

# Ethical Systems' Dynamics in Family Business

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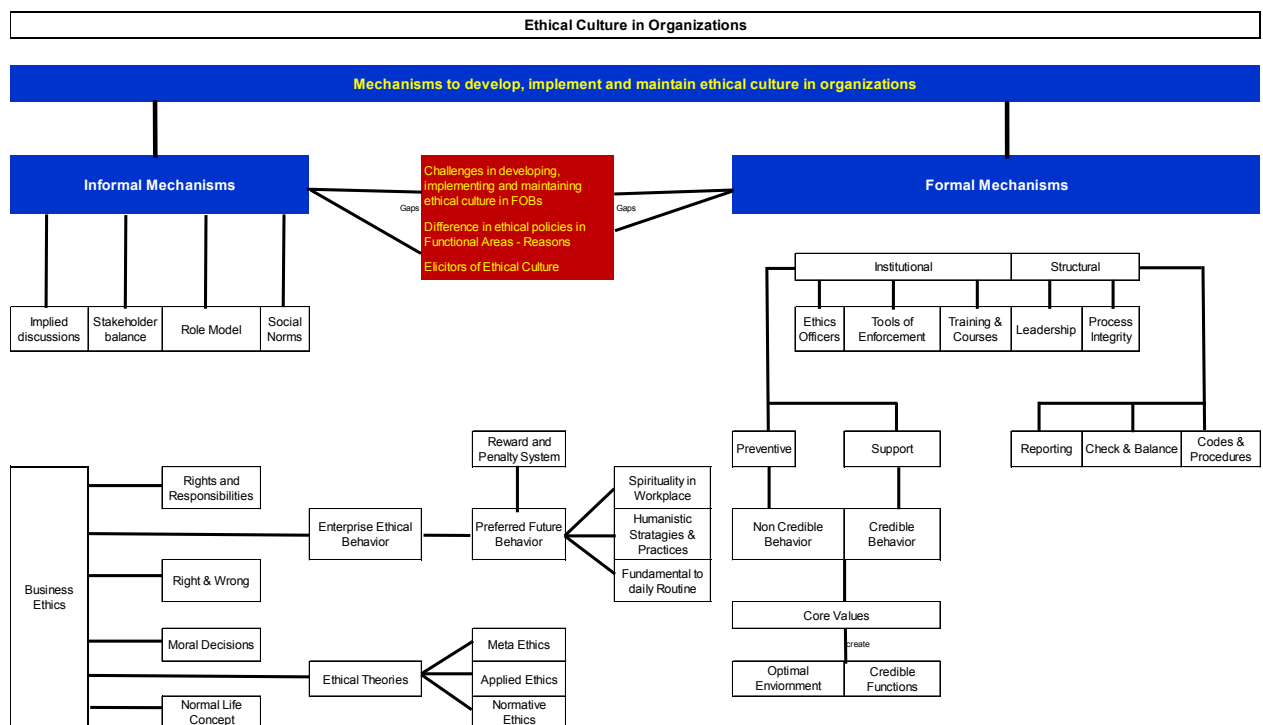
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**JEL CLASSIFICATION CODES** – M1, M14, M19 and D10

**Key words:** Ethics, Ethical Culture, Family Owned Businesses



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*Note: This paper was published on preprints.org to secure feedback and considering the comments received, the paper was further developed. It is now being submitted to your esteemed journal as a final paper for publishing.*

## ABSTRACT

Building an ethical culture is challenging and a basic requirement of the companies to embed transparency in their systems, creating a positive image; serving the internal and external communities. Twelve family owned businesses participated in qualitative research. Interviews were conducted from employees of these businesses to explore the moral dynamics in their business. The paper significantly adds knowledge to the literature by exploring the ethics role in particular contexts. It explores how these companies build the ethical culture, identifying the ethical culture sustainability triggers, challenges and role of religion. Values, culture, community and social norms are identified as major ingredients of a sustainable principled culture development and implementation of ethical policies and procedures require institutional and structural mechanisms for effectiveness in family owned businesses. Numerous findings are in contrast to the literature, whereas, in other instances these are similar. Religion, society, family image, the entrepreneurs themselves and their family members play a vital role. Non-interference in private matters of the employees, whistle blowing, code of ethics, training and awareness creation and a number of other factors play a leading role in ethical culture development in family businesses.

## 1. INTRODUCTION

Sustainable ethical philosophy in family-owned businesses reflects a contemporary approach rooted in moral values and long-term sustainability. Recent research by Chrisman et al. (2020) underscores the significance of intergenerational stewardship, where family values guide responsible decision-making for lasting success. Chirico and Salvato (2021) emphasize how a shared ethical foundation enhance family cohesion and business resilience. Integrating insights from Habermas' discourse ethics, such approaches promote transparent communication and inclusive decision-making (Habermas, 1991). By adopting these sustainable ethical philosophies, family-owned businesses can foster not only financial success but also societal and environmental well-being, aligning their operations with broader ethical imperatives.

Ethics is an important commonly used term. The ethics and morals that we were taught or learned in our lives, shapes our behavior personally as well as professionally. Ethics is derived from the Greek work "ethos", which means habit or custom whereas the word "moral" comes from the Latin word "moralis", meaning mores of customs. Ethics is defined from several perspectives. According to Treviño and Nelson (1995) ethics can be defined as a set of moral principle or values portraying ethics as highly personal matter. Organization ethics, on the other

hand, describes what constitutes right and wrong or good and bad, in human conduct in the context of an organization” Mellahi et. al. 2010.

The ethical theory posits that family-owned businesses, driven by shared ethical values, can achieve sustainable success by fostering responsible decision-making and harmonizing economic, societal, and environmental concerns. This theory draws on insights from literature focusing on family business dynamics, ethical philosophy, and sustainability.

Family businesses are guided by a set of principled values that span generations. This shared ethical philosophy serves as the foundation for decision-making, aligning business operations with the family's commitment to social and environmental responsibility.

The theory proposes that a strong ethical foundation fosters family cohesion, reinforcing a shared sense of purpose and commitment. Moral cohesion minimizes conflicts and enhances the ability of family members to collaborate effectively while adhering to sustainable principles.

Inspired by Habermas' discourse ethics, the theory suggests that sustainable ethical family businesses prioritize transparent communication and inclusive decision-making. Open dialogue allows for the ethical evaluation of business strategies, promoting consensus and fostering a culture of accountability.

Sustainable ethical family businesses balance economic profitability, social responsibility, and environmental stewardship. This equilibrium ensures that the business contributes positively to society and the environment while maintaining long-term financial viability.

The paper culminates by discussing conclusions arrived at through the discussion.

On the other hand, the Intergenerational Ethical Resilience Theory proposes that sustainable family-owned businesses thrive when underpinned by a dynamic ethical philosophy that evolves across generations. Rooted in the works of Chrisman et al. (2020) and Chirico and Salvato (2021), this theory asserts that a shared ethical philosophy enhances family cohesion, shaping decision-making towards sustainable practices. Drawing from Habermas' discourse ethics, transparent communication and inclusive discourse (Habermas, 1991) foster ethical alignment and informed choices. This interplay of ethics and sustainability is fueled by a commitment to intergenerational stewardship, as family values guide responsible actions (Chrisman et al., 2020 & Giacomini & Jones 2022). The theory posits that by nurturing this ethical resilience, family-owned businesses navigate complexity, adapt to change, and create lasting social, environmental, and economic value.

### **Gaps and Questions**

The rich body of literature amply discusses the ethical culture development; however, it is important to know the following.

- If the measures are value driven
- What are the challenges in implementing an ethical culture
- How are ethical policies developed in relation to functions of the business
- What is the implementation process?

This study attempts to answer the above questions and add to the knowledge in terms of the family businesses in particular and traditional businesses in general. The particular family businesses have been selected because of several reasons as shown below.

1. The knowledge gained from family businesses will contribute and add another dimension to existing literature.
2. It will help identify if there are any differences between the family business and traditional businesses when it is related to the ethical culture. It will add interest to the study because of the unique nature of the family businesses.
3. The context of the Saudi Arabia and family business would provide a unique blend and the information so gained might be able to provide a different perspective to the ethical culture development.

The Thommen's (2003) model of credibility strategy implementation, developmental frameworks and studies of ethical structures proposed by Morris et al. 2002; Belak 2009; Murphy, 1995, 1998 and Laufer and Robertson, 1997, presents the foundation for the empirical part of this research.

### **Contributions of paper**

The studies contributing to the topic have been numerous. However, this paper has been unique in many areas and added to knowledge on the subject matter. The contributions could be outlined as following.

1. The role of ethical systems policies and procedures in a family owned business context with reference to middle eastern and particularly Saudi Arabian business.
2. The paper particularly identifies formal and informal measures and structures of ethical practices implementation in family businesses.
3. The role of ethical policies and systems in functional areas of the family business.
4. The paper has developed an understanding and drawn differences between a traditional and family owned business ethical practices, policies and procedures.

This paper is divided into 5 sections. Section 1 introduces the paper identifies the gaps and poses research questions. It then identifies the contributions made by the article. The section 2 discusses the literature in detail and summarizes it where necessary. It has a discussion portion 2.1 that identifies and elaborates the mechanisms to develop and implement the ethical systems. The section 3 explains the methodology by revealing the profiles of researched companies in section 3.1. and provides response summaries and classification in section 3.2. Section 4 is comprehensive and provides findings and discussions section. The section 4.1.1. identifies formal and informal measures and structures of ethical practices implementation in family businesses.

Section 4.1.2 details the importance and benefits of ethical policies. Whereas, the following section 4.1.3 discusses the implementation of ethical policies in family businesses. The next section deliberates ethical policies and systems in functional areas of the business. The section 4.1.5 identifies and divulges the ethical core values; similarly, there is a section on ethical policies and society / community that helps the reader understand the role of ethical policies for society and its impact. The last section reveals the challenges in implementing the ethical policies and developing such a culture in family businesses.

## **2. LITERATURE REVIEW**

The diagram 1 summarizes the literature. In a business, ethical policies and procedures are practiced when controversial issues arise in corporate governance, like, insider trading, bribery, discrimination, and business social responsibility and fiduciary responsibilities. Business ethics is applied to businesses in order to ensure a certain level of trust required between consumers and businesses. Ethics in a business refer to the equity and morality of employees to help avoid discrimination in the organization and thus getting closer to achieving the organization goal (Mellahi, Morrell, & Wood, 2010). Loughran & Russell, 2002 and Amato et. Al (2023) suggested that morality plays an important part in businesses by shaping the employees' behavior. They opined that it is important that business leader demonstrates as a moralist, where he instills ethics and morality in the organization with not only his words but actions as well.

The literature identifies 'formal' and 'informal' mechanisms that help implement the ethical culture in an organization. The informal mechanisms could be implied discussions, the stakeholder balance, being the role model and the social norms that restrict an unethical behavior display by employees. On the other hand, the formal mechanisms are more related to institution and have structural nature.

The following diagram describes the literature summary.

Diagram 1 – Summary of the literature

PLEASE ADD FIGURE 1 HERE

The above summary and literature are based on the work of numerous scholars.

Murphy 1998; Trevino et al., 1999, 2000; Laufer and Robertson, 1997; Thommen 2003; Thommen 2003; Sajjad et.al 2013; Kobayachi et.al. 2017; Morris et al. 2002; Morris et al., 2002; Casell et al. 1997; Adam and Moore 2004; Trevino et. al. 1995; Cavanagh and Moberg, 1999; Gebler 2006 recognized that this is a significant problem, especially in start-up enterprises. Trevino 1990; Trevino and Nelson, 1999; Ardihvili et al. 2009; Naranjo-Valencia et.al. 2011; Iivari & Iivari, 2011; Prajogo, & McDermott, 2011; Gebler, 2006 Nguyen & Mohamed, 2011; Van Zyl, 2012; Adams et. al. (2004).

This literature suggests that the formal measures of business ethics implementation define several criteria for an effective compliance program (Laczniak and Roberson, 1999; Morris et al., 2002; Thommen, 2003; Belak and Mulej 2009; Belak et al. 2012) and may include:

Table 1 – The elements of business ethics implementation

A statement of enterprise's core values,	A compliance manual	A code of conduct
A mission statement	Anonymous hotlines	Job descriptions
Training in ethics, evaluation of ethical behavior,	An ethics committee, an ethics audit,	Sanctions for ethics abuse
Ethics standards and indexes	An ethics consulting service, an ombudsman and ethic advocate and a manager responsible for ethical issues. And more	

These elements are indispensable when communicating moral expectations within the enterprise. Based on the earlier text, we argue the importance of the following formal institutional measures of business ethics implementation.

Table 2 - formal institutional measures of business ethics implementation

Core value statement	Mission statement
Code of ethics	Compliance manuals and Ethics standards and indexes.

Reward and penalty system have been widely discussed in the literature and suggests that a reward system is an important tool in incentivizing the employees on specific occasions when they positively resolve conflicts or dilemmas by implementing ethical behavior. Trevino and Nelson (1999); Trevino and Ball, 1992; Breuer, 1998; Costa (1998); Wheelen and Hunger (2004) discussed formal and informal measures which are identified in the detailed literature examination and presented in summary below.

A code of ethics as an implementation tool has been subject of interest for researchers in the past for example Mathews, 1987; Murphy, 1995; Trevino, 1990; Morris et al., 2002. The research investigation shows that more than 90% of enterprises have a code of ethics or some type of ethics statement (Morris et al., 2002 and Adams et. al. 2001). The work of Thommen (2003); Adam and Moore (2004) Trevino and Nelson, 1999; Morris et al., 2002 and Weaver et al. (1995) argue that the ethics deals with different issues, like:

- How to live a normal life
- The formula of right and wrong
- The rights and responsibilities
- Moral decisions - what is good and bad?

According to Krawietz (2008) and Driscoll and McKee (2007), ethics has lost its significance in our societies; he believes this is due to people's conception of ethics has changed and also due to the challenges that morality had to face. Enron's case showed that not telling the truth and/or ignoring a misconduct may result in a disaster, where the company goes downhill and lost jobs due to a mistake made by the company's CEOs (Ferrell & Ferrell, 2011).

Sorenson and Milbrandt (2023) argue that, understanding the ethical culture in family businesses requires a nuanced examination of the dynamics unique to these enterprises. Ethical culture plays a pivotal role in shaping the behavior and sustainability of family firms. Whereas, Richards 2023 opine that the cultural context within which a family business operates can also shape its values. Chua et al. (2003) emphasize that family businesses need to consider how their values align with the broader cultural context, especially when operating internationally.

Chrisman and Patel (2012) highlight how values alignment and identity are foundational aspects of ethical culture in family businesses. The unique interplay of family dynamics, ownership, and management can significantly influence the values that drive these enterprises. Here are contextual insights supported by references and citations on the topic of values alignment and identity in the context of ethical culture in family businesses. Family businesses often have a strong connection between ownership and management, which can lead to a more pronounced focus on shared values. This alignment can foster a robust ethical culture. Kellermanns et al. (2012) noted in their study, family businesses tend to prioritize stewardship values, emphasizing a long-term perspective and responsible management.

Trust is a critical element of ethical culture in family businesses. Trust is often built on strong family relationships, as family members inherently rely on each other in these enterprises. Dyer and Whetten (2006) emphasize that trust within family businesses can lead to ethical behavior, as individuals are less likely to engage in opportunistic actions when trust is high. Trust is a vital component of values alignment in family businesses. Family relationships, built on trust, can influence the ethical decisions made within the business. Nordqvist et al. (2009) emphasize the importance of trust in maintaining a shared ethical culture.

Ethical culture can be influenced by how leadership transitions are managed. Effective succession planning in family firms can ensure that ethical leaders continue to guide the business. Nordqvist et al. (2009) argue that ethical leadership and a clear succession plan are essential for maintaining an ethical culture in family firms. Marleen and Juliette (2020) in their study found that the succession planning and ethical leadership are intertwined and correlated. On the other hand, Signori and Fassin (2023) suggest that family members and stakeholder compete in race to succession.

Transparency and accountability mechanisms can contribute significantly to an ethical culture. In a study by Gomez-Mejia and Haynes (2001), they emphasize that transparency in decision-making processes and accountability for actions are vital for maintaining an ethical environment within family businesses. Similarly, family businesses are often characterized by an accountability and sustainability. This focus on sustainability over generations can lead to the

cultivation of ethical values, such as responsibility and accountability, which are conducive to the longevity of the business (Berrone et al., 2010).

Ethical culture in family businesses often extends to their commitment to social responsibility. Naldi et al. (2007) suggest that family firms may engage in socially responsible activities as a means of preserving their reputation and adhering to their ethical values. Family businesses assist the female entrepreneurs to succeed (Khan 2017). Values alignment often involves the transmission of ethical values from one generation to the next. Habbershon et al. (2003) discuss the role of family business leaders as "moral custodians" responsible for passing down ethical values to ensure continuity in meeting social responsibility and maintaining their reputation.

While family businesses often prioritize familial relationships, excessive nepotism can hinder the development of a strong ethical culture. Miller and Le Breton-Miller (2005) argue that balancing family involvement with external expertise is crucial to prevent nepotism-related ethical issues.

As family businesses expand globally, they encounter diverse ethical and cultural contexts. Ethical culture should adapt to these contexts. Chua et al. (2003) highlight that family businesses often have to navigate the challenges of integrating ethical values across different cultural settings. The cultural context within which a family business operates can also shape its values. Chua et al. (2003) emphasize that family businesses need to consider how their values align with the broader cultural context, especially when operating internationally.

Ethical culture in family businesses is shaped by a combination of values, trust, leadership, transparency, and adaptability. Maintaining a strong ethical culture in these enterprises involves addressing the unique challenges and opportunities that arise from family involvement and ownership. Researchers continue to explore this area, emphasizing the importance of ethics in the sustainability and success of family firms.

## **Literature Summary**

### **3. METHODOLOGY**

One of the major reasons for doing qualitative research is to become more experienced with the phenomenon of interest. The data are normally "raw" and not pre-categorized (Alkhateeb 2018). Whereas, Sorsa et al. (2015) state that qualitative methods provide distinctive value to investigate complex and sensitive issues. The data can be recorded using any of the number of options available from stenography, audio recording, video recording or written notes.



Random sampling was utilized to select respondents. The companies were selected on two criteria, one randomly secondly, the companies who responded. It was because random sampling is a methodological cornerstone in empirical research for several compelling reasons. Firstly, it ensures that each member of a population has an equal and independent chance of being selected for a study (Fisher, 1925). This unbiased selection process minimizes the risk of selection bias, bolstering the external validity of research findings (Creswell & Creswell, 2017). Secondly, random sampling facilitates the generalization of research findings. By providing representative samples from a larger population (Kothari, 2004). It allows researchers to draw conclusions about entire populations based on the characteristics of the sample.

According to the Forbes Middle East list of the Top 100 Arab Family Businesses for 2023 the number of Saudi family businesses is 33. All these companies were contacted. However, 15 responded and 12 agreed to provide information. The following table identifies the sample selection method used.

Table 3 - Sampling

	Number of Saudi family businesses among largest 100 in Middle East	Number of companies responded	Number of companies picked randomly to participate in our study
Numbers	33	25	12
Percentage	33%	76	36%

Telephone interviews were conducted and the literature on qualitative research is ripe with works such as King and Horrocks, 2010, Sapir 1947; Burr 1995; Mikene 2013; Patton, 2002; Creswell, 2009; Billing 1987; Weiss, 1994; Nielsen 2007; Corbon and Morse 2003; Chan et. al. 2013; Talmy 2010. These scholars discuss the importance and role of interviews from different perspectives including their ability to explore a phenomenon in detail and in depth.

Personal interviews were conducted in this research with the representatives / employees of the family businesses. In all requests for interviews were sent to 37 family businesses known to researcher and his circle of associates. Twelve granted interviews and it took 16 months of work to realize the interviews starting October 2016 to April 2018. The context of study had been family businesses in Saudi Arabia. The reason for this was that these companies were accessible. On the basis of the gaps and potential research areas identified, the open-ended questionnaire was developed with 31 questions. The dependability in the study was assured by developing a questionnaire and asking the same questions from each responded the contextual ascertainment and gaining dependability. The interviews conducted in this research take ‘an action-oriented position’ where these interviews are viewed as an action context and the focus is on insights secured from experts/family members of the business.

### 3.1 Profiles of researched companies

The businesses selected belong to diverse sectors and these are listed among top 100 Saudi businesses. The table below provides a brief profile of these companies.

Table 4 – Profile of Researched companies

<b>Company Name</b>	<b>Products and Services</b>	<b>Date of Establishment</b>
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Trans Desert Transport Company	Logistics	1976
Coca Cola Bottling	Drinks	1993
Nestle Water	Water	2001
Kadi and Ramadi	Children books	2006
PepsiCo.	Food & Beverages	1965
McDonalds	Fast food	1994
BinMahfouz	Industrial	1951
Almarai	Food & Beverages	1977
Unilever	Food & Beverages	1929
Albaik	Fast food	1974
Centrepoint	Clothing and home décor	2002
Omnat	Poultry products	1990

### 3.2 Response summaries and classification

The interviews were recorded and notes were also taken with the help of research colleagues. After the interviews were completed the responses were summarized into six categories shown below.

1. The Importance the family businesses attach to ethics and ethical policies and procedures.
2. The challenges faced in implementing the ethical policies and procedures.
3. Alignment of ethical policies and procedures to company CSR practices and society.
4. The value provision of these policies and procedures
5. The implementation modus operandi and
6. Role of ethics in functional areas of the business.

Table 5 - Interview summaries – Community, Society and Values

PLZ ADD FIGURE 2 HERE

Table 6 – Response summaries – Implementation Modus operandi and Challenges

PLZ ADD FIGURE 3 HERE

Table 7 – Interview summaries – Functional Areas and Importance

PLEASE ADD FIGURE 3 HERE

## 4. FINDINGS AND DISCUSSION

This section provides discussion on findings and develops new knowledge.

## **4.1 Formal and Informal Measures and Structures of Ethical Practices Implementation**

In order to understand the formal and informal measures and structures of ethical practices implementation the responses of the companies have been divided into 6 main categories. These are same categories developed after the response collection and identified in section 'Response summaries and classification' above.

This study attempts to provide an insight into an ethical, moral and administrative dilemma of developing and then implementing the formal and informal systems, procedures and processes that help stimulate a sustainable ethical culture.

### **4.1.1 Importance and Benefits of Ethical Policies**

The responses are provided by a particular officer of the firm working with the companies. The first question in the structured formal interview questionnaire was to know the importance attached to ethical policies by the businesses and steps taken to develop an ethical culture. Among the most important factor in developing, implementing and maintaining ethical systems, policies and procedures is that such policies help build brand, image and trust of stakeholders.

Family businesses such as Trans Desert, Al Jomaih and Bin Mahfouz, suggest that the ethical policies are very important and these are the foundation of the business and its culture development. Albaik responses were similar to Smith, J., & Johnson, M. (2022) asserted that the ethical policies build organization norms and human relations. Firms such as Al Baghdadi, Batterjee, Al Kabeer and Al Bander opine that the customer including collective, individual and stakeholder relations are built on ethics. Al Olayan on the other hand sight rights issue and asserted that the ethics help develops' human and work place rights; however, employees may perform comparatively more efficiently and produce quality output while working in an ethical environment suggest the Bin Zagr opined interview respondent.

Trans Desert believe that the credibility, Morality and Loyalty are essential for trust building and hence the role of trust and ethics is all the more important. This was further endorsed by Nestle water by suggesting that these qualities build bonds among employees and are important for B2C relationships. PepsiCo, Cocal Cola and Almarai dealing in bottling and dairy products had strong opinions about the ethics and such a culture. They suggested that ethics would build consensus promote consistency, and improve company credibility. These factors are considered important by Wang, Q, & Wang. (2021) as well.

The respondents also opined on prominence by advocating for appreciation of values, respecting and protecting workplace rights, periodic review of ethical procedures, policies and manuals.

The companies like Batterjee and AlBaik identified a number of benefits in implementing and following ethical policies. Major findings related to benefits include the development of trust components. It was also envisaged by M.R. Khan., 2014. The study elaborated that once the trust

components like, credibility, integrity and benevolence prevail, securing the partner / stakeholder commitment becomes easier and leads to competitive advantage. It is interesting to note that the companies find achieving these components as important benefit for their firms as was suggested by Chen, Y., Chen, H., & Jiang, H. (2020)

#### **4.1.2 Implementation of Ethical Policies**

The literature identifies that the businesses take certain measures to help the employees follow ethical practices. The studies of (Phillips, 2011) and (Taylor & Simpson, 2013) identified a number of measures taken by the companies to disseminate the information to their employees. The responding family owned businesses identify for steps to help everyone follow ethical norms. These included regular training and awareness, a manual or a code of conduct. Engaging employees in discussions, reflection and reporting and the managers acting as role models to follow ethics.

Companies such as Al-Marai, Unilver and AlBaik help open discussions on Ethics and ethical practices through communications in routine. Family businesses including Bin Mahfooz regularly communicate organization's values, industry ethical code and expectations with internal and external stakeholders.

A number of businesses like Trans Desert, Nestle water, Kadi and Ramadi, PepsiCo, BinMahfouz, Centrepont and Omnat suggest that the managers are implementers of the policies as envisaged and recommended by the CEOs and the boards. However, Coca Cola, Bin Mahfouz, Kadi and Ramadi and AlBaik also identified the role of CEOs as role models in implementing these policies.

Three roles of Government identified in implantation of the ethical policies and procedures in the business community by the respondents. Pepsico and Omnat suggested to involve the shura council (Consultative assembly for the king) in order to bring in uniformity. Whereas, AlBaik and BinMahfouz suggest involving the business community by the government to conduct audits and reviews to produce reports and implement. The other family enterprises suggested that the business community has little understanding on the ethical policies and systems.

#### **4.1.3 Ethical Policies and Systems in Functional Areas of the Business**

Companies like, Unilever and suggest that the practices in recruiting at times may need adjustments especially when it comes to mandatory requirement by the government to employ a set number of Saudi citizens and when the jobs are gender specific as stated by Al Jomaih, Bin Mahfooz and Al Baik. Otherwise, the companies don't discriminate in hiring the workforce.

The benefits and compensation packages are related to achievements (Erdogan, S. 2023) like in Kadi and Ramadi, whereas, it is related to performance in Trans Desert and Pepsico, on the other hand Unilever KSA relates it to the experience and responsibility levels and little distinction is made in this matter. At times companies pay more salary to Saudis then non-Saudis as in some companies.

Training and development policies impact a great deal on employee job satisfaction, morale and motivation as suggested by Sajajd et.al. 2013 and Kobayachi 2017. Responses seem to be corresponding to the literature and suggest companies do not make any differences in the choice of employee for training and training choice is built on need (Coca Cola). Ethics in Finance and Accounting play a vital role in implementing the ethical practices and it determines the reputation of a company a great deal. The Saudi FOB's seem to be aware of this fact and businesses such as Coca Cola cite legal issues as well if they do not comply with the ethical problems in finance and accounting. However, a specific policy has to be implemented and that is that the finance and accounts should be led by a Saudi national for legal purposes.

#### **4.1.4 Ethical Core values**

The exploratory questions on ethical core values included equality, gender specific policies, nepotism, monitoring emails and website browsing, transparency, whistle blowing and attendance. Beschorner and Hajduk 2017 argue that responsible practices are culturally embedded and transparency is major dynamic in identifying, developing or implementing the ethical values. The entrepreneurs running family companies in Saudi Arabia contend three major ways to bring transparency. The companies like Coca Cola bottlers, Nestle water, Kadi and Ramadi, Pepsico, McDonalds, Bin Mahfouz etc. bring in transparency through the direct, internal or through open doors communications.

The companies assist and encourage employees to perform ethically at personal levels, as being practiced at Trans Desert who provide incentives for good attitude by the employees, it is as stated by Gregor Wolbring & Aspen Lillywhite. (2023). Whereas, Coca Cola and Nestle water promote ethical vision and values among their organizations. Some companies encourage and safeguard the whistle blowing by providing safety and anonymity to talk about wrong doings etc. Some companies such Kadi and Ramadi and Bin Mahfouz assert that this is great tool as it discourages ill practices. The Pepsico keeps the whistle blower information classified.

Monitoring employee emails has been an issue discussed by numerous studies. The businesses in KSA have denied having any policy on monitoring employee emails. Having such policy would deteriorate trust and relationship with employees except for the Unilever who may screen suspended employee communications.

In order to bring transparency in business routines, the firms identify three steps to be taken, i.e. a code of conduct, internal communications and training. Whereas, the literature like Pierce (2013) suggests moral awareness, moral reasoning, moral courage and moral effectiveness as effective ways to build and nurture the ethical culture.

According to Sipior and Burk (1995) monitoring employee email or internet browsing is ethically incorrect. They considered it as intrusion; intrusion into private affairs of the employees and regarded it as highly offensive. The study found similar answers and the family businesses in Saudi Arabia also hold such views and overwhelmingly regarded it as the employee private affair

and inappropriate for the employers to monitor emails of their employees. The responses are mixed on both the employee internet browsing and email monitoring policy and at times remain in contrast and at other instances in accordance with the literature.

#### **4.1.5 Ethical Policies and Society / Community**

The responses of the companies related to their ethical policy alignment to social priorities and community were very interesting. The three factors emanating from the responses are creation of public awareness, offering healthier choices and effective contribution to the environment. Most of the companies align their policies by offering safe and secure environment for shoppers, they contribute to the environment through their CSR programs that include generating public awareness and offering the customers and consumers healthier alternatives.

The companies were asked about their opinion on 'How trust and ethics play part in the businesses. The findings are revealing. This satisfies the Khan and Raeside 2015 study where the authors relate commitment with the trust manifestation and business success. The findings show that the companies believe that once the trust components prevail, the commitment from relationships is secured and that leads to business success.

Al Olayan and Trans Desert Transport operates community uplift programs and assist the groups of people in guidance on religious principles and beliefs. Similarly, Child labor awareness campaigns are run by Olayan, Kadi and Ramady, BinMahfouz and Albaik. Majority of the businesses also seem to imply that the religion and ethics are interdependent and interlinked (Grace K., et al.) (2023). Ommat opined that they provide the community with as much assistance they can as they create wealth from these communities.

#### **4.1.6 Challenges in implementing the Ethical Policies and Developing Culture**

The family businesses identified following major challenges in development and implementation of ethical norms and principles in organizations.

- a) Lack of transparency in certain systems at the national levels. However, the government has introduced a number of measures including the digitalization of the governmental procedures. The governmental services are now accessed through internet and the businesses need not to make any personal contact the offices.
- b) Import and export may be harmed as ethical policies are not same across the world.
- c) Saudization. It is the new law in the Kingdom which makes it mandatory for the businesses to maintain certain percentage of Saudi nationals as employees due to high unemployment rates in the Kingdom.
- d) Human Relations and Psychological barriers leading to difficulties in following and adapting by certain employees
- e) Access to correct information and implementation policies sometimes are the major obstacle and challenge to implement.
- f) Developing criteria for compensation employees in a multicultural organization

g) Providing all categories in each function of the business receive similar opportunities for development and training.

#### **4.1.7 Ethics and Role of Culture in Saudi Arabian Context**

The above discussion underpins that Ethics and the role of culture are intricately intertwined in the Saudi Arabian context. Saudi Arabia's culture is deeply rooted in Islamic traditions, which significantly influence ethical norms and behaviors. Concepts like honesty, integrity, and respect for authority are highly valued. Jean-Francois T. et al. (2022) postulated that ethical considerations are paramount, particularly in business and governance, where adherence to religious principles is emphasized. This was found that culture guides interpersonal relationships, emphasizing familial and communal ties, impacting ethical decision-making. Moreover, cultural norms also affect gender roles and interactions, shaping ethical standards. Understanding this interplay is vital for individuals and organizations operating in Saudi Arabia, as it ensures alignment with local values and fosters ethical conduct in various aspects of life.

### **5. CONCLUDING COMMENTS**

This study has contributed to the knowledge by responding to particular questions unanswered in the literature. The above findings help conclude that values, culture, community and social norms are major elicits of sustainable ethical culture development and implementation of the ethical policies and procedures require institutional and structural mechanisms for effectiveness in family owned businesses.

This research has identified that the importance of informal measures such as being a role model and adhering to social norms develops a stakeholder balance and delivers value. This is similar to the findings of the work of Ardihvili et. al. 2009 and Moore 2004 where the scholar identified the significance of informal measures. However, even though the above would also deliver leadership effectiveness but this study shows that among the benefits of an ethical culture would also include the buildup of credibility and increase the level of effectiveness standards. Credibility is an important component of trust (Khan and Raeside 2015). The study shows that the family businesses attach importance to trust enhancing measures in their organizations. There was unanimity among respondents regarding the usefulness and effectiveness of the ethical policies and procedures, especially when it comes to stakeholder relationship management.

The literature suggested lack of challenges' identification in a sustainable ethical culture development even though there is consensus that such culture ensures success (Gebber 2006; Gregor and Aspen 2023). The study ascertains that the major challenges exist as narrated earlier, however, human resource management faces in recruitment, rewards, gender equality and other related areas.

The family businesses are divided regarding the relationships between religion and ethics; however, this may again have a context dimension of the study and may differ elsewhere. Nelson 1995 and Mellahi et. al. 2010 agreed that the ethics and moral values are related to individual's

personal understanding either in one own or organizational capacity. The literature is ripe with discussions on values the ethical systems deliver.

Communications has been considered as key to bring in transparency in a business. Trust between business and its employees is identified as key to effective outcome of an ethical culture. The ethical culture value is also recognized as gender equality and the family businesses consider that the gender equality in operations of the business is of significance. However, there is a difference of opinion on this equality when it comes to work distribution and compensation. This seems to be universally the case as well. Organizations increasingly are becoming tolerant and encourage whistle blowing.

There are certain jobs that can only be performed by either a male or a female and other than these the companies tend to maintain a non-gender-based policy. The family businesses seem to take more precautions of ethical norms when developing and implementing marketing strategies. The respondents have agreed to need, effectiveness and ethical culture's link to firm development, achievement(s) and prosperity.

The family owned firms seem to be implementing the ethical policies, procedures and systems in cognizance with and in similar manner as non-family businesses. The firms adopt both the institutional and structural measures (Thommen 2003 and Kobayachi et. al. 2017. The family businesses also seem to further authenticate the findings of Morris et. al. 2002 by endorsing the fact that the ethical cultures emanate from ethical values that the organizations set up. However, the role of senior employees like CEO and managers has been highlighted as important in executing the structural or institutional policies. The government plays significant part in developing national level laws and policies that are adhered in the whole country.

Several implications as identified below can be drawn from this research as the study addresses gaps in the literature by providing insights into specific questions specially in the context of Saudi Arabia.

The values, culture, community, and social norms are identified as major contributors to the development of sustainable ethical culture in family-owned businesses. Similarly, the study identified that effective implementation of ethical policies and procedures in family-owned businesses requires institutional and structural mechanisms. It was also realized that informal measures, such as being a role model and adhering to social norms, contribute to stakeholder balance and value delivery, aligning with similar findings in previous research. It is also implied that an ethical culture not only enhances leadership effectiveness but also builds credibility, which is crucial for trust. Trust is recognized as a vital component of stakeholder relationships. While the literature has emphasized the importance of a sustainable ethical culture, the study reveals challenges in areas such as human resource management, recruitment, rewards, and gender equality. It was also found that family businesses exhibit varying perspectives on the relationship between religion and ethics. The study recognizes the contextual dimension and suggests that the link between ethics and moral values is often influenced by individual understanding. The study identifies communication as a key factor for transparency in business. Gender equality is recognized as an ethical value, though discrepancies exist in work distribution and compensation. Equally important is the fact acknowledged that family-owned firms



implement ethical policies and procedures similar to non-family businesses, adopting both institutional and structural measures. The role of senior employees, particularly CEOs and managers, is emphasized in executing these policies. Another implication and result that the study puts forth is that The government is recognized for its significant role in developing national-level laws and policies that influence ethical practices across the country.

The study thus serves as a foundational platform for future research, suggesting potential exploration of the relationship between ethics and culture from a social context perspective, especially in countries with religious diversity. These implications provide valuable insights for academia, practitioners, and policymakers, offering a comprehensive understanding of the dynamics of sustainable ethical philosophy in family-owned businesses and suggesting directions for further research.

Study can be used as basis for future research to understand the relationship of ethics and culture from a social context perspective by carrying out a study in different countries with religious diversity that may reveal sustainability issues in a different context.

The research was carried out under constrained circumstances, making it challenging to connect with employees/officers of the firms. Even when contact was established, scheduling a call proved to be difficult, with 90% of respondents postponing the conversation to another day. At two occasions the calls were rescheduled at 11<sup>th</sup> hour.

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