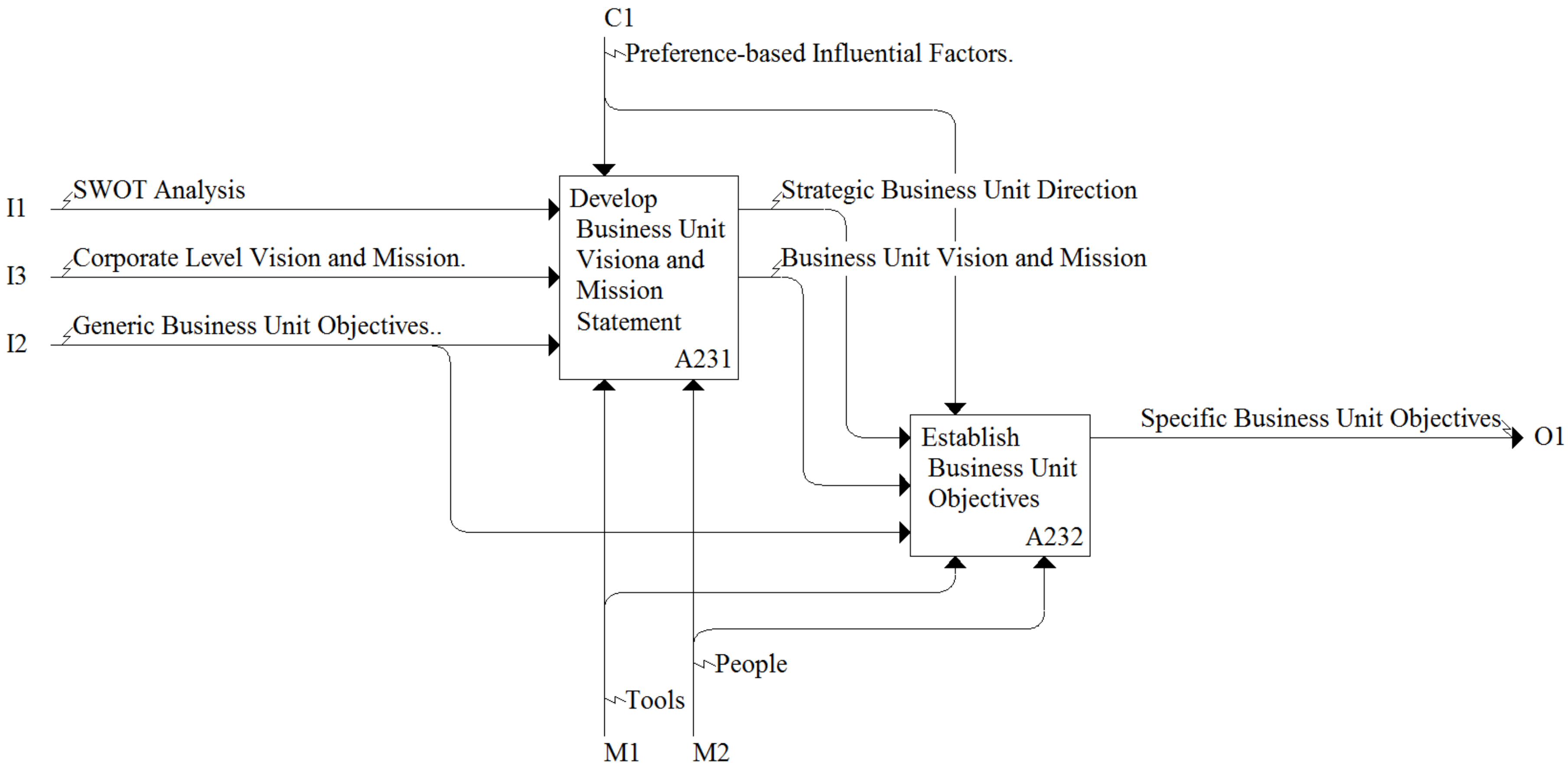
Title: A2: Define Business Level Strategy



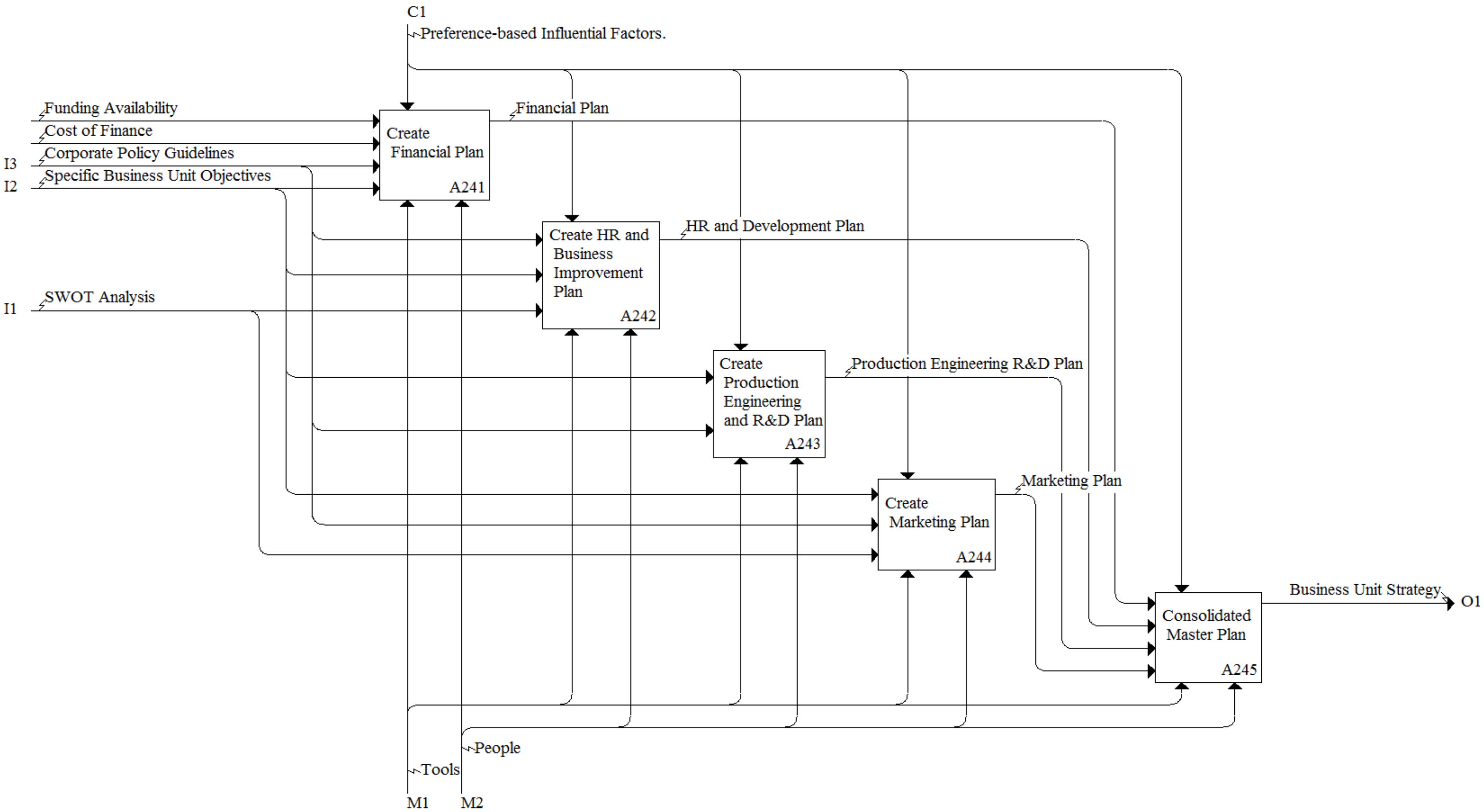
Title: A22: Analyses Business Unit Environment



Title: A23: Set Business Unit Goals

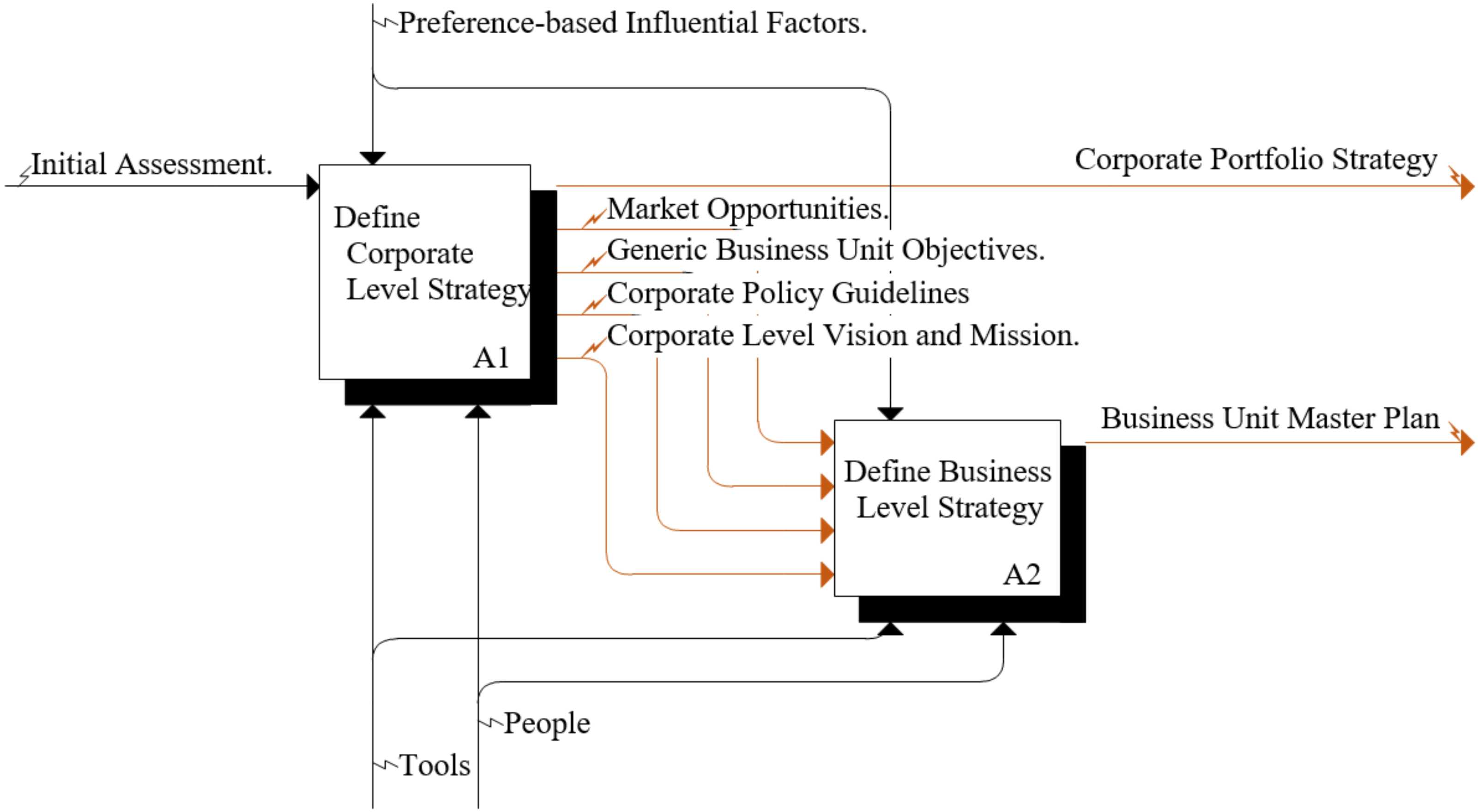


Title: A24: Create Business Unit Plan

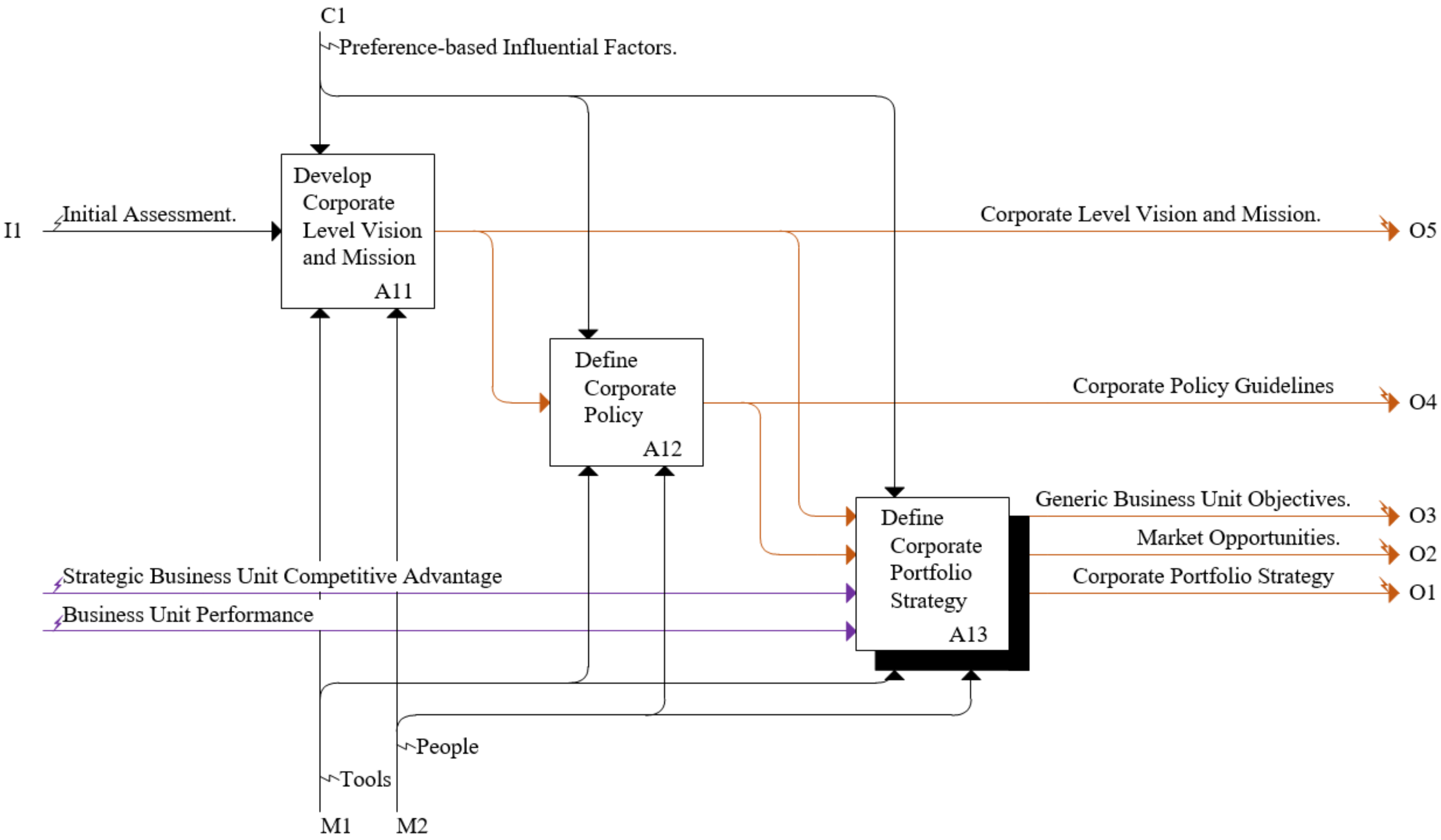


B2. Chapter 6:

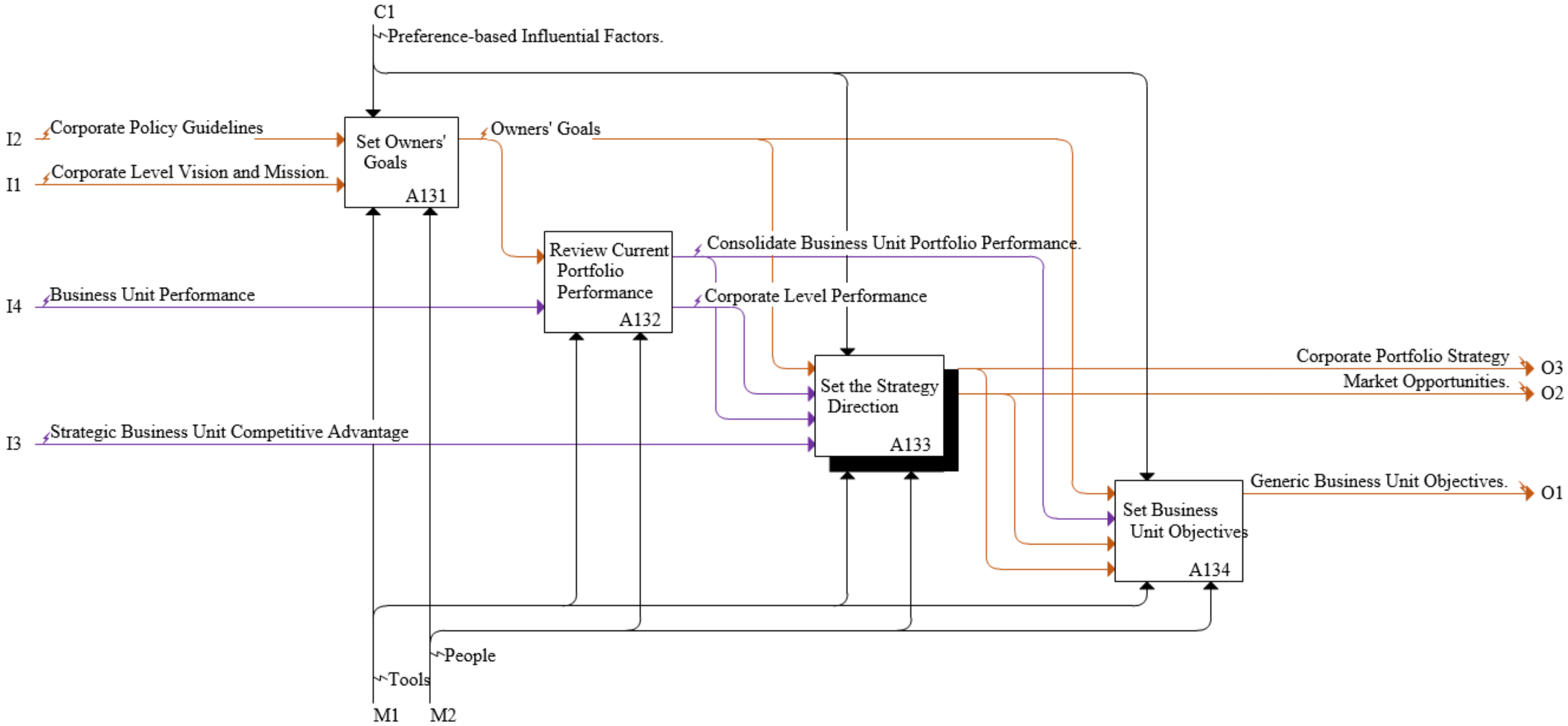
Title: A0: Define Strategy Formulation Process



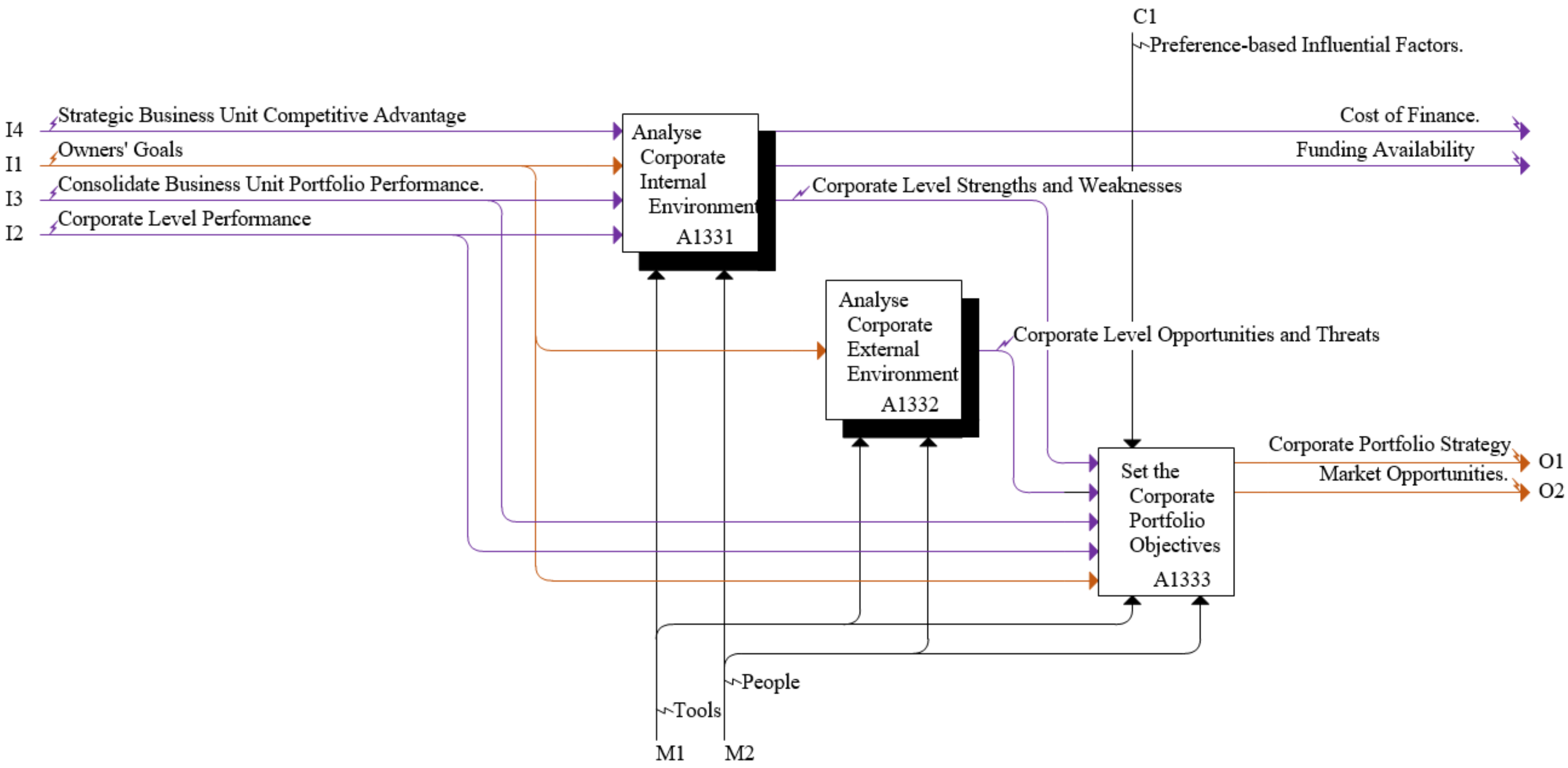
Title: A1: Define Corporate Level Strategy



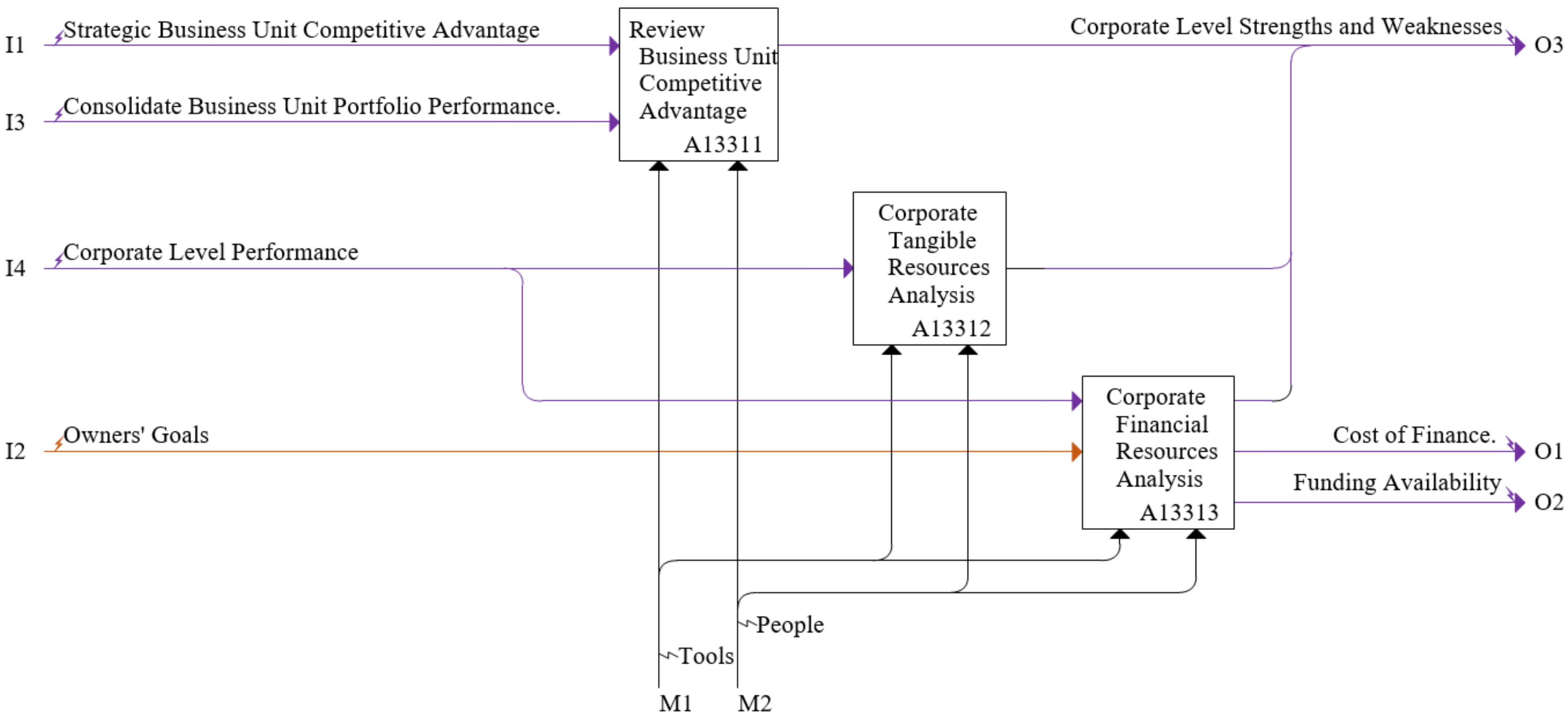
Title: A13: Define Corporate Portfolio Strategy



Title: A133: Set the Strategy Direction



Title: A1331: Analyse Corporate Internal Environment



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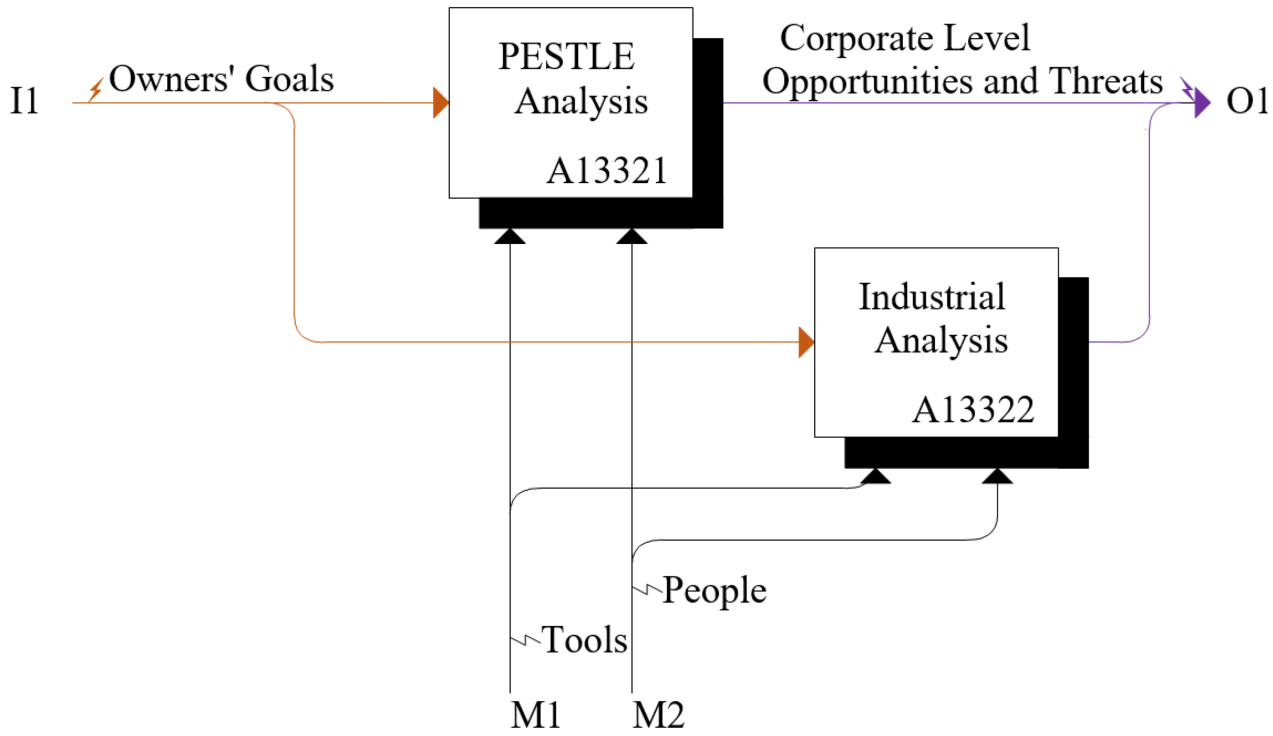
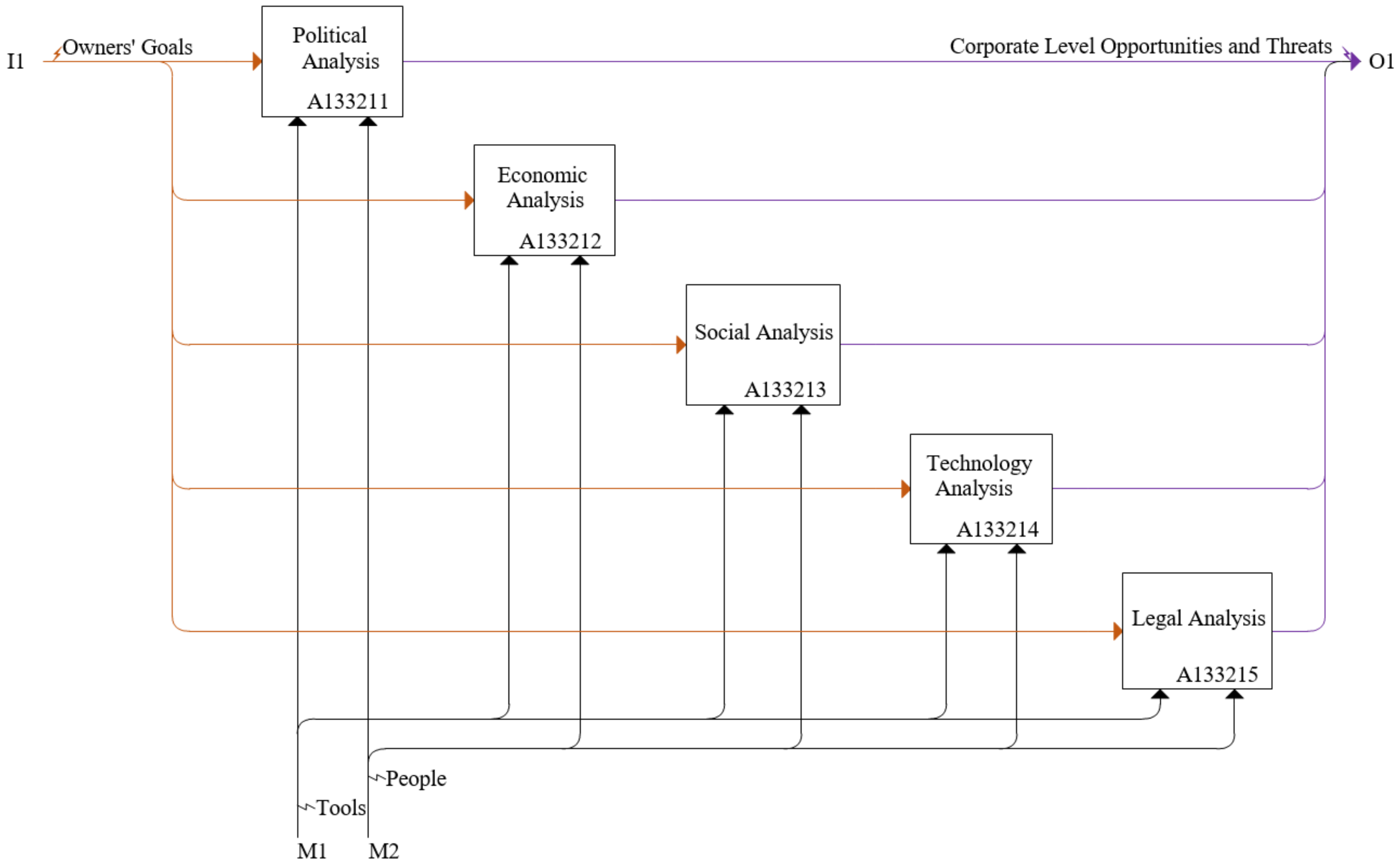
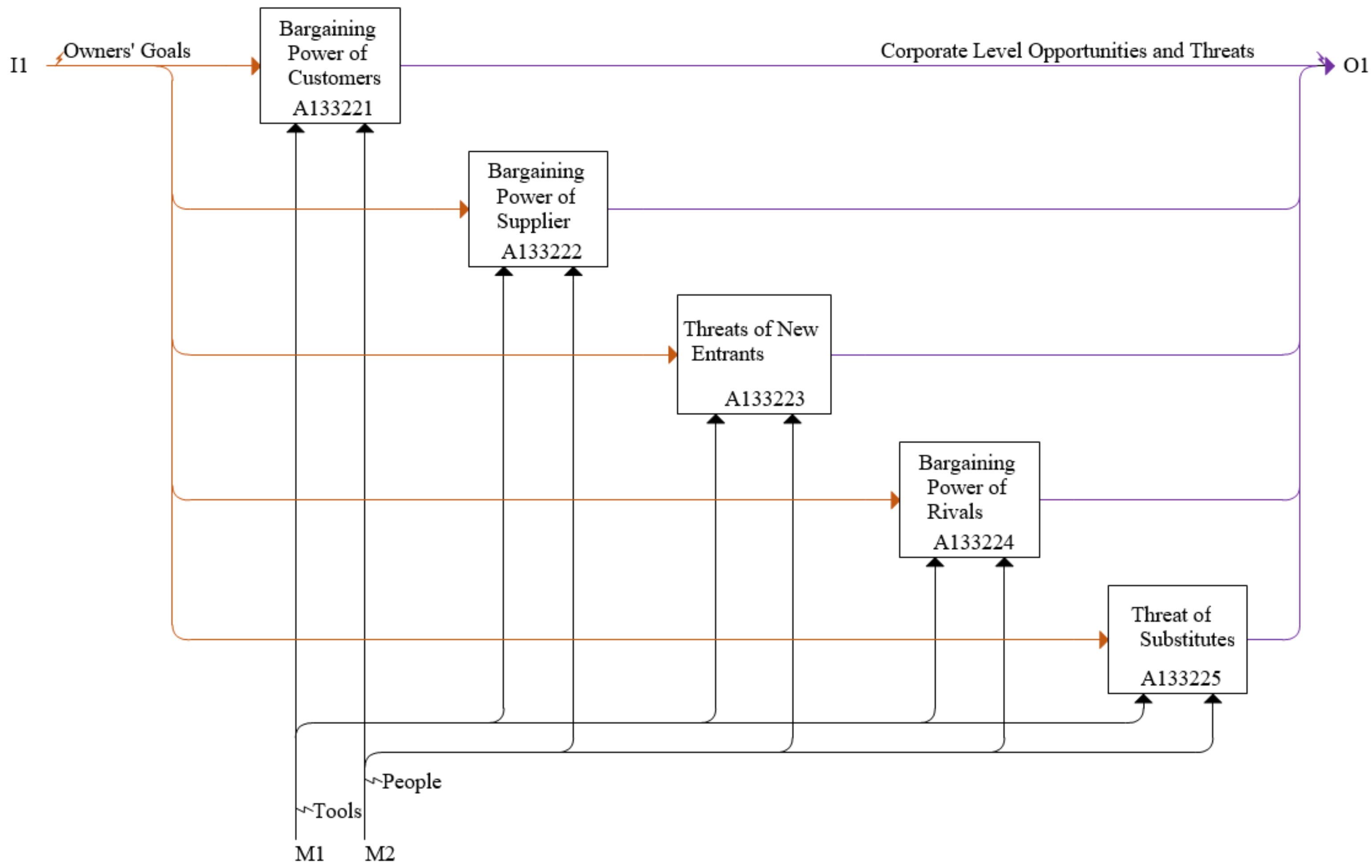


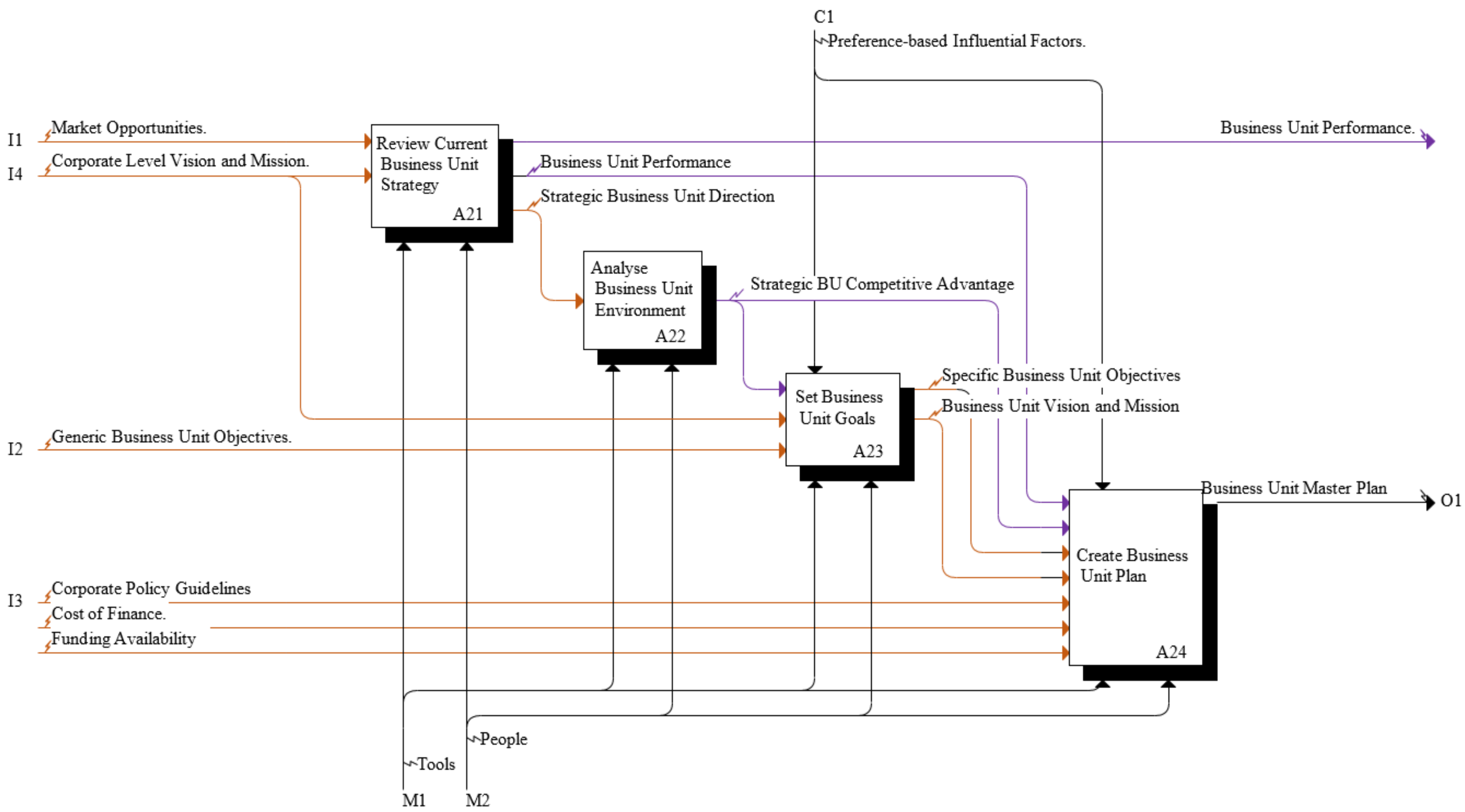
Title: A13321: PESTLE Analysis



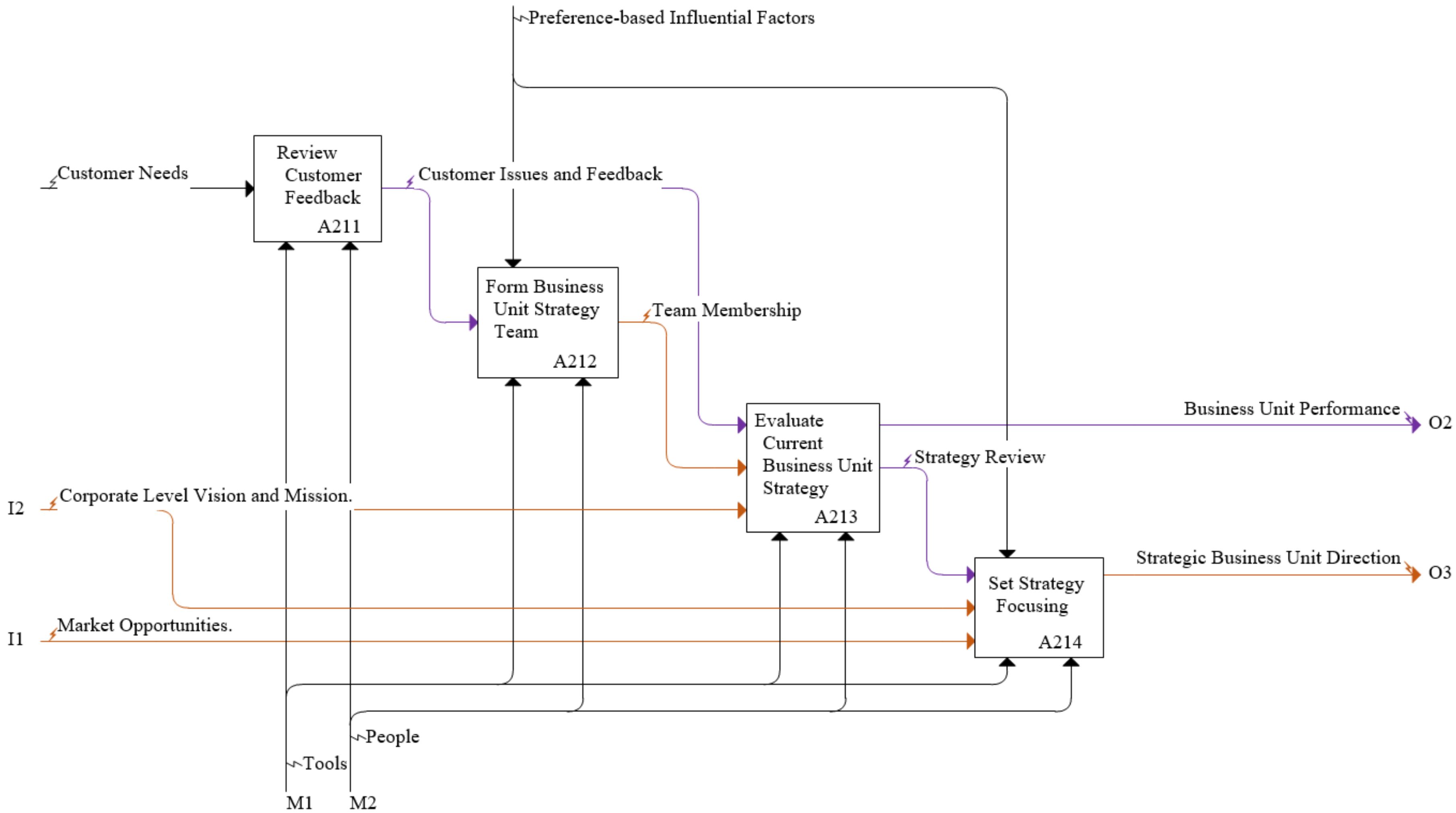
Title: A13322: Industrial Analysis



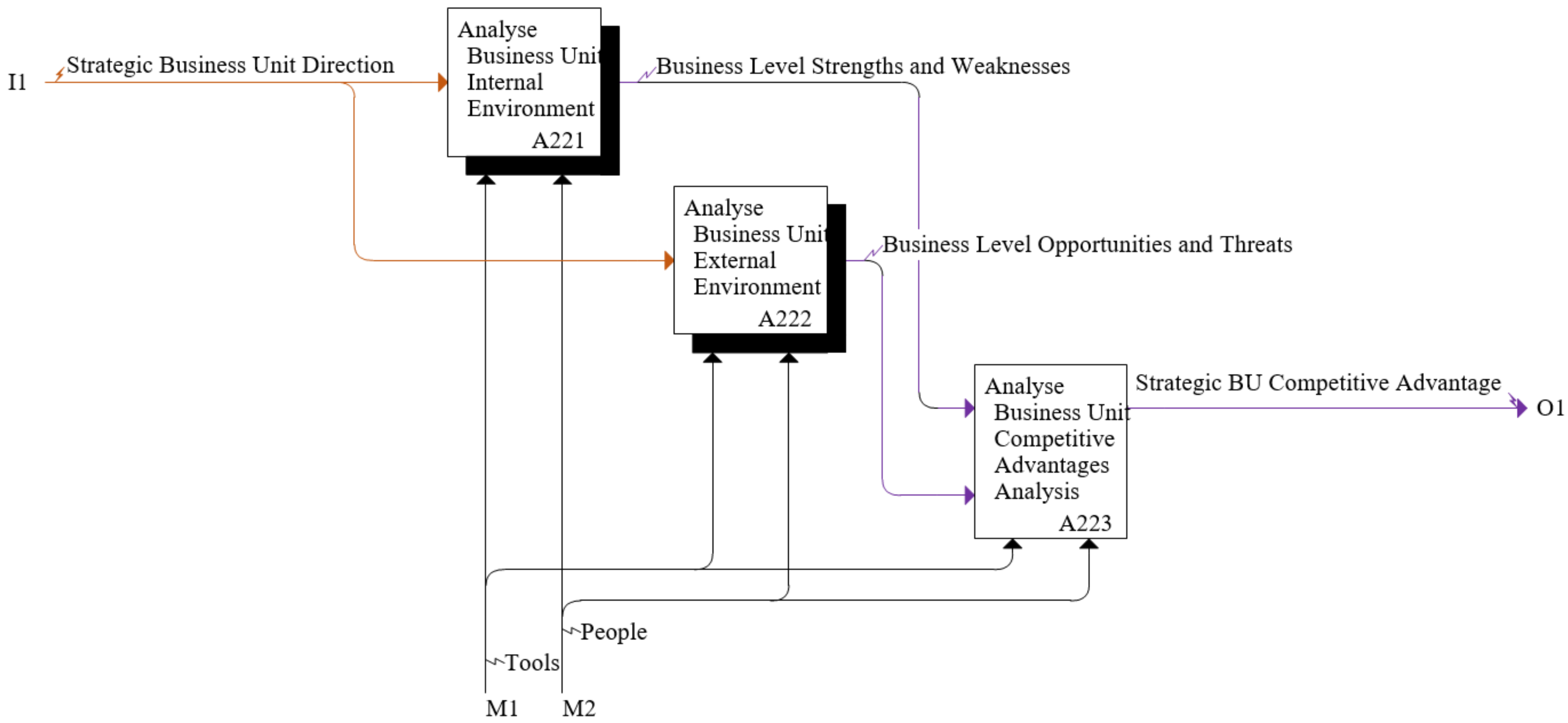
Title: A2: Define Business Level Strategy



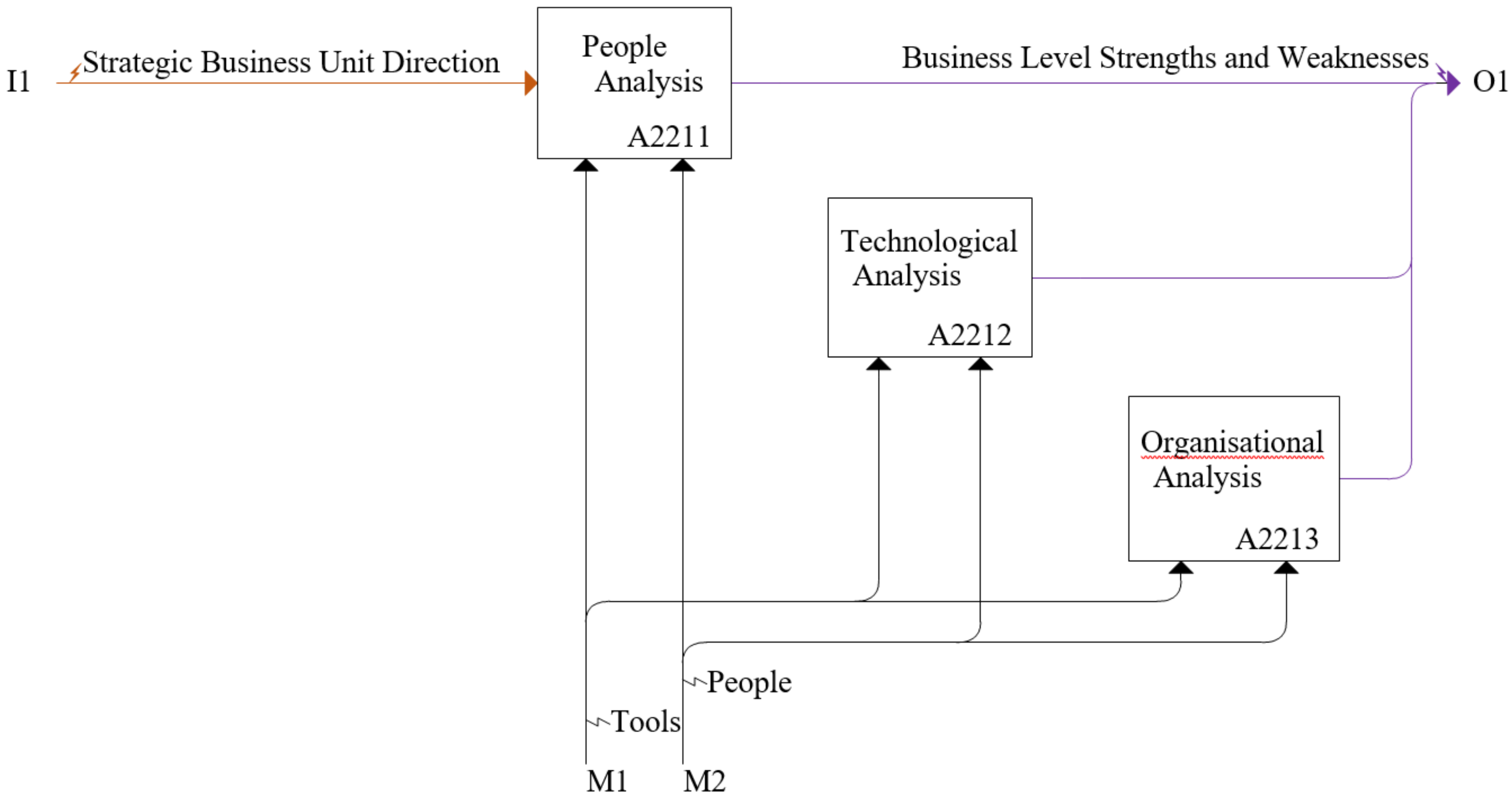
Title: A21: Review Current Business Unit Strategy



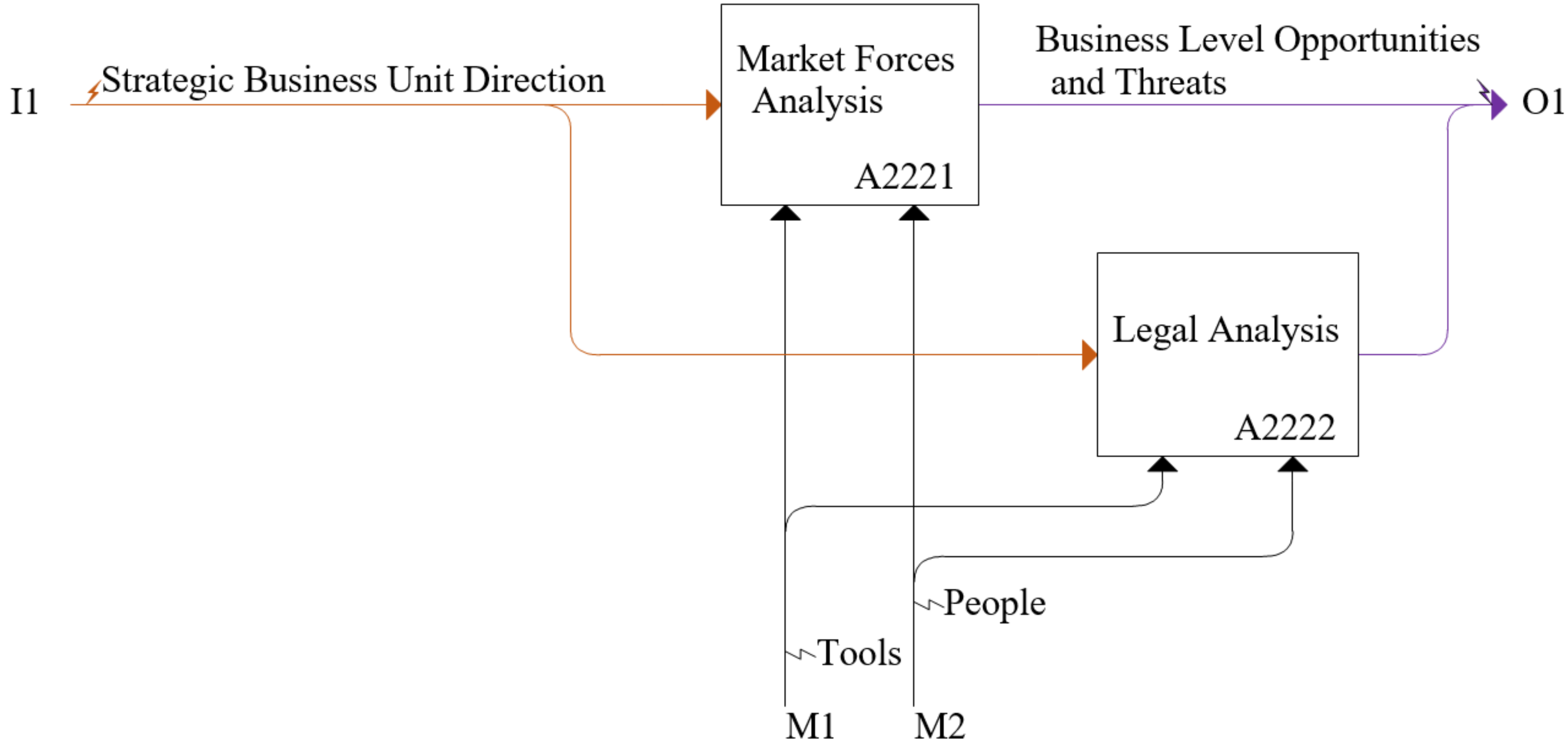
Title: A22: Analyse Business Unit Environment



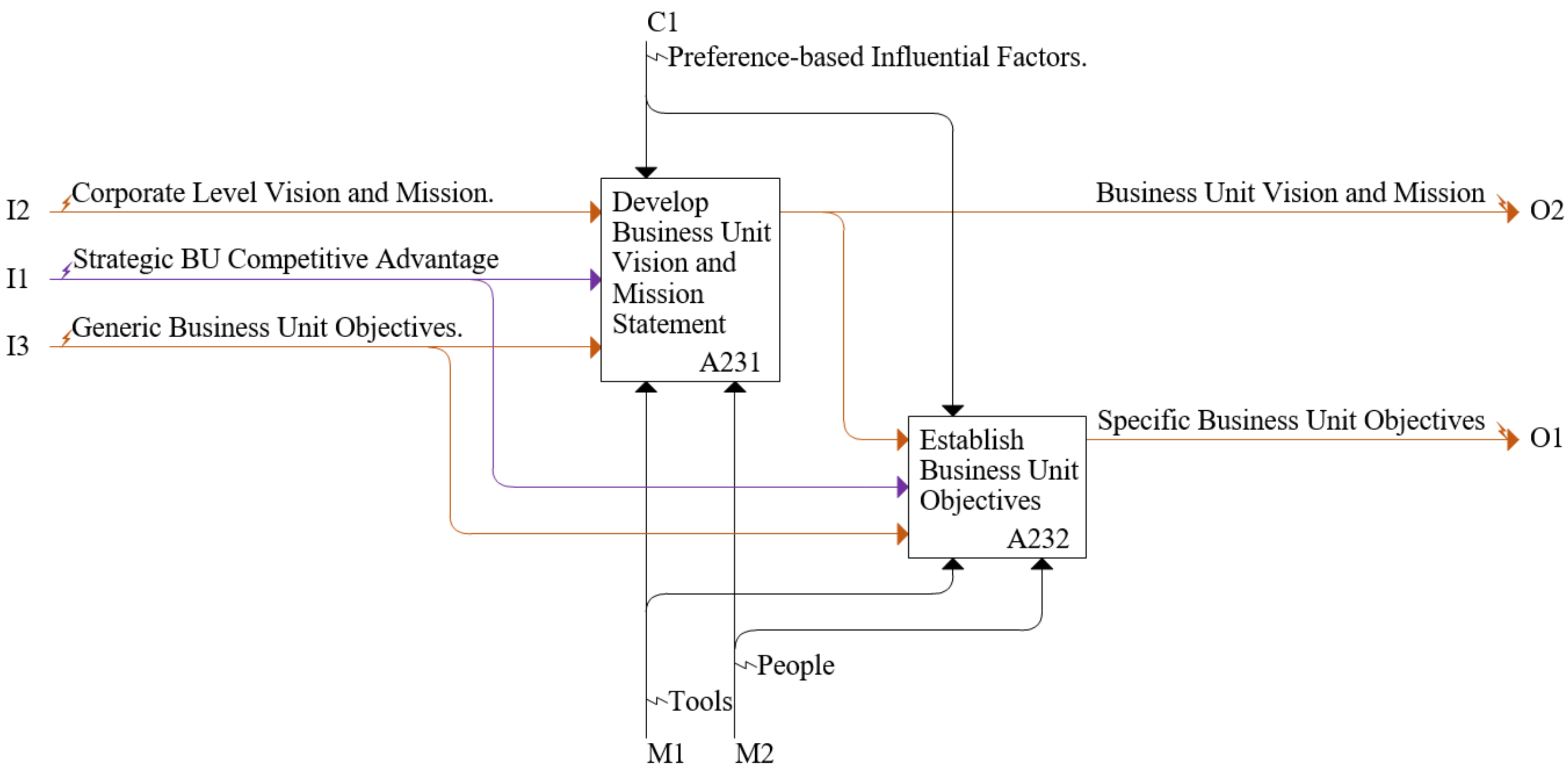
Title: A221: Analyse Business Unit Internal Environment



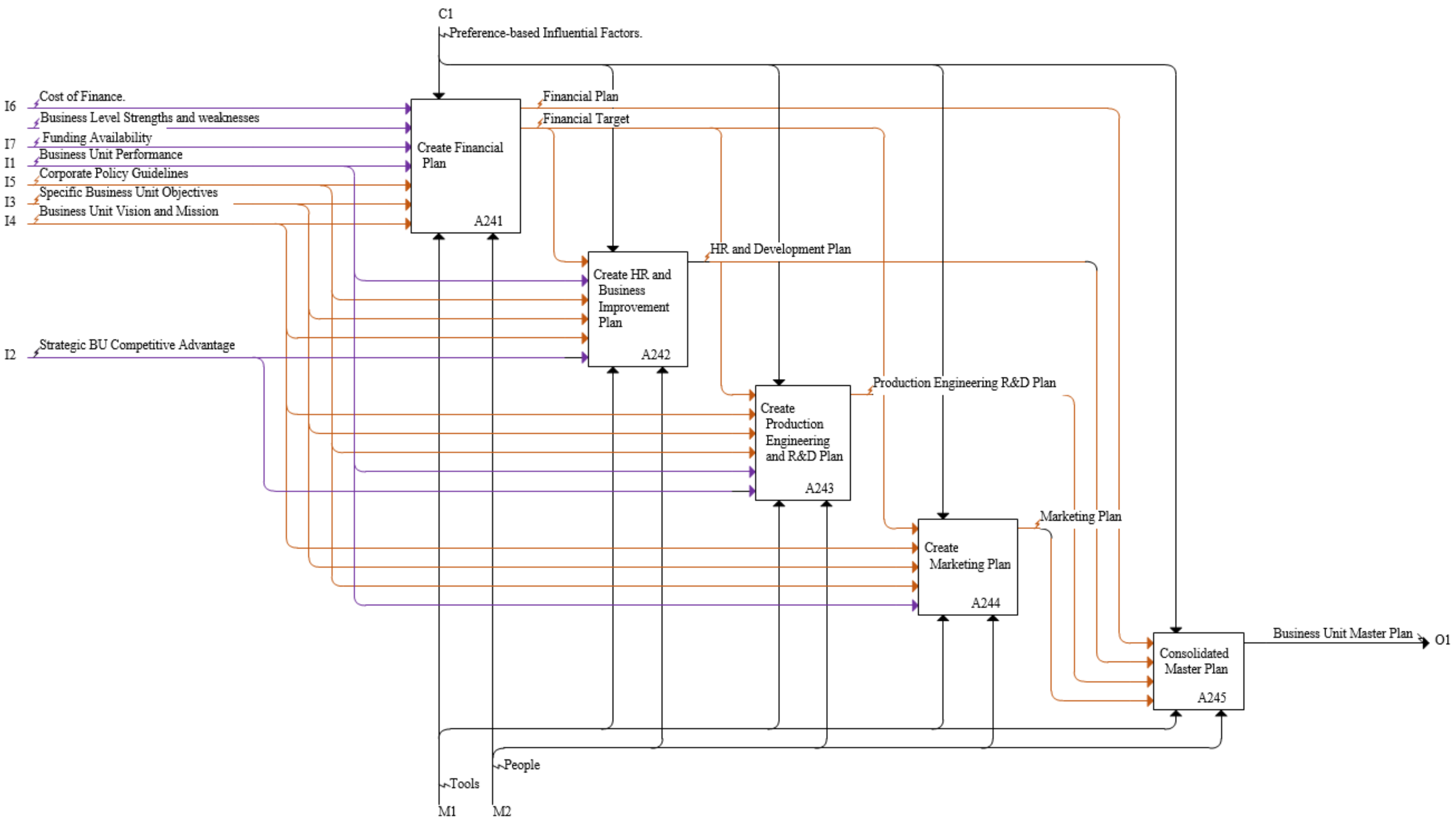
Title: A222: Analyse Business Unit External Environment



Title: A23: Set Business Unit Goals



Title: A24: Create Business Unit Plan



Appendix C

C- 1:The Matrix of The Influential Factors And Tools Of Strategy Formulation Process In The Corporate Level

Activities				Influential factors			Tools
A1.1Develop Corporate level Vision and Mission				1. Power of the family members in bored of direction	1. Functional and business unit managers' influences		Informal Dialogues
					2.Shareholders influences	1.2.1 Independent Members in Board	
						1.2.2 change of the ownership structure	
						1.2.3Governance Law	
				2.Family Identity	2.1 Family reputation, 2.2 Socio-emotional wealth, 2.3 Historical development		
A1.2Define Corporate Policy				1.Family Identity	1.1 Family constitution 1.2 Family Religious and culture value		
				2. Power of Family members in BOD	2.1Independent Members in Board 2.2 Functional and business unit managers influence		
A1.3Define Corporate Portfolio Strategy	A1.3.1Set Owners Goals			1.Protecting Family Identity	1.1 Next Generation Interests, 1.2 Socio-emotional wealth		
					1.3 Family Religious and cultural value, 1.4 Family internal Disputes		
				2.Family Business continuity	2.1 Government Strategy	2.1.1 Government Expenditure	Analysis on government spending, budget and future direction using Secondary data and attending seminars and workshops organised by government.
						2.1.2 Government Strategies in the geopolitical environment	
						2.1.3 Stability in the legal infrastructure	
						2.1.4 Revenue Zakat/Taxes	
					2.2 Other Family Business (LFBB) Strategies	2.2.1 Changes in Board of Directors of other LFBB	Meetings
						2.2.2 Changes in the capital structure of other LFBB	
						2.2.3 Similar investments or projects by other LFBB	
	A1.3.2Review Current Portfolio performance						Financial Reviews, Balanced Scorecard
	A1.3.3Set the Strategy Direction	A1.3.3.1 Analyse Corporate Internal Environment	A1.3.3.1.1 Review Business Units Competitive Advantage				Critical Success Factors Analysis
			A1.3.3.1.2 Corporate Tangible Resources Analysis				Value Chain Analysis
			A1.3.3.1.3 Corporate Financial Resources Analysis				Leverage Analysis, Hurdle Rate Analysis (Risk and Return Analysis), Required Rate of Return, Income/Growth Power Analysis
		A1.3.3.2 Analyse External Corporate Environment	A1.3.3.2.1 PESTLE Analysis				Industry and Economic Reports, Market Research Generic Reports. PESTLE Analysis. No particular tools addressed. Only scanning the secondary data.
			A1.3.3.2.1.1 Political Analysis				
			A1.3.3.2.1.2 Economic Analysis				
			A1.3.3.2.1.3 Social Analysis				
			A1.3.3.2.1.4 Technology Analysis				

Activities				Influential factors			Tools
			A1.3.3.2.1.5 Legal Analysis				
			A1.3.3.2.1.6 Environmental Analysis				
			A1.3.3.2.2 Industrial Analysis				Market Space Analysis (Positioning Analysis) , A study of market requirements, market scanning, Niche Markets, Sources of Sustainable Competitive Advantage Analysis, Portfolio Matrices (e.g. BCG), Analysis of future demand by industry
		A1.3.3.3Set the Corporate Portfolio Objectives		1. Business Growth Objectives (New Market Opportunities)	1 Competitors Power	1.1Competitors cost structure 1.2 Competitors access to financial resources 1.3 Competitors Growth 1.4 Control the resources 1.5 International Competitors	Strategy formulation Presentation session And Balanced Scorecard
					2 Customers Power	1 Customer size and Number 2 Importance of the products for the buyers	
					3 Suppliers	1.3.1 Major changes in the big supplier's	
					4 Substitutes Power	1.4.1 cost structure of the substitutes provider	
					5 New Entrants Power	1.5.1 Internationalisation of the new entrants	
					6 Corporate Resources Capabilities and Assets		
					7 Current Portfolio Performance		
					8.Technological Factors	1. Changing in the integration technology 2. disruptive technology	
				2. Family Business Continuity	2.1 Relationships with government, 2.2 Relationships with other family businesses 2.3 New regulations affecting business, 2.4 Revenue Zakat/Taxes 2.4. Government Expenditure		
				3. Protecting Family Identity	3.1 Next Generation Interests ,3.2 Socio-emotional Wealth, 3.3 Religious and Cultural Values		
	A1.3.4 Set Business Unit Objectives			1. Shareholders Financial Needs, 2. Family Financial Needs 3. Current Business Unit Performance 3. Growth GDP of the country, 4. Purchasing Power, 5. Cost of Finance (Market Interest Rate)			Working Sessions Facilitated Workshops

C- 2:The Matrix of The Influential Factors And Tools Of Strategy Formulation Process In The Business Level

Activities			Influential factors	Tools	
A2.1 Review current BU strategy	A2.1.1 Review customer feedback			Questionnaires, Interviews, Business Intelligence, Customer services complaints	
	A2.1.2 Form business unit strategy team		1. Involvement of the Family Member 2. Independent Members in Board 3. Management skills and competence 4. Customer Issues and needs		
	A2.1.3 Evaluate current business unit strategy			Performance Analysis, product yield, and benchmarking reports, Sales turnover analysis	
	A2.1.4 Strategy focus		1. Lessons learned from the current strategy		
A2.2 Analyse BU Environment	A2.2.1 Analyse Business Unit Internal Environment	A2.2.1.1 People Analysis		Key Performance Indicators (KPIs) (BSC), Performance Management Systems	
		A2.2.1.2 Technological Analysis		Scanning Secondary Data (Industry Reports, Professional Magazines and Websites), consultants discussions	
		A2.2.1.3 Organisational Analysis		Process Mapping, Value Analysis, Balanced Scorecard	
	A2.2.2 Analyse Business Unit External Environment	A2.2.2.1 Market Forces Analysis		Competitors Bargaining power analysis	Sales force system, Market Intelligence, Market Dynamics (e.g. market share analysis), Market Space Analysis, Knowledge Maps, Mystery Shoppers, Word of Mouth Analysis (Analysing informal social consumers networks), Customer Comments Analysis, Customer Engagement Analysis., Market Situation Analysis
				Buyers' Bargaining Power Analysis	
				Supplier Bargaining Power Analysis, New International Entrants Substitute Analysis	
		A2.2.2.2 Legal Analysis			
	A2.2.3 Analyse Business Unit Competitive Advantages				SWOT
A2.3 Set BU Goals	A2.3.1 Develop Business Unit Vision and Mission Statement		1.New players in the market		
			2. Customer Issues and needs		
			3. Family Business Unit Identity		
	A2.3.2 Establish Business Unit Objectives		1. Competitors power and closeness to our performance 2. International competitors 3. Government relations, directions, orientations and strategy		
A2.4 Create BU Plan	A2.4.1 Create Financial Plan		1. Financial Performance	Cash Requirement Analysis What If Analysis (Scenario Analysis) , Financial resource ability analysis	
	A2.4.2 Create Human Resources and Business Improvement plan		1.HR Performance 2. Level of business automation 3. New business process technology (e.g. technological readiness level)	Performance Management System, Individual KPIS Human Resources Availability	
	A2.4.3 Create Production, Engineering and R&D Plan		1. Current technological limitations 2. New production technologies	Sales Forecasting and estimations Questionnaires and Interviews	
	A2.4.4 Create Marketing plan		1. Marketing Performance (Market Share, Sales, etc) 2. Market Demographic Distribution (e.g. ethnic mix, gender, age) 3.Market Ideologies 4. Ethics	Negotiation with suppliers	
	A2.4.5 Consolidated Master Plan			Regular Meetings	

C- 3:List of Reports developed by Decision Support Activities.

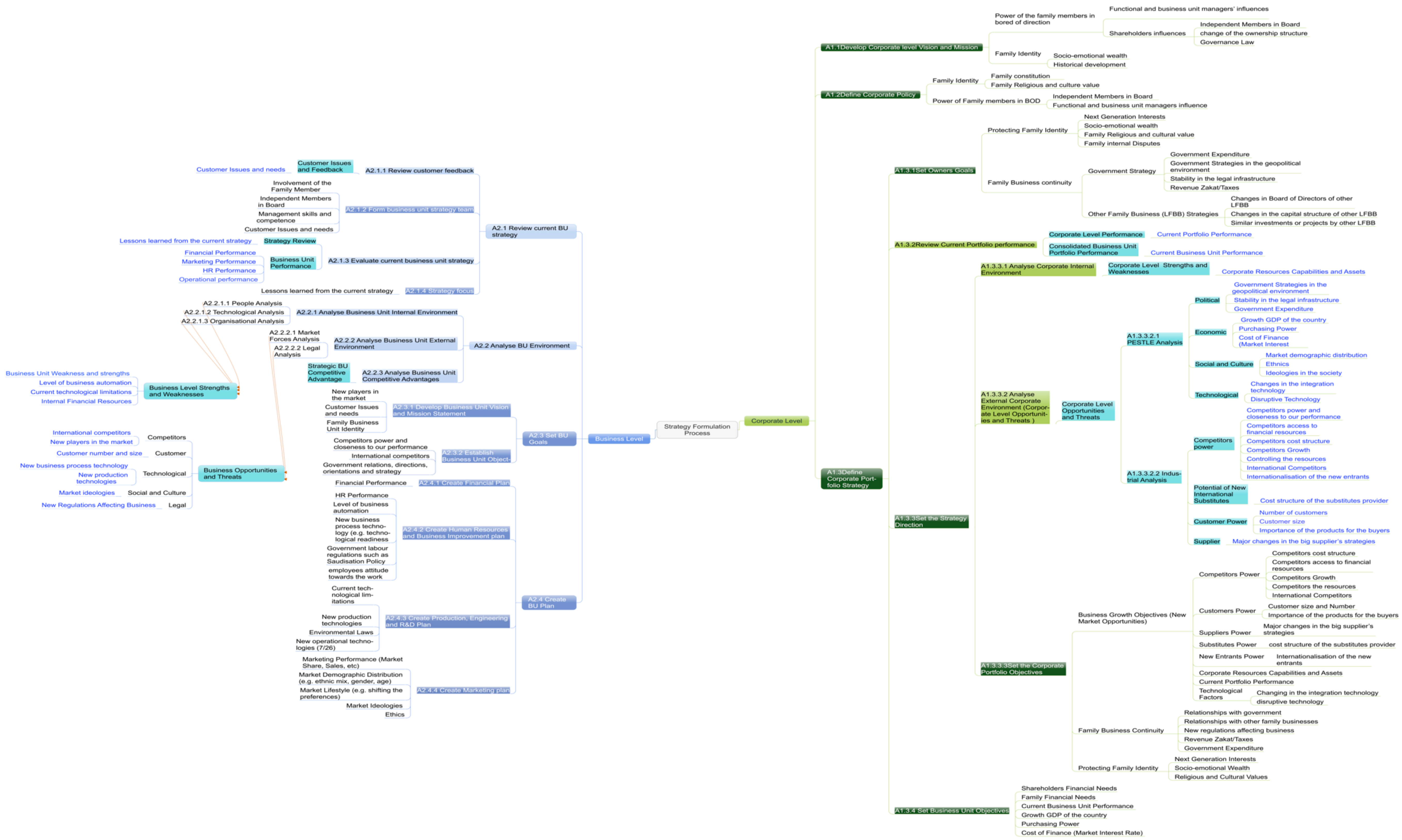
	Report	Definition	Source	Where to use it	Rationale	Contents
1.	Corporate Level Performance	It is a benchmark of the current performance with the targeted performance	A1.3.2 Review current portfolio performance	A1.3.3.3 Set the Corporate Portfolio Objectives	To understand the current financial and non-financial performance for setting new corporate targets	Current portfolio performance (e.g Return on Assets, financial growth rate, and Return on Equity) Non-financial Measures (e.g. family business reputation)
				A1.3.3.1.2 Corporate Tangible Resources Analysis	To understand the utilisation level of resources and the return on the assets used	
				A1.3.3.1.3 Corporate Financial Resource Analysis	To understand the cash flow availability for next period	
2.	Consolidated Business Unit Portfolio Performance	It is a summary of consolidated financial reports of business units into a unified segmented reporting structure		A1.3.4 Set Business Unit Objectives	To identify the current performance so that the new targets are based on realistic measures	Current Business Unit Performance Business units' revenues and controllable business unit costs. Other business financial measures are Economic Value Added and residual incomes.
				A1.3.3.1.1 Review Business Unit Competitive Advantage	To assess the potentials of having competitive advantage from the current performance	
				A.1.3.3.3 Set the Corporate Portfolio Objectives	Vertical / Horizontal / Conglomerate corporate strategy can be defined based on them. Also outsourcing, synergy and alignment strategies can be defined.	
3	Corporate Level Strengths and Weaknesses	A consolidated report of the current internal state in the corporate and business units, consisting of the resources, capabilities and assets that can improve the organisational competitiveness	A1.3.3.1.1 Review Business Unit Competitive Advantage	A1.3.3.3 Set the corporate portfolio Objectives	To identify the sources of the competitive advantage for the business units and identify potentials of the synergy or integration between business units	Cooperate resources Capabilities and Assets.
			A1.3.3.1.2 Corporate Tangible Resources Analysis			
			A1.3.3.1.3 Corporate Financial Resources Analysis			
4.	Corporate Level Opportunities and Threats	A consolidated report of the current external state in the corporate and business units, consisting of the market opportunities, potential and current threats to the business and to the corporate	A1.3.3.2.1 PESTLE Analysis		To identify the market opportunities for the current business units or for new potential business units	PESTEL and Industrial influential factors Political, Economic, Legal, Stability, Technological and Market Related factors (plausibility of the new market opportunities in terms of market forces). Also, to identify new technologies opportunities to propose for business units
			A1.3.3.2.2 Industrial Analysis			
5.	Customer Issues and Feedback	It is a summary of customer issues, feedbacks, and inquiries with proposed solutions and causes	A2.1.1 Review Customer Feedback	A2.1.2 Form Business Unit Strategy Team	Based on the types and frequency of issues, the strategy team is formulated	Costumer's issues and needs.
				A2.1.3 Evaluate Current Business Unit Strategy	To give insightful understanding of the gap in performance	
6.	Strategy Review	A report to show the status line of the performance benchmarked with the expected based on previous strategy.	A2.1.3 Evaluate current business unit strategy	A2.1.4 Strategy focusing	Based on the variation in the current performance from the planned, the strategy focus is determined	Lesson learned from the current strategy.
7.	Business Unit Performance	A report to show the status line of the performance benchmarked with the last year performance and the expected performance		A1.3.2 Review Current Portfolio Performance	The corporate defines the gap of each of the business unit performance and develop a consolidated business unit performance	Financial, marketing, HR and operational performance
				A.2.4.1 Create Plan	Based on the current performance, each functional manager sets its own Plan.	Key Performance Indicators. The most common one is the Balanced Scorecard (Process, people, customer and financial performance).
8.	Strategic BU Competitive Advantage	It is a report about the organisation sources of competitive advantages.	A2.2.3 Analyse BU Competitive Advantages	A2.3.1 Develop Business Unit Vision and Mission statement	To orient and direct the vision and mission based on the sources of competitive advantage.	Sources of competitive advantage could be seen as resource based or being the first mover in the market (Blue ocean strategy).
				A2.3.2 Establish Business Unit Objectives	To identify the business objectives based on realistic measures and reflecting the key sources of competitive advantage.	

				A1.3.3.1.1 Review Business Units Competitive Advantage	To review, understand and propose improvements for understanding each business unit competitive advantage. Also, to find out potential for leveraging competitive advantage for the business units through synergy strategy.	
				A2.4.2 Create HR and Business Improvement Plan	To identify how human resources can utilise potential sources of competitive advantage	
				A2.4.4 Marketing Plans	To transform sources of competitive advantage into profitable opportunities.	
9.	Business Level Strengths and Weaknesses	A consolidated report of the current internal state of the business unit consisting of the resources, capabilities and assets that can improve the organisational competitiveness	A2.2.1.1 People Analysis A2.2.1.2 Technological Analysis A2.2.1.3 Organisational Analysis	A2.2.3 Analyse Business Unit Competitive Advantage A.2.4.1 Create Financial Plan	To identify the current and the needed business capabilities to be differentiated in the market to gain and utilise the competitive advantage opportunities from the current and expected resources	-Business Unit Weakness and strengths - Internal financial resource - Level of business automation - Current technological limitations.
10	Funding Availability	The budget allocation to each business unit based on the expected returns	A1.3.3.1. Corporate Level Internal Analysis	A2.4.1. Create Financial Plan	To inform the business unit financial planner about the agreed budget for the business unit in next year, and the cost of finance required from this used fund	
11	Cost of Finance	the required rate of return based on the cost of capital				
12.	Business Opportunities and Threats	A consolidated report of the current external state in the corporate and business units, consisting of the market opportunities, potential and current threats to the business and to the corporate	A2.2.2.1 Market Forces Analysis A2.2.2.2 Legal Analysis	A2.2.3 Analyse Business Unit Competitive Advantage	To identify the price, place, promote, product requirements for competing in the market so that competitive advantage can be achieved	Competitors ,supplier ,Legal, Social and culture and Technology

C- 4:List of Decision developed by Decision Making Activities

	Decision	Definition	Source	Where to use it	Rationale
1	Corporate Vision and Mission	Vision can be defined as where the family corporate wants to be in the future Mission is the articulation of the vision in terms of the reason for existence	A1.1 Develop Corporate Level Vision and Mission	A1.2. Define Corporate Policy	The policy is translation of the family business values. the policy guidelines come to translate the values in the vision and mission into rules and acceptance criteria
				A1.3.1. Set Owners' Goals	The goals come to fulfil the vision and mission. Thus, to align goals into a clear direction, goals shall contribute to the vision and mission.
				A2.1.3. Evaluate Current Business Unit Strategy	The vision and mission guiding the evaluation process to identify the most critical and least critical elements in the evaluation
				A2.1.4. Strategy Focusing	To govern and direct the focus of the strategy of the business unit
				A2.3.1. Develop Business Unit Vision and Mission statements	To assure the alignment between business operations and corporate strategic direction
2	Corporate Policy Guidelines	It is used on the corporate and business level to set the frame for defining corporate and business strategic decisions. It defines what is accepted and not accepted. It is translation of family and business values into rules	A1.2 Define Corporate Policy	A1.3.1. Set Owners Goals	To govern the goals so as to assure not setting any goal violating the family business values
				A2.2.1. Create Financial Plans	To avoid any financial decisions, violate the family values such as high debt to capital decisions and taking loans with interests from banks.
				A2.4.2. Create HR and Business Improvement Plan	To avoid any unfair/ unaccepted procedures against the employees (e.g. discrimination and pay gap). what is unaccepted is defined by the family values
				A.2.4.2. Creating Marketing Plan	To avoid any unaccepted marketing decisions such as customer cheating
				A2.4.4. Create Production, Engineering and R& D Plan	To avoid any non-accepted offerings such as non-compliance products or inferior products
3	Generic Business Unit Objectives	A well-defined high scope level objectives defined by corporate for its business units (e.g. Rate of Return and Market Share)	A1.3.4. Set Business Unit Objectives	A2.3.1. Develop Business Unit Vision and Mission Statement	To define for business unit the generic objectives such as financial and non-financial targets.
				A2.3.2. Establish Business Unit Objectives	To guide business unit strategy formulation team when they define their unit specific objectives.
4	Market Opportunities	The corporate defines the accepted market opportunities for business units to work on them.	A1.3.3.3. Set the Corporate Portfolio Objectives	A1.3.4. Set Business Unit Objectives	To align and update business unit objectives based on new opportunities defined by the corporate
				A2.1.4. Strategy Focusing	To align and guide the business unit strategic direction based on the market opportunities recommendations explored and defined by the corporate.
5	Corporate Portfolio Strategy	Setting the investment strategy and return on investment for each business unit in the portfolio. Also, identifying the contribution of each business unit in the required corporate return. Finally, it shows any alignment strategy, vertical and horizontal integration, and outsourcing/disinvestment decisions.	A1.3.3.3. Set the Corporate Portfolio Objectives	A1.3.4. Set Business Unit Objectives	Each business unit takes as input the required return so that the portfolio expected performance can be achieved.
6	Owners Goals	The family member's goals in terms of fostering family business identity and family business continuity	A1.3.1. Set Owners' Goals	A1.3.2. Review Current Portfolio Performance	To guide the review process and to identify the criticality of each element in the review process
				A1.3.3.1.3. Corporate Financial Resources Analysis A1.3.3.2.1. PESTLE Analysis A1.3.3.2.2. Industrial Analysis	To guide the PESTLE, Resource, and Industrial analysis so that the owners' goals can be fulfilled
				A1.3.3.3. Set the corporate portfolio objectives	To guide the corporate objectives in order to achieve the superior owners' goals. All corporate objectives shall be connected and aligned with the owners' goals. This to assure the family business sustainability.
				A1.3.4. Set Business Unit Objectives	Business unit goals shall be mapped, aligned and connected with owners' goals. Any contradicting business unit goals with owners' goals shall be removed. this to assure alignment between business units.
7	Team Membership	Membership of the strategy formulation team is defined based on the issues faced by the unit and but the availability of the competences and skills	A2.1.2. Form Business Unit Strategy Team	A2.1.3. Evaluate Current Business Unit Strategy	The team is guiding the evaluation process based on their perspective and needs
8	Strategic Business Unit Direction	It is a decision to define the direction of the analysis to scope out the business unit competitive advantage.	A2.1.4. Strategy Focusing	A.2.2.1.1. People Analysis A2.2.2.1. Market Forces Analysis A2.2.2.2. Legal Analysis	To guide the data collection and analysis process to formulate the business unit competitive advantage.

9	Business Unit vision and mission	Vision can be defined as where the business unit wants to be in the future Mission is the articulation of the vision in terms of the reason for existence	A2.3.1. Develop Business Unit Vision and mission statement	A2.3.2. Establish Business Unit Objective A2.4.1. Create Financial Plan A2.4.2. Create HR and Business Improvement Plan A2.4.3. Create Marketing Plan A2.4.4. Create Production and Engineering and R&D plan	To guide Business unit plans
10	Specific Business Unit Objectives	Well-defined measurable medium range targets. they can be financial and non-financial.	A2.3.2. Establish Business Unit Objectives	A2.4.1. Create Financial Plan A2.4.2. Create HR and Business Improvement Plan A2.4.3. Create Marketing Plan A2.4.4. Create Production and Engineering and R&D plan	
11	Financial Targets	The required rate of return	A2.4.1. Create Financial Plan	A2.4.2. Create HR and Business Improvement Plan	To consolidate and build the business unit plan to deliver business unit objectives, vision and corporate objectives and vision
12	Business Unit Master Plan	A consolidated master plan of all other subordinated plans.	A2.4. Create Business Unit Plan	Business Unit Managers	To inform the business unit manager about the financial, marketing, production and HR plans to be targets and benchmark for their performance.



C- 5:The Mind Map Tool for the Influential Factors

C- 6:The Definition of The Preference-Based Influential Factors And How It Influences The Strategy

	Influential Factors	Definition	How it affects the corporate strategy	Influenced Activity
Origins of the Family Identify	Historical Development	The historical development is the corporate history in terms of the purpose of establishment, the vision and mission of the founder and the corporate experience in the ecosystem. This historical development shape organisational DNA.	The more the historical development grounded in the strategy formulation team, the more the vision shall be reflecting these values	A1.1. Develop Corporate Level Vision and Mission
	Family Religious and cultural value	The family believes, values and norms	They influence the Corporate Policy portfolio structure and contents and the owners' goals. They define what is accepted and what is not.	A.1.2. Define Corporate Policy A1.3.1 Set Owners Goals A1.3.3.3 Set the corporate portfolio objectives
	Family constitution	Some families have a "constitution" to organise and govern the relationship between family members and the business. This is to assure the win-win game between all stakeholders	In this constitution, usually, dividends distribution policy and the portfolio structure in terms of the next generations related projects.	A1.2. Define Corporate Policy
Protecting and Enhancing Family Identity Objectives (normative function)	Next Generation Interests	The next generations need to assure the sustainability of the family relations	The corporate goals are partially directed to fulfil these needs	A1.3.1. Set Owners Goals A1.3.3.3. Set the corporate portfolio objectives
	Socio-emotional wealth	Family non-financial motivations to run the business such as prestige and charitable intentions.	The higher the family socio-emotional level, the higher the strategy is following the family reputation on the expense the profit objectives.	A1.1. Develop corporate level vision and mission A1.3.1. Set Owners Goals A1.3.3.3. Set the Corporate Portfolio Objectives
	Family internal distributes	Different family members can have different and conflicting interests and objectives	The differences in the objectives lead to a new compromising objectives to satisfy the members	A1.3.1. Set Owners Goals
	Family Business Unit Identity	It is how the business defines itself in the ecosystem.	Vision and mission are reflecting the business identity	A2.3.1 Develop Business Unit Vision and Mission statement
Protecting Family Identity Growth and Continuity (social function)	Relationships with government	The relationship can be defined as number of projects with government, the government attitude towards the family business, and the informal relationships with seniors in it.	Alignment with government directions and intentions is critical for sustainability. The corporate portfolio decisions are shadowing the direction of the relationship with the government.	A1.3.3.3. Set the corporate portfolio objectives
	Relationships with other family businesses	The relationship can be defined as number of projects/investments with the other family businesses, and the informal relationships with key owners in them.	Alignment and coordination with other family businesses influence the direction of the corporate portfolio strategy	A1.3.3.3 Set the corporate Portfolio Objectives
	Changes in Board of Directors of other LFBB	It is the structure of the board of directors of the other family business with members against or with the family business	Other family businesses board structure and capital structure influence the relationship with the family that could lead to changes in the strategy direction	A1.3.1. Set Owners Goals
	Changes in the capital structure of other LFBB	It is the structure of ownership of others family members. Changes in the key owners of them		
	Similar investments or projects by other LFBB	The strategic directions of other family members in terms of entering similar markets.		
Power of the family in the business (Familiness of the business)	Governance Law	When the corporate issues share in the public market, governance laws come into action	Governance laws affect the family ability to enforce its influential factors	A1.1. Develop corporate level vision and mission
	Chang of the ownership structure	It is the proportion of the capital owned and controlled by the family	The more the ownership of the family, the more the family is able to enforce its family factors in the vision	A.1 Develop corporate level vision and mission
	Shareholders Influences	The financial needs of the non-family owners	The more powerful the shareholders, the less the family ability to impose their influential factors	A1.1. Develop corporate level vision and mission
	Independent Members in Board	Members appointed from other corporates to protect their own interests in the family corporate	Their existence weakens the strength of the impacts of the family business factors on the business unit strategic decisions	A1.1. Develop Corporate Level Vision and Mission A1.2. Define Corporate policy A2.1.2 Form Business Unit Strategy Team
	Functional and Business Unit Managers' Influences	The proportion of the functional managers in the board of directors.	The more the existence of them in the board, the less the influence of family business factors on the strategic decisions.	A1.1. Develop Corporate Vision and Mission A1.2. Define Corporate policy
	Involvement of the Family Member	The existence of the family members in the strategy formulation process for the business unit	Family member affects the strength of the impacts of the family business factors on the business unit strategic decisions	A2.1.2. Form Business Unit Strategy Team
	Family Financial Needs	The financial needs of the family members	The higher the short term financial needs, the less the family can activate their family factors in the business unit objectives	A1.3.4 Set Business Unit Objectives

C- 7:The Definition of The Reports -Based Influential Factors And How It Influences The Strategy

	Report	Influential Factors	Definition	How it affects the corporate strategy	Influenced Activity
Performance Review	**Corporate Level Performance**	Current Portfolio Performance	The financial performance of the portfolio as a whole and its business unit's performance.	To understand the current financial and non-financial performance for setting new corporate targets.	A1.3.3.3 Set the Corporate Portfolio Objectives
				To understand the cash flow availability for next period	A1.3.3.1.3 Corporate Financial Resource Analysis
				To understand the utilisation level of resources and the return on the assets used	A1.3.3.1.2 Corporate Tangible Resources Analysis
	Consolidated Business Unit Portfolio Performance	Current Business Unit Performance	It is the current business unit performance reviewed and revised by the audit and accounting department through the corporate board.	To identify the current performance so that the new targets are based on realistic measures	A1.3.4 Set Business Unit Objectives
				To assess the potentials of having competitive advantage from the current performance	A1.3.3.1.1 Review Business Unit Competitive Advantage
				Vertical/horizontal/ conglomerate corporate strategy can be defined based on them. Also, outsourcing, synergy and alignment strategies can be defined.	A1.3.3.3 Set the Corporate Portfolio Objectives
	Business Unit Performance	Financial Performance	The current financial performance in terms of profitability ratios, sales and turnover ratios	The corporate defines the gap of each of the business unit performance and develop a consolidated business unit performance	A1.3.2 Review Current Portfolio Performance
		Marketing Performance	The market existence of the business products		
		HR Performance	The current process and people non-financial Key performance indicators.		
		Operational performance		Based on the current performance, each functional manager sets its own plan	A2.4.1 Create Plan
		Lessons learned from the current strategy	The documented weaknesses and strength points in the application of the current strategy	Based on the variation in the current performance from the planned, the strategy focus is determined	A2.1.4 Strategy focusing
		Customer Issues and needs	The number, type and reasons of the customer issues and needs	Based on it, the strategy formulation team is defined. The success of the current strategy can be evaluated	A2.1.3 Evaluate Current Business Unit Strategy
				To determine the optimal strategy formulation team to address customer issues	A2.1.2 Form Business Unit Strategy Team
Internal Analysis	Corporate Level Strengths and Weaknesses	Corporate Resources Capabilities and Assets	All resources capabilities and assets controlled by the corporate directly or indirectly through its business units.	Vertical/horizontal/ conglomerate corporate strategy can be defined based on them. Also, outsourcing, synergy and alignment strategies can be defined.	A1.3.3.3. Set the corporate portfolio objectives
	Business Level Strengths and Weaknesses	Business Unit Weakness and strengths	Things the business unit can do well or poor in relative to other competitors. This includes the ability to use the resources effectively, efficiently and innovatively.	To identify the current and the needed business capabilities to be differentiated in the market to gain and utilise the competitive advantage opportunities from the current and expected resources	A2.2.3 Analyse Business Unit Competitive Advantage
		Level of business automation	the degree to which the processes are paperless.	The production plan takes into perspective the weaknesses and strength points in the level of operations in terms of automation and technological level.	A2.4.2. Create HR Resource and Business Improvement Plan.
		Current technological limitations	The restrictions on process streamlining because of technological factors.		
		Internal Financial Resources	The cash availability for future investments	To take the internal financial resource availability in the financial planning so that the financial needs are levelled with the financial sources.	A2.4.1. Create Financial Plan

	Report		Influential Factors	Definition	How it affects the corporate strategy	Influenced Activity
External Analysis	Corporate Level Opportunities and Threats		Government Strategies in the geopolitical environment	The government relationships with other countries in the area	Relationships with some countries can hurt businesses across these countries	A1.3.1. Set Owners Goals
			Stability in the legal infrastructure	Speed of changes in the laws	Instability of the legal environment may push the owners to enforce the corporate to leave certain markets	
			Government Expenditure	The size and allocation of government expenditure	The direction of the strategy and its goals are determined by the government expenditure orientations	A1.3.1. Set Owners Goals A1.3.3.3 Set the Corporate Portfolio Objectives
			Growth GDP of the country,	The growth in the Gross Domestic Product represents the expected average market return	The required return is minimum the market return plus premium for inflation and covering cost of financing	A1.3.4 Set Business Unit Objectives
			Purchasing Power	It is an effective measure of the inflation. It measures the society ability to purchase a basket of products and services.		
			Cost of Finance (Market Interest Rate)	Required rate of return based on stock market return		
			Market demographic distribution	Changes in the age and gender distributions in the market.	Creates new opportunities for satisfying changes in the social factors. Also, they can be threats as they can make some product lines obsolete.	A1.3.3.3 Set the Corporate Portfolio Objectives
			Ethnics	Changes in the race ethnic structure in the society (e.g. Indian and fleppino)		
			Ideologies in the society	Changes in the preferences and lifestyle		
		D. Technological	Changes in the integration technology	Changes in the mechanism to integrate business units into a single unified system	The corporate portfolio objectives can be influenced by the level of integration in terms of level of alignment and synergy between business units (e.g. supply chain management, unified RFID technology)	A1.3.3.3 Set the Corporate Portfolio Objectives
			Disruptive Technology	A new technology that can change the business models which can make existence models obsolete	A new disruptive technology could make one of the business units obsolete. thus, investment or divestment in business units could be affected by the existence of this technology	
			Competitors power and closeness to our performance	It is the differences in the performance between the business units and the closed one	It is considered as a risk factor that affects the business plans and setting the objectives.	A1.3.3.3 Set the Corporate Portfolio Objectives
			Competitors access to financial resources	The competitors' ability to increase its capital within short time	The higher the ability, the lower the attractiveness of the market	
			Competitors cost structure	The percentage of the variable cost to the fixed cost	Higher fixed cost, the lower the attractiveness of the market	
			Competitors Growth	The percentage increase in sales per annum	The higher, the opportunity with cautions.	
			Controlling the resources	The resources available to the competitors in terms of people, technology and reputation	The higher, the lower the attractiveness of the market	
			International Competitors	The existence of the headquarter of the competitor outside the country	The existence of international competitors in the local market is a threat, but an opportunity for international markets	
			Internationalisation of the new entrants	The possibility of entering international suppliers in the market	The higher the possibility, the more precautions shall be taking	
		B. Potential of New International Substitutes	Cost structure of the substitutes provider	The relative fixed cost to the variable cost of the substitute producers	The higher the fixed cost proportion, the stronger the competition is expected; the less desirability of the market	A1.3.3.3 Set the Corporate Portfolio Objectives
		C.Customer Power	Number of customers	Number of customers	The higher, the higher attractiveness of the market, with taking competitors and legal aspects into consideration.	A1.3.3.3 Set the Corporate Portfolio Objectives

	Report		Influential Factors	Definition	How it affects the corporate strategy	Influenced Activity
			Customer size	Purchasing power of the potential customers (i.e. business to business (B2B) or business to consumer (B2C))	B2B markets are more collaborations and partnership than B2C	
			Importance of the products for the buyers	The buyers' sensitivity to changes in the product price	The higher the importance, the more the attractiveness of the market	
		D. Supplier	Major changes in the big supplier's strategies	Changes that can affect the relationship with suppliers (e.g. closing, bankruptcy, expanding, quality)	It can be a reason for leaving or entering the market	A1.3.3.3 Set the Corporate Portfolio Objectives
	Business Level Opportunities and Threats	A. Competitors	International competitors	The current international competitors can bring unexpected capacities, technologies and ideas from overseas	This can influence the vision, objectives, and business plans in how to handle this potential risk. I.e. leaving the market if the potential risk higher than the potential return.	A2.3.2 Establish Business Unit Objectives
			New players in the market	The number and capacity of the potential new players in the market		A2.3.1 Develop Business Unit Vision and Mission Statement
		B. Customer	Customer number and size	The number, market share and size of the current and potential markets	Based on the market size, for marketing activities such as promotion, pricing, placing, and product	A2.3.2 Create Marketing Plan
		C. Technological	New business process technology	The existence of new technology in the market that could improve the business performance	By contrasting between the current technology available to the business and how it is used with other new technologies in the market and how they can affect processes and production, the investment in new technologies can be formulated.	A2.4.2 Create HR & Business improvement Plan
			New production technologies	The existence of new technology in the market that could improve the production capabilities		
		D. Social and	Market ideologies	The believes, values and norms of the customers	The market plan relies on this information to target the right customers and right markets by the right way.	A2.4.4 Create Marketing Plan
			New Regulations Affecting Business	External Corporate Analysis (PESTLE)		A2.4.2 Create HR and Business Improvement plan

C- 8: The Definition of Decision Making Tools

Tools	Definition
Workshops	An interactive open discussion with relevant stakeholders to address certain predefined points
Facilitated Workshops (e.g. SWOT)	Similar to workshops but with a structured tool that can improve collaborations between players.
Informal/ irregular meeting (Town Halls)	Unstructured meetings based on the demand of one of the stakeholder to discuss a certain point
Strategy formulation presentation and sessions	Presentation of the idea into a meaningful way to the decision makers.
Working Sessions*	A meeting held in a residence touristic place to avoid the work stress. Sometimes called strategy workshops. It takes informal approach in discussion and open communications across different participants.

C- 9:The Definition of Decision Support Tools

	Report	Influential Factors	Tool	Definition
Performance Review	Corporate Level Performance	Current Portfolio Performance	Financial Reviews	Comparing the current financial indicators with past. Indicators such as Return on Investment and Earnings before interest and tax (EBIT)
			Historical Variation analysis (e.g. variation analysis)	It is a comparison between the years' performance and current year performance. It is mainly to measure the growth or decline in the performance
			Trend Analysis	The prediction of the future income based on historical data
	Consolidated Business Unit Portfolio Performance	Current Business Unit Performance	Variation analysis	It is the analysis of all activities in the supply chain. The aim is to take decisions like outsourcing/ Make or buy/ change suppliers/ manage suppliers
			Financial review	Comparing the current financial indicators with past. Indicators such as Return on Investment and Earnings before interest and tax (EBIT)
			Portfolio Matrices (e.g. BCG)	It is to plot all business units against other strategic measures such as growth rate and cash flow
			Value chain analysis	It is the analysis of all activities in the supply chain. The aim is to take decisions like outsourcing/ Make or buy/ change suppliers/ manage suppliers
			Income/Growth power	It is the analysis of the long-term financial sustainability. It is a measure of the persistency of the income.
	Business Unit Performance	Financial Performance	Benchmarking with external organisations	Comparing between the business unit performance and other competitors
			Variation analysis through the years	Comparing between the business unit performance and historical performance
			Variation analysis through sectors	Comparing between the business unit performance and other businesses in similar sectors
			Variation analysis with the previous targets	Comparing between the business unit performance and targets
			The current financial performance in terms of profitability ratios, sales and turnover ratios.	Financial measures to evaluate the financial performance from different perspectives.
		Marketing Performance	Benchmarking	Comparison of the current processes or product characteristics to the best process. it is a knowledge transfer tool for improving
		HR Performance	Employees performance reviews	It assesses the employee's performance against pre-defined measures developed, based on their job description and strategy requirements
			Performance Management System	It is a computerised tool to capture, record and help in analysing - employees' performance against predefined targets
			Performance reviews	It is a review of the current performance but including non-tangible measures such as the leadership, negotiation and communication skills.
			The current process and people non-financial Key performance indicators.	The capacity of the current people and processes are determined so that the feasibility of the strategy in terms of current resources and assets is determined.
		Operational performance	Benchmarking in products and processes	Comparison of the current processes or product characteristics to the best process. it is a knowledge transfer tool for improving
			Operations reviews	It is a comparison between the current operational KPIs against the expected/targeted levels
			Level of business automation analysis	It is an indicator showing the percentage of the number of automated business processes over the total number of business processes in an organisation
			Current technological limitations analysis	Analysis of the factors that perceived to limit the production and operational capacities such as the information system used such as quality of information technology
			An integrative Business unit performance Tool	It is an integrative tool for integrating Key Performance Indicators to assess the organisation's performance towards expected measures developed based on the strategy. the most common approach is the balanced scorecard

	Report		Influential Factors	Tool	Definition
				Key Performance Indicators (KPIs)	
	Strategy Review		Lessons learned from the current strategy	Scenario based analysis	Historical data are used to understand the different scenarios for future actions
	Customer Issues and Feedback		Customer Issues and needs	Interviews	Meeting with customers to discuss their preferences, issues and feedback
				Surveys	A structured method to measure the attitude of the customers and their loyalty towards the products/services of the corporate
				Pareto	It is an analytic method showing that 80% of the problem is caused by 20% of the reason. This enables the managers to identify the main problem.
Internal Analysis	Corporate Level Strengths and Weaknesses		Corporate Resources Capabilities and Assets	Secondary Data analysis	Using published data to understand the industry interactions and dynamics.
	Business Level Strengths and Weaknesses		Business Unit Weakness and strengths	Value Analysis	It is the analysis of all activities in the supply chain. The aim is to take decisions like outsourcing/ Make or buy/ change suppliers/ manage suppliers
				Capability analysis	It plots all the activities and values of each activity, in addition to the cost target performance and targeted capacities.
			Level of business automation	Number of paperwork transactions across departments and level of labour/capital.	It is an indicator showing the percentage of the number of automated business processes over the total number of business processes in an organisation
			Current technological limitations	technological reports	
			Internal Financial Resources	Financial review	Comparing the current financial indicators with past. Indicators such as Return on Investment and Earnings before interest and tax (EBIT)
External Analysis	Corporate Level Opportunities and Threats	PESTEL Analysis Report A. Political	Government Strategies in the geopolitical environment	Secondary data, reports, professional political reports, magazines and publications	Historical data are used to understand the different scenarios for future actions
			Stability in the legal infrastructure		
			Government Expenditure		
		B. Economic	Growth GDP of the country,	Secondary data, reports, professional economic reports, magazines and publications	Using published data to understand the industry interactions and dynamics.
			Purchasing Power		
			Cost of Finance (Market Interest Rate)		
		C. Social and Culture	Market demographic distribution	Marketing Research Reports	It is reports published by marketing research companies such as market trends, market shares, and sales
			Ideologies in the society		
		D. Technological	Changes in the integration technology	Secondary data, reports, professional technological reports, magazines and publications	Using published data to understand the industry interactions and dynamics.
			Disruptive Technology		
		Industrial Analysis Report	Competitors power and closeness to our performance	Market space analysis	This to put the business units against their competitors and other players in the market to see how they can expand or retrench.
			Competitors access to financial resources		

	Report		Influential Factors	Tool	Definition
		A. Competitors power	Competitors cost structure		
			Competitors Growth		
			Controlling the resources		
			International Competitors		
			Internationalisation of the new entrants		
		B. Potential of New International Substitutes	Cost structure of the substitutes provider		
		C. Customer Power	Number of customers		
			Customer size		
			Importance of the products for the buyers		
		D. Supplier	Major changes in the big supplier's strategies		
	Business Level Opportunities and Threats	A. Competitors	International competitors	Marketing Research	It is reports published by marketing research companies such as market trends, market shares, and sales
			New players in the market		
		B. Customer	Customer number and size		
		C. Technological	New business process technology	Secondary data, reports, professional technological reports, magazines and publications	Using published data to understand the industry interactions and dynamics.
			New production technologies		
		D. Social and Culture	Market ideologies	Marketing Research, Secondary Data Reports	this reports published by marketing research companies such as market trends, market shares, and sales This to put the business units against their competitors and other players in the market to see how they can expand or retrench.
		E. Legal	New Regulations Affecting Business	Secondary Data analysis	Using published data to understand the industry interactions and dynamics.