Family Business in Oman

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Abstract Although the overwhelming majority of the privately owned businesses in Oman are family-owned businesses with an overall GDP contribution of over 60%, yet there appears to be a paucity of academic publications that elaborate on the overall scenario of family businesses in Oman. Other than some regional case studies about Omani family firms, there appears to be a dearth of sufficient finer-grained analysis of what makes Omani family businesses unique. Therefore, this study examines the existing academic literature as well as non-academic publications from dependable sources such as reports from international consulting firms, to compile a nuanced analysis of how Omani family-controlled enterprises are different in many ways because of the idiosyncratic cultural context of Oman. The narrative in this chapter begins with an overall introduction of how family firms differ from non-family ones. Particular focus is laid on the theory of socioemotional wealth, the ability and willingness paradox, and family commitment as a source of competitiveness and organisational resilience. Thereafter, an overview about the Sultanate of Oman and the business ecosystem is presented. The subsequent sections elaborate on the idiosyncrasies of Omani family firms along with anecdotal evidence through examples of a few Omani family-controlled business organisations both large and small. Finally, the chapter ends with concluding remarks that relate the previous discourse about family businesses with the context of Omani family businesses.

1 Introduction

Family businesses are not only ubiquitous but are also the most dominant category of business organisations around the world in terms of ownership (Gomez-Mejia & Herreo, 2022). Such organisations range from micro-level businesses to SMEs to large publicly listed companies, and are recognised to be a major contributor to GDP

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growth and new employment generation in most nations (Ernst et al., 2022). Furthermore, Ghouse et al. (2019) reveal that majority of the entrepreneurial ventures are driven by family money (i.e. love capital) and continue to be closely guarded and nurtured by individuals who typically would not have made it thus far without the support of their family. Until an organisation becomes sustainable, the backing of the family through material and psychological resources remains the primary catalyst in the growth of new business organisations (Daspit et al., 2021). As a result, family-owned or family-controlled businesses are distinct in many ways from non-family firms. The extant literature related to factors that basically differentiate the behaviour of family business owners from those that are not considered as family firms, is based on three core ideas. The first idea can be understood through the lens of the *socioemotional wealth theory*, the second is based on the concept of *ability and willingness paradox*, and the last one is the idea of *family commitment* as a source of competitiveness and organisational resilience (De Massis et al., 2018; Gomez-Mejia & Herreo, 2022).

2 The Socioemotional Wealth Theory

The term socioemotional wealth became recognized following a seminal study by Professor Luis R. Gomez-Mejia and colleagues, who examined family-owned olive oil mills in the Cordoba region of Spain (Gomez-Mejia et al., 2007). The study investigated the behaviour of family-firm owners when they were offered economic benefits by the state economic cooperative in exchange for the role of the authorities in the governance of these firms. The findings indicated that majority of the family-owned businesses were reluctant to relinquish any sort of control over their businesses, and were ready to sacrifice any potential economic benefits in order to preserve the family's control over the enterprise. This disposition of family-firm owners to sacrifice economic benefits to preserve their family's control over the businesses is the core premise of the concept of socioemotional wealth. The theory of socioemotional wealth takes the position that family-firm owners prioritize social and emotional goals of the family as much as or even perhaps more than economic goals (Gomez-Mejia et al., 2007). The construct was later operationalized by subsequent researchers such as Berrone et al. (2012), Hauck et al. (2016), and others, to argue that socioemotional wealth is made up of five dimensions, known as FIBER (shown in Fig. 1).

The dimensions of socioemotional wealth (or SEW in short) shown in Fig. 1 are: (i) *family control and influence*, (ii) *identification of the family with the firm*, (iii) *binding social ties of the family*, (iv) *emotional attachment of the family*, and (v) *renewal of family bonds through dynastic succession*. Many of these dimensions appear to be conceptually overlapping yet they are quite distinct (Prugl, 2018).

The first dimension of SEW reflects the desire of the family to preserve control over key decisions in the business, and is unanimously accepted as a distinctive feature of family businesses. The second dimension reflects the sense of pride that a

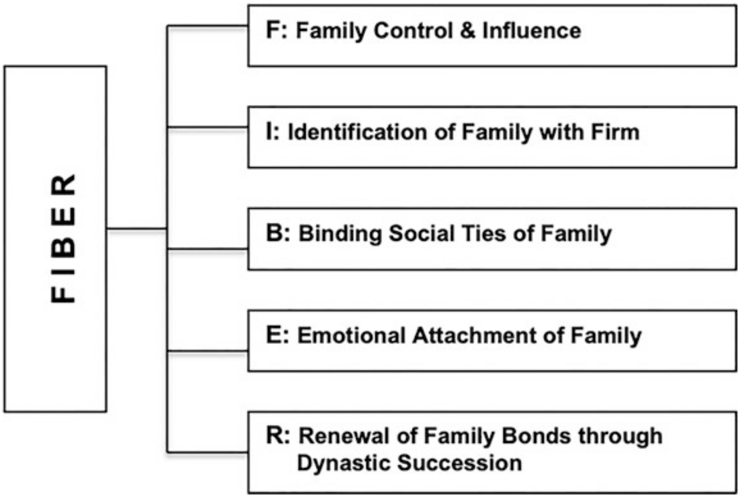

Fig. 1 Dimensions of socioemotional wealth. *Source:* Hauck et al. (2016)

family derives from having the name of the family being associated with the business organisation. This perception creates a sense of identity for the family members in the society they dwell in. The third dimension represents the social bonds that are formed due to the business activities of the family firm with different external and internal stakeholders. Some of these bonds translate into valuable resources that lead to competitive advantages for the firm. For instance, working with a group of suppliers over a long time, in some cases over multiple generations, can create binding social ties that provide the firm with valuable leverage in ensuring sustainable supply of inputs. Similarly, close working relationships with talented non-family employees have shown that family firms have lower employee turnover compared to their non-family counterparts (Tabor et al., 2017). The fourth dimension 'emotional attachment' is about the emotional connections that are developed between the family members because the family business provides close interaction between the members whose livelihoods are interconnected through the business. The last dimension is about the desire for continuity of the family legacy. As a result, the incumbent family business leaders look forward to nurturing their next generation to take over from them at some time and continue the legacy (Gerken et al., 2022).

A major advantage of the SEW approach is that it derives its' evolution from and mirrors a substantial body of peer-reviewed academic research on family businesses (Laffranchini et al., 2018). When contrasted to other paradigms used in family business studies, the other approaches find it difficult to adjust to the context of family-owned enterprises (Swab et al., 2020). Decades of research corroborate with the notion that family business owners are naturally inclined to place great emphasis on their SEW endowment. Although, SEW was originally derived from the behavioural agency model, the SEW model is recognized to be more versatile as a construct, and is well recognized among family business scholars, as evidenced by the increasing number of published articles in top-tier journals as a testament to its' analytical adaptability (Gomez-Mejia & Herreo, 2022).

Unlike other fields of management, the field of family business studies lacks any theory that can be specifically applicable to the realm of family businesses. The development of a homegrown theory of family business is a highly sought-after goal, and family business scholars have recognized that the SEW Model holds promise in paving the path towards such a theoretical development that has been an elusive mirage so far (Ernst et al., 2022). This is mainly because the multidimensional conceptualisation of SEW provides avenues to unravel a common thread that can explain the idiosyncrasies of family firms. The SEW perspective has now emerged as a dominant paradigm that is being looked at with great interest by family firm researchers in their '*Quest for the Holy Grail*' (i.e. Theory of Family Business) (Bringham & Payne, 2019).

There is an intense debate among family business scholars on whether SEW is directly related to a firm's business performance or whether they are independent of each other or whether they are related to each other through other behavioural dimensions such as entrepreneurial orientation of the family, family commitment towards the firm, and governance systems (Gerken et al., 2022). Chrisman and Holt (2016) elaborated on this issue by stating that the relationship between SEW and firm performance is likely mediated by other variables, not considered so far, that reflect collective family behaviour in connection to the firm.

3 Ability and Willingness Paradox

In order to comprehend the features that distinguish family firms from other organisations, the theorem by De Massis et al. (2016) about '*Ability*' and '*Willingness*' presents an interesting rationale. This discourse known as the '*Ability and Willingness Paradox in Family Firms'* has opened up an interesting prospect for theory building by offering a theoretical link between family-centric goals such as SEW, collective behaviour of the family firm owners, and firm-centric outcomes such as business performance (Daspit et al., 2021).

Divergent views in the literature highlighted in the previous section triggered the emergence of a new theorem labelled as the 'Ability and Willingness Paradox' (Chrisman et al., 2015; De Massis et al., 2015). Family business scholars agree that as a result of highly concentrated family ownership in the firm and the power to exert control over firm's resource allocation, family business owners typically have high levels of ability to exert control and influence over the strategic and operational decisions of family firms related to strategic decisions such as investing in R&D. However, the proponents of the 'Ability and Willingness Paradox' postulate that family firms have varying levels of willingness to exercise such ability to influence decisions.

The above idea was unravelled through a study on the variation in levels of willingness of family business owners to invest in research and development aimed at driving innovation. The lack of willingness to invest in innovation is driven by socioemotional wealth preservation considerations (Chrisman et al., 2015). The '*Ability and Willingness Paradox'* is an uncomplicated but a powerful theorem that explains the heterogeneity in family firm behaviour by integrating family-centric non-economic parameters along with the willingness perspective next to the ability view into existing discourse in family business research. It must be recognized that some of the earlier studies did allude to this variation in willingness and ability dilemma (e.g. Chrisman & Patel, 2012), however, the idea was given shape and introduced to serious academic discourse by De Massis et al. (2013).

The contribution by De Massis et al. (2013) presents a theoretical framework on how the behaviour of family firm managers and their strategic decisions are influenced by involvement of the family members in key decision-making in such firms. Using the example of policies regarding investing in R&D in family firms, they examine behaviours based on discretion of the family business leaders to act (*Ability*) and their disposition to act (*Willingness*), as the core drivers that create a distinction between family enterprises from non-family ones, and suggest that this variation contributes to heterogeneity among family-owned businesses (Daspit et al., 2021). The word '*paradox*' is used because, while family-firm owners usually have superior ability to execute their goals, yet they often manifest lower levels of desire or willingness to engage in firm performance-centric activities such as investing in diversification, technological innovation, venturing into international markets, and professionalisation of the governance systems. Deciphering this paradox could yield new insights to a better understanding of heterogeneity of family firms and their idiosyncratic behaviours.

In a seminal article on behaviour of family business owners by psychologist Kets de Vries (1993), the author points out that the willingness of the family for continued involvement in the firm and future trans-generational control intentions varies between families based on their circumstances and realities. For example, founders who do not have any children or competent legal heirs may decide to let the business move into the hands of more professional outsiders, and the family gradually starts to resemble a non-family organisation. The firm becomes a source of income for the family and not an arena for translating other social or emotional goals of the family. The above discussion was elaborated on subsequently by other scholars, and especially highlighted in an article by Professor Pramodita Sharma (one of the most prominent family business scholars and the founding editor of the prestigious journal; *Family Business Review*). This '*Ability and Willingness Gap'* was subsequently developed into a theoretical paradigm by De Massis et al. (2014). The argument is pertinent to this study and deserves special attention, as it may be a vital piece of information missing in explaining the heterogeneity among family firms.

The paradox is manifested by family firms in firm-oriented strategic choices such as not wanting to invest in R&D (Chrisman & Patel, 2012) or reluctance to internationalise their firms (Calabro et al., 2013), or tendency to avoid joining cooperatives because they may lose control (Gomez-Mejia et al., 2007) despite having the ability to do so. However, the paradox referred to is complex in nature due to the fact that association between ability and willingness varies in types and levels among different family enterprises. As a result, the outcome of the interaction between ability and willingness varies between firms and is often challenging to predict.

The above paradoxical phenomenon may be attributed to a certain extent to 'ability to control' and 'capacity to control' by family managers, since willingness to manifest controllability may depend on the perceived efficacy of taking such actions. Thus, the tendency among family members involved in the management of the family firm to commit to the firm to further their family-centric goals may be dependent on the level of importance assigned by the family to their socioemotional wealth goals (De Massis et al., 2016). For instance, although control is a major concern for most family business organisations, the balance between concerns for short-term control intentions and long-term control intentions may lead to significantly different propensities to remain actively involved in a firm's strategic and operational decisions (Umans et al., 2019).

Besides the points mentioned above, other factors that are likely to contribute to this ability and willingness gap are personal and circumstantial parameters such as environmental inputs, family conflicts, resource availability, succession and control transfer issues, and possibly many other factors that have not been studied yet, which are drivers of such variations in willingness among family business owner-managers and collective vision of family firm owners that change over time much more so than non-family firms. Chrisman et al. (2014) have pointed out two drivers of the ability and willingness gap '*trans-generational succession intentions*' and '*performance aspirations*'.

4 Family Commitment

In the highly cited study by Anderson and Reeb (2003), the authors determined that among publicly listed companies in the United States, the companies controlled by families on average outperformed the non-family ones. One of the major reasons attributed to this finding is that family business owners have a long-term commitment to the family enterprise, which is often referred to as family commitment. Carlock and Ward (2001), through their seminal piece of work on strategic planning in the family business, elaborately laid out the concept of '*Family Commitment*' in the context of family firms. The process of exploring family commitment requires the family to consider two questions. Firstly, does the family have a collective interest in remaining a family-controlled firm? Secondly, is the controlling family able and willing to accept the responsibilities that go with being the dominant owners of a business organisation? Presence of family commitment requires an affirmative response to both questions, because it entails continuous commitment of resources, effort, and time to the enterprise. The arguments made in the previous section on ‘Ability and Willingness Paradox’ supports the likelihood that a family may continue to have controlling ownership of the firm, and yet decide not to fully commit to the firm’s business goals. Extant literature on family ownership and involvement indicates that absence of active participation in effective governance, leads to a decline in financial performance (Razzak & Jassem, 2019).

Family commitment to the firm is what makes the enterprise a family business. Without a commitment to simultaneously strategize and follow up on the family- and firm-centric goals, there would be no difference between a family firm and a non-family one (Daspit et al., 2021). Without a shared commitment of the family to invest resources, time and effort to the business, subsequent generations of family members may be inclined to selling or liquidating their holdings in the family firm (Umans et al., 2019). Ensuring that family members are dedicated to the family enterprise beyond the founder generation is a daunting task and probably one of the key success factors in keeping the flavour of family-owned business still alive in the organisation. It demands visionary family leadership from the family principles to develop such collaborative vision and pass it on to subsequent generations of family members. However, as the family grows and the family network expands along with marital ties, the cohesion of the family faces challenges, especially when the organisation becomes removed from the founding entrepreneurs.

The example of the Ford family is an excellent anecdote of a strong commitment to the business that bears their family name and how the family managed to perpetuate their vision and values through generations of family firm owners and managers. Henry Ford is known as the founder of the modern mass production automobile industry and the company he founded; the Ford Motor Company that has transformed into a giant transnational company with presence in many regions of the world. Despite the fact that they are among the largest industrial corporation in the world, the Ford family still owns about 40 percent of stock holdings and therefore dominant voting rights, which is enough to ensure their control of one of the largest publicly listed firms (Muller, 2017). William Ford shares the entrepreneurial flare and commitment of his great-grandfather and recognises the unique challenges he is likely to face. He was often seen driving around in newly designed prototypes such as the electric truck, which is expected to be in production soon. When elevated to the position of chairman, he articulated his vision and personal commitment to the family firm by saying, ‘*I want to serve this company to the best of my ability. The Ford Motor Company is my heritage and has always been a part of my life*’ (Muller, 2017).

From the above example, we note that commitment calls for something beyond a mere pledge of loyalty to the enterprise. In fact, it involves a deep and active connection with the firm such that family managers are willing to give a good part of their lives in order to contribute to the firm’s well-being. Family commitment is an important variable in comprehending behaviour and organisational relationships. According to Tajpour et al. (2021), commitment to the family firm is based on at least three (3) key factors:

(i) Passionate belief and connection to the goals and visions of the family enterprise.
(ii) A strong desire and willingness to contribute to the family firm.
(iii) Intention for a life-long connection with the organisation.

The above discourse indicates that a crucial element of commitment is behaviour supportive of the organisation's business goals, not mere passing loyalty.

Carlock and Ward (2001) state: '*Family commitment is based on exploring core values, clarifying a family business philosophy and creating a future vision of the family. There are two equally important elements in the commitment decision: maintaining enough ownership to control the firm (ability) and the willingness to participate and accept the responsibilities of active ownership*' *(pg. 55)*. The latter part of the above quote refers to presence of 'willingness' of the family to commit to the organisations' business performance goals, which has been elaborately presented in the preceding section while discussing the discourse on the 'Ability and Willingness Paradox'.

According to Carlock and Ward (2001), family commitment comprises three key elements: (i) the core values the family adheres to with regards to their firm, (ii) the philosophy to be followed in the business, and (iii) the shared future vision of the family. The authors state that these elements are not static, as they are continually influenced by changes within the family and business environment. The family's consensus on these three elements forms the basis for long-term commitment to the family enterprise (Tajpour et al., 2021). The following sub-sections present an overview of the three elements of family commitment mentioned above:

(i) *Family Core Values*:

The family's core values determine shared beliefs about the goals of the family and how they would interact with their business organisation. The family's commitment and vision of itself are determined by what the principles of the family collectively hold as important. The manner in which the family intends to see their employees and customers being treated and how the family principles perceive their responsibilities towards other stakeholders of their enterprise will guide the development of business plans, policies, and family agreements. Therefore, core shared values of the family, especially among the key decision makers are the foundations for developing a commitment to the firm.

(ii) *Philosophy adopted by the Family with regard to the Firm*:

A tacit agreement among family principles on business philosophy to be adopted in governing the firm is closely related to the core values discussed earlier. During family meetings regarding the business, family members often follow a consistent pattern of narratives on issues related to the family's interaction with the firm. Family business philosophy is related to establishing a guiding compass for decision-making such as whether the family considers 'family first' or 'business first' within the organisation.

The business-first approach would obviously prioritize decisions that will be in the best interest of the organisation, which includes firm's customers, employees, and other stakeholders. In such instances, the family is likely to adopt a more professional approach to governance and management in matters such as recruitment, compensation, promotion, supplier selection, and quality control. The expected reasoning would be that principles based on fairness and accountability would be for the long-term sustainability of the firm, where tough decisions taken may affect short-term interests of the family. The family members are collectively willing to abide by these principles and show tolerance even if they lead to perceptions of unfairness.

On the other hand, the family-first approach is based on the premise that the family's priorities such as happiness, harmony, and economic well-being should dominate all other considerations. This would mean that business decisions consistently favour family-centric priorities, even if there is a trade-off with the firm's financial interests. The outcome of such philosophy is that despite contributions to the business and individual performance, all family members will be provided more or less similar benefits. Such family firms will allow almost every interested family member to be employed by the organisation and be given priority over non-family employees. Practically it would be rare to see any family member terminated or removed from management no matter how they behave. Such family firm owners believe that their family-first philosophy is important, even if they have negative long-term implications for the firm. The source of this philosophy is that the enterprise cannot stay healthy, unless the family members are content and are united in supporting the current family managers in leadership of the firm.

The research framework in this study aims to shed light on the apparent conflict between the two, and attempts to pave the path for family firm decision makers to balance between the 'business first' and the 'family first' camps. The idea holds that any decision must provide for both the well-being of the family and the health of the business. Only under such conditions can a company thrive and stay in the family well into the future. Only an appropriate balance between the two will win the commitment of the family and support for the business. Family members who hold this view believe that abusing the needs of either family or business will damage the future. Therefore, family enterprises require an approach that implies a long-term commitment to the future of the business and family goals, requiring the family principles to search for creative compromises between the two interests.

(iii) *Shared Future Vision*:

A shared future vision among family firm owners is an important factor because it brings focus of the family decision makers to future goals rather than on current challenges. '*For family firms, the shared future vision of the family and business is a linkage between the systems, which expresses their mutual interdependence and the power of their combined efforts*' (Carlock & Ward, 2001: pg. 55).

The family's shared future vision serves multiple functions such as providing new information about future directions, inducing motivation and optimism, giving impetus to the strategic planning process, providing guidelines for policy decisions, and leading to a broad consensus among family principles on the shared future vision (Chrisman et al., 2015). As a result, the business plans drawn up by family managers reflect these broad expectations of the family's ensuring long-term support. When the family network grows larger and the number of family members in ownership and/or management functions increases, it then becomes imperative to organise formal strategic planning and policy meetings among family members and top management teams to forge and maintain a mutually supported future vision.

Commitment to the family organisation in the form of family control facilitates stewardship behaviour. This stewardship behaviour of family-managers results from a sense of psychological ownership, resulting in deep commitment to the mission and vision of the firm, which creates a frame of mind that the success of the family enterprise must be achieved even at the cost of personal sacrifices. Consequence of such deep emotional ties to the firm may lead to alignment of the family goals with the goals of the business enterprise (Tajpour et al., 2021).

5 The Sultanate of Oman

The Sultanate of Oman is the third largest country in the Arabian Peninsula with a land area of about 212,460 square kilometres. It shares land borders with the Kingdom of Saudi Arabia, Yemen, and the United Arab Emirates (UAE), and the remaining border is coastline with the Indian Ocean, the Gulf of Oman, and the Arabian Gulf. Oman is one of the members of the GCC (Gulf Cooperation Council) (Islam, 2020).

The six (6) member GCC countries share a common language and religion; Arabic and Islam, respectively. However, in terms of history, Oman is among the oldest civilisations, especially in the Dhofar region of the country is home to many ancient civilisations. Strategically, Oman is situated in one of the most crucial trade routes in the world, the Hormuz Strait, which is the essential lifeline to the world's crude oil supply. Topologically, Oman is different from other GCC countries, as it has monsoon-type weather in its' south, and a vast array of mountain ranges that rise to nearly 3000 metres. Culturally, it has a rich mix that resulted from its' heritage derived from its' multiple tribal values, and its' Arab, Zanzibari, and Balochi cultures. In terms of religious practices, the Omanis strongly value their Islamic culture, but are extremely tolerant to others (Kothaneth, 2019).

Oman as a nation is considered among the oldest of the civilisations in the Arab world. Evidence unearthed by western archaeologists indicates that the ancient city of Al Wattih, which was in Oman, dates to over 10,000 years. Historians note that pre-Islamic Oman was dominated by Babylonians, Assyrians, and the Persian Empire, because of its' strategic location on the Indian Ocean. The advent of the Islamic era started during the period of the Holy Prophet Muhammad (May Allah's Peace and Blessings be Upon him) in the early seventh century AD In fact, a letter from the Prophet Muhammad is exhibited in the National Museum in Oman, which invites the Omani people to Islam and mentions a prayer '*Allah's mercy be on the* *people of Al Ghubaira (Oman), they believed in me although they have not seen me*' (Kothaneth, 2019).

Subsequently, Oman has been ruled by various dynasties, imamates (rule of imams or khalifahs through oath of allegiance), and foreign powers including the Persians, the Portuguese, and the British. The longest-serving dynasty was the Nathania dynasty that ruled till 1470. By the eighteenth century, the empire stretched until the East African Coast of Zanzibar. The Al-Said dynasty has been ruling Oman from 1744 to present. After 1970, when Sultan Qaboos bin Said took over the reins of the country, a new era of development and modernisation had taken root in the Sultanate of Oman (Landen, 2015; Risso, 2016).

Oman has been fortunate with the discovery of large deposits of oil and gas, making it a member of a small league of wealthy nations known as the GCC. Compared to the other five GCC member nations both Oman and Bahrain's annual revenues from oil and gas are considerably lower. Furthermore, the ratio of Omani citizens to foreign workers is much higher than its' neighbours. For instance, in Qatar and UAE, the composition of local citizens to foreigners is considerably low, while in Oman majority of population are Omani citizens. This may be considered a boon for Oman both in terms of having a sustainable demographic mix, as well as from point of view of national security (Mahi & Thani, 2019).

6 Business Ecosystem

The Late Sultan Qaboos ruled for five decades, and he was revered by his people as well as by foreigners residing in Oman. He was a highly educated and enlightened man, whose priority was the prosperity and safety of his people. The discovery of fossil fuel and windfall profits from the sale of hydrocarbons enabled the country to transform itself from the past into a modern nation that is also deeply rooted in its' traditions (Mahi & Thani, 2019). However, over the last decade, the Late Sultan Qaboos knew that he had to induce a second economic revolution to enable his nation into an economically diversified and highly capable diaspora to meet the challenges of the future. With these goals in mind, Oman declared the Oman Vision 2040, where entrepreneurship development was a vital component. Within the framework of the Oman Vision 2040, is the underlying theme of Omanisation. The Omanisation program not only aims at replacing foreign workers with Omani citizens but also emphasizes growth in business ownership among under-represented parts of society such as women. For driving the entrepreneurship development agenda, the government has created a body known as Tanfeedh. The new economic mission under the Oman Vision 2040 is being fully implemented under the able leadership of the present sultan, His Majesty Haitham bin Tariq (Al Sinani et al., 2021).

Under the ninth five-year plan for National Program for Enhancing Economic Diversification (Tanfeedh), the development of an entrepreneurial ecosystem has been given high priority. The Omani government has considered enhancing the role of the private sector as an engine of GDP growth. In this situation, the focus of the government has shifted towards SMEs (small and medium enterprises), which involves strategic plans along with numerous project initiatives. The programmes were developed after examining the best practices of industrialised nations with more or less similar demography, which have successfully diversified their economies through entrepreneurship and SME development. Such ecosystems capture different factors of entrepreneurship development at both macroeconomic and microeconomic levels. Key individuals who are tasked with executing Tanfeedh are working to update the entrepreneurial ecosystems in Oman to achieve the goal of economic diversity (Sanyal & Hisam, 2018).

7 Family Businesses

Oman is a collectivist society where close family bonds go hand in hand with its' indigenous culture. As a result, the social fabric of Oman makes it a fertile ground for development of family-owned businesses. Surprisingly very few empirically sound published materials are presently available on the prevailing situation with family firms in Oman (Gupta, 2021). Majority of the academic research publications in the context of family businesses in Oman are not very recent and are based on certain rural and coastal parts of the country. For instance, Belwal et al. (2014) conducted a study on the Al-Dhahirah region, while Al-Sadi et al. (2011) looked at the Al-Batinah region, Chaudhry et al. (2018) conducted a study on the Sharqiyah region, and Sanyal (2014) conducted their study on the coastal region of Dhofar, which is also the southernmost province of the country bordering Yemen.

Among the few studies covering the capital city of Muscat is by McElwee and Al-Riyami (2003), which was published nearly 19 years ago. Hence, there appears to be a dearth of sufficient peer-reviewed recent publications on the overall situation with family firms in Oman. One of the reasons that may be attributed to a lack of sufficient recent academic studies on family firms in Oman is that the policymakers and academics in the country have been emphasising development of SMEs and entrepreneurship as a part of the Oman Vision 2040, and not exclusively focusing on family businesses (Gupta, 2021). This tendency is probably because there is an assumption that SMEs automatically mean family-owned businesses. The reality is that family firms derive their distinctive nature from the fact that the goals of the family and the business are both important to the owners. Hence, SMEs may include family firms, but it does not automatically mean that all SMEs have the flavour of a family-owned business.

Despite the paucity of academic literature in the context of family businesses in Oman, some useful information is available from reports published by reputed international consulting firms such as McKinsey & Company, KPMG, and PricewaterhouseCoopers (KPMG, 2015; McKinsey & Company, 2019; PwC Report, 2021). The PwC report indicates that approximately 93% of the businesses in Oman, whether large or small are controlled by a single family or a coalition of families. These firms may be categorised into large, medium, small, and micro-enterprises. The following subsections provide further details on the categories.

7.1 Large Family Firms in Oman

Based on a list published by the Forbes magazine on the Top 100 Family Businesses in the Middle East, five (5) of them are Omani large family-owned companies that feature on this list. These companies are listed in ascending order from the largest in terms of annual turnover: (i) Suhail Bahwan Group (SBG), (ii) Zubair Corporation, (iii) Saud Bahwan Group, (iv) WJ Towell & Company, and the (v) Mohsin Haider Darwish Group (Forbes, 2021 May).

The Suhail Bahwan Group is the largest of all family-owned businesses in Oman. Suhail Bahwan and his brother Saud Bahwan founded it in 1965. The brothers were small traders in the Muttrah Souq, which is the oldest marketplace in Muscat. The group now controls 30 companies with over 7000 employees. The company represents some of the iconic global brands such as Toshiba, Mitsubishi, and Epson. Furthermore, the group is involved in fertilisers and chemicals, and owns a large stake in the National Bank of Oman. The estimated value of the company is around USD $ 2.3 Billion (Forbes, 2021).

The Zubair Corporation is the second largest family firm in Oman. Mohammad Al Zubair founded the organisation in 1976. The group has multiple divisions ranging from energy, automobiles, financial services, logistics, hospitality, manufacturing, and real estate. The automotive division represents brands such as Chrysler, Dodge, and Jeep in Oman. The family also owns controlling shares of Ominvest, which is the largest private investment company in the country. Furthermore, the company is currently involved in the development of one of the largest real estate projects in the country. Forbes estimates the value of the company at USD $ 1.9 Billion (Forbes, 2021).

The Saud Bahwan Group was formed after Mohammad Saud Bahwan split from his brother Suhail Bahwan in 2002. The company employs over 10,000 people and represents some major global brands such as Toyota and Komatsu in Oman. Besides automobiles, the company is involved in real estate, construction, and tourism. The value of the company has been estimated to be around USD $ 1.77 Billion (Forbes, 2021).

Mohsin Haider Darwish is the fourth largest family-owned business in Oman. The Late Mohsin Haider Darwish founded it in 1987. Presently the daughters of the late founder, Areej Mohsin Darwish and Lujiana Mohsin Darwish, manage the group. The company represents brands such as Huawei, Honeywell, Nokia, Jaguar, Volvo, and McLaren in Oman. Furthermore, the group is involved in electronics, engineering, construction, and building materials. The value of the company is estimated to be around USD $ 1.2 Billion (Forbes, 2021).

The fifth largest family firm in Oman by company size is the WJ Towell and Company. This company was originally founded in 1866 during the British occupation of this part of the world. However, Late Mohammed Fadhil purchased the company in 1914. It is now a wholly owned Omani company. The group has multiple business divisions that represent multinational brands in Oman such as Unilever, Nestle among others. The group also has operations in many countries within the Middle East and outside including Africa and India. The estimated value of the company is around USD $ 980 Million (Forbes, 2021).

Besides the above large Omani family business groups, there are several other family-owned Omani companies that may be classified in the range of medium to large-sized organisations. However, most of the large commercial organisations in Oman are either owned by the government or are publicly listed companies and many of them are owned by non-Omani entities from UAE, Kuwait, Qatar, and Saudi Arabia (Al-Maskari et al., 2019).

7.2 *Micro, Small, and Medium-Sized Family Firms in Oman*

The definition of micro, small, and medium enterprises in Oman has been delineated by the Public Authority of SME Development (PASMED), which is a body under the Ministry of Commerce. Table 1 displays the classification of organisations in Oman based on number of employees and annual turnover.

Although there appears to be no additional data on any of the government websites or official reports published by PASMED or any other ministry on how many of these organisations are family-owned businesses, two studies published by consulting firms KPMG in 2015 and then by PwC in 2021 indicate that based on random sampling, about 93% of such micro- and SMEs in Oman are created by families and are operated by either a single family or a coalition of families (KPMG, 2015; PwC, 2021). Considering that the above information is a fairly accurate depiction on the position of family firms within the domain of micro and SMEs in the Sultanate of Oman, it appears that overwhelming majority of these businesses are family owned. However, PASMED or any official government body does not seem to make any distinction between such enterprises and family firms.

Despite the paucity of information through peer-reviewed literature, there are numerous case studies developed by graduate students on Omani family-owned businesses in the library archives of major public universities and colleges in Oman. Many of these case studies traditional medium-sized family firms are well-known local brands such as Hilia, Amouage Perfumery, and Al Hosni Sweets

Table 1 Classification of enterprises in Oman based on firm size

No.	Size	Number of employees	Annual turnover (Omani Riyals)
1	Micro	1–4	<25,000
2	Small	5–9	25,000 to <250,000
3	Medium	10–99	250,000 to <1,500,000

Source: Website of Ministry of Commerce

Exhibit 1 Founder of Hilia Nasser bin Saif Al Tiwani and Sons with the Silver Khanjars *Source: Photograph provided by the Family*

(Al-Lawati et al., 2021). Many of these businesses are now into their third generation of successors.

For instance, Hilia is one of the most recognised local brands in Oman. The company makes *khanjars* (daggers), which are part of the Omani traditional attire for men (Fig. 1). The silver daggers of this company are in high demand and are handcrafted. The business was started by Mr. Nasser bin Saif Al-Tiwani in 1980, and now involves all the sons of the founder. The 'khanjars'[1] are highly prized and are ordered by the royalty in Oman, and other countries in the Middle East. The company has sales showrooms in Saudi Arabia, Qatar, and UAE. The family takes a lot of pride in the production process of each khanjar (Chaudhry et al., 2018). Exhibit 1 shows two generations of the family firm leaders.

Another interesting story is the case of Amouage Perfumery. This Omani company was set up in 1983 to develop a local company that caters to the perfume loving people of Oman. The company developed unique packaging for perfumes that had fragrances that go with the preferences of the Arabs in the GCC region. The product development and quality control of this company were remarkable, and their

[1] Khajnars are traditional knifes in Oman used during various ceremonies.

Exhibit 2 Amouage, the retail outlet at the City Centre of Muscat, Seeb. *Source: Mohammad Rezaur Razzak*

packaging is innovative and unique. For instance, drawing from Chinese cinema and Shanghai Deco, Amouage designed bottles for one of its' popular fragrances with a deep red coating with 24-carat gold caps. The products sold by this company are often more expensive than many of the top international perfume brands and are displayed in their exclusive showrooms in such manner (Exhibit 2). This product differentiation strategy has worked well for the company, and the company's brand is highly regarded by Omanis and foreigners, thus generating substantial operating profits for the company (Exhibit 4). The outstanding product design drew attention from top business magazines such as Forbes that published an article on the company in 2015 (Wu, 2014).

Another family-owned SME is Al Hosni Omani Sweets. It was founded in the 1950s by Ali bin Suleiman Al Hosni who started his business in Zanzibar. The region of Zanzibar, which is now part of Tanzania in East Africa, was previously a colony of the Sultanate of Oman. The family business in Zanzibar was named *Halwa Home* and was quite a popular brand that made exotic sweets that were liked by Arabs of Omani origin living in Zanzibar. In the 1970s when Sultan Qaboos ascended to the throne, he encouraged Omani businesspeople in Zanzibar to move back to Oman to develop the country. At that time, the children of the founder decided to move their flourishing business to Muscat. The company was re-branded as Al Hosni Omani Sweets that has become one of the most popular brands in Oman with retail outlets all over the country (Al-Lawati et al., 2021). The secret recipe for preparing the various popular brands of halwa is closely guarded by the family and is

Exhibit 3 Keeping the recipe within the Family at Al Hosni. *Source: Mohammad Rezaur Razzak*

passed on from one generation to another (Exhibit 3). The products of this company are ordered in large quantities during festivals and ceremonies such as weddings. The company is now run by the grandson of the founder, Murshid Al Hosni, who pioneered the expansion of the business to neighbouring countries such as UAE and Qatar (Samara, 2021).

7.3 Influence of Omani Culture on Family Business

Indigenous culture has idiosyncratic influence on the focus and behaviour of a family of family-firm owners (Al-Maskari et al., 2019). In the case of Oman, the behaviour of family businesses standout in two areas: *practice of primogeniture* and *empathy towards non-family employees* (Chaudhury & Sultan, 2017).

7.3.1 Succession Right of the First Born

The Italian family business scholar, Andrea Calabro and colleagues conducted an interesting study on the practice of *primogeniture* in the context of family firm succession and subsequent performance of such firms over time in the region of

Sardinia in the Southern part of Italy (Calabro et al., 2018). Primogeniture is the practice among many cultures about '*the right of the first born to be the successor*'. The findings revealed by the above study indicate that most family firms that are led by the eldest child from the founders, tend to show a significant decline in performance compared to their predecessors. Calabro and colleagues also discovered that it is usually the third child that performs the best as the next family-firm leader. The practice of primogeniture is also quite relevant to the Omani society also. In fact, the matter is taken a step further by many Omani family firms by assuming that the right to succession belongs to the first-born *male* child. Being a paternalistic culture, men are automatically expected to carry the mantle from their predecessors. As a result over decades women had played a lesser role in running family businesses in Oman, although over the last few years many Omani women are seen in top management of large family businesses. In terms of how this practice in Oman aligns with the findings of Calabro et al. (2018) with regards to firm performance, maybe an interesting research opportunity for future.

7.3.2 Empathy as a Resource of Organisational Resilience

A unique cultural aspect of family firms in Oman is related to the benevolent nature of the Omani people. Outsiders who have interacted with the people in Oman find them to be generally gentle and empathetic. This nature of Omanis seems to also be reflected in the realm of family-owned businesses when it comes to treatment of non-family employees, especially those who are migrant workers. There are sufficient anecdotal evidence to support the notion that family business owners in Oman run their businesses with a mix of goal for business performance along with caring for employees (McKinsey & Company, 2019).

The preceding phenomenon was manifested in the case of many organisations at the height of the COVID-19 pandemic from 2020 to 2021. For instance, the Moon Group is a medium-sized Omani company with three companies that operate in travel and tourism, maintenance services of buildings and infrastructure, and courier services. From March 2020 onwards when the Omani authorities to control the spread of infections imposed severe social distancing measures, most of the group's revenues were at a standstill. Particularly, both the travel and the tourism along with building maintenance services were practically on hold. The only company that was generating income was the courier service because of their connection with e-commerce companies. At that time, the owner Mr. Khalfan Al-Aufi, had the option of terminating all redundant non-family employees or keeping them on the payroll for an indefinite period, as the end of the pandemic was not visible in the horizon at that time. After lengthy deliberations with other family members involved with the business, the owners decided to approach their employees to take a moratorium on their monthly salaries till things return to normalcy or the company finds a way out. During this time, the company would provide accommodation and food to all employees, and put their salary payments as accounts payable till they had sufficient liquidity to start paying of overdue salaries in the future. Almost all employees were relieved and agreed to support the company's proposal. Such examples are rare in the case of non-family firms, and also outside such cultures where protection of people's livelihoods is considered sacred (Khan et al., 2020).

Another remarkable example of how family businesses in Oman demonstrate caring for others beyond normal economic logic is the example of Al Hosni Omani Sweets, which was started by Ali bin Al Hosni in the 1950s. Now the business is in the hands of the third-generation family successors. During the pandemic, most retail outlets were shut down and the business with multiple stores around the country and in other GCC countries took a hit. Despite the tremendous pressure on the company's liquidity position, the owners decided to retain their employees by offering them to remain employed with a 50% pay cut till return to normalcy. Some of the employees have been connected with the business for at least two generations, as a result the owners felt reluctant in terminating employees at that time. Such amazing acts of generosity appear to defy economic logic, yet they go hand in hand with the nature of the Omani people and their cultural heritage (Gupta, 2021).

8 Concluding Remarks

It goes without saying that family businesses are one of the prime movers of the national economy in Oman. With the new vision of the rulers in the Sultanate of Oman to diversify the economy from primary reliance on revenues from oil and gas exports to an economy that is driven by growth of private enterprise through entrepreneurship, the emphasis on the role of family businesses needs to be taken into consideration. At present, the focus of the authorities who are entrusted with managing the changes in the economy are on the development of small and medium enterprises (SMEs) through multiple programs and projects. For instance, high priority has been attached to entrepreneurial education in tertiary-level education. The aim is to encourage students to create their own jobs rather than seek employment. Another noteworthy initiative is to drive innovation among public and private sector organisations. Other programmes are aimed at technical education for skill development, business incubation through start-up hubs, facilities for providing entrepreneurship training to women and to rural communities etc.

The initiatives mentioned in the preceding paragraph are all expected to contribute to the development of private sector-driven business development and growth. However, what appears to be missing is any specially dedicated programme that places emphasis on family-owned businesses. The discourses presented in the earlier sections on socioemotional wealth, ability and willingness paradox, and family commitment demonstrate that looking at family firms with a completely different lens is imperative. Organisations that are family controlled will prioritise socioemotional wealth and thus demonstrate idiosyncratic behaviour that is related to the tendency of family-firm owners to give preference to their non-economic family-centred goals. Furthermore, family firms have the ability to make long-term commitments to the sustainability of the enterprise that may be a source of their competitiveness and survival capital. Therefore, for policymakers and regulatory authorities entrusted with driving development and growth of entrepreneurial ventures in Oman, it is important to take into cognizance the essential features that drive intentions, goals, and behaviour of family businesses. Without the above realisation, programmes and initiatives aimed at driving development and sustainability of private business enterprises may be misdirected and ineffective.

In addition to the above, the cultural factors that drive the behaviour of Omani family firms are also to be taken into consideration. For instance, the practice of preferring the first-born male child as the successor to the leadership of the business without considering the most qualified and capable individual is a matter that needs to be looked at. Although such practices are embedded in the customs and norms of the society, however, through proper communication and education of new generation of family business managers, eventually with time more objective analysis of an appropriate selection of suitable successors may be possible. On the other hand, positive behaviours of Omani family business owners that emanate from their culture such as empathy towards non-family employees may be encouraged. Such benevolent actions of family firms towards people who work for them may appear to be economically irrational in the short term, yet they can become a source of organisational resilience that is created through employee loyalty and performance.

This chapter starts with a general discussion on the core elements that distinguish family-owned businesses from those that do not fall into the category of a family business. The areas identified from the academic literature are based on priority attached to socioemotional wealth, the ability and willingness paradox, and family commitment as a source of competitive advantage and organisational resilience. Thereafter, some general overviews about Oman, its history and the prevailing business ecosystem are presented. The following section delves into some factors that standout among Omani family firms as a result of the cultural context in the country. The first of these factors is about selecting the first-born male child as the likely successor to the incumbent leaders in the family business. The other factor is a general manifestation of caring and empathy towards all employees whether they are family- or non-family employees. It is anticipated that the aforesaid discussions will present a unique view about family businesses in Oman.

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