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### **RESEARCH ARTICLE**

## **ANTECEDENTS AND CONSEQUENCES OF SUCCESSION IN LEBANESE FAMILY BUSINESS: A STRUCTURAL EQUATION MODELING (SEM) APPROACH.**

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#### **Manuscript Info**

##### **Manuscript History**

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#### **Abstract**

To improve our understanding of the succession problem, this researcher through a grant from the Lebanese University, utilized path analysis in the form of structural equation model. A sample of 250 respondents were asked to respond to an instrument that consisted of 23 Likert type Five – Point Scale. SPSS was used in analyzing data. Factor analysis showed that the 23 items measure five different dimensions that were named:

Multiple regression analysis was used to examine the relative importance of variables affecting the financial performance. All of the variables including succession problem showed to be significant in explaining and predicting the firm's financial performance.

The five variables were causally analyzed using path analysis the show the direct and indirect effects.

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#### **CHAPTER I:-**

##### **Introduction:-**

##### **General Background:-**

Family owned business is the engine that drives economic growth, wealth creation, employment and development around the world (Pistrui et al, 2008). Most businesses in Lebanon are owner managed and family business constitute 85% - 90% of the private sector (Fahed-Sreih, 2006, Saidi, 2004). Family businesses in Lebanon range from micro or small to medium sized companies. Large national conglomerate companies that operate in multiple industries and countries don't exist in Lebanon. In terms of corporate governance, Lebanon is not different from other developing countries and family business is prone to the creation of the privileged and pays little consideration to the importance of accountability. Executive remuneration in SMEs is often very high and in fact, there is no separation of power and responsibilities among owners, managers, and boards of directors (Gambill and Abdelnour, 2004). Moreover, the elections of the board of directors at annual meetings of shareholders are often a sham, because most of these directors own the majority of stocks and the rest of the shareholders have no power to remove them, even if there is a good cause to do so.

Based on review of literature it is found that approximately one third of family business survive into the second generation and only 15% continue living into the third generation (Beckhard and Dyer 1983; Ward 1997; Christensen, 1953; McGivern, 1978). Fahed-Sreih and Salpie found "a negative relationship between liberal attitudes and longevity, suggesting that older businesses have more conservative attitudes than younger businesses towards family members and outsiders in the family firm" (Fahed-Sreih and Salpie, 2008). Ibrahim, Soufani and Lam noted that "despite their importance to the economic activities and job

creation it is observed that family businesses have lower survival rates than non-family firms, some argue that this can possibly be attributed (amongst other factors) to the lack of training” (Ibrahim et al, 2003). As regards lack of communication among family members, Malone noted that there is a positive relationship between perceived family harmony and the success of family business (Malone, 2002). Cantzler and Leijon believe that “For small business owners it is a learning process to create a well functioning market-oriented team. Most probably opportunities for growth are linked to how well the concepts of the team are in accordance with the concepts of the customers of the company”(Cantzler and Leijon, 2005). With reference to technology , it is evident that a serious digital divide exists between Lebanon and the developed world (Abouchedid and Eid, 2004). Moreover, internet Users in Lebanon is low for the relative levels of economic development (InternetWorld Stats, 2009). FIGURE – 1 – below shows the percentage of population that uses internet in the Middle East:

| Middle East Internet Users, Population and Facebook Statistics |                             |                       |                               |                                  |                   |                         |
|--|-----------------------------|-----------------------|-------------------------------|----------------------------------|-------------------|-------------------------|
| MIDDLE EAST  | Population<br>( 2011 Est. ) | Users, in<br>Dec/2000 | Internet Usage<br>31-Dec-2011 | %<br>Population<br>(Penetration) | Users<br>% Region | Facebook<br>31-Mar-2012 |
| Bahrain  | 1,214,705                   | 40,000                | 694,009                       | 57.1 %                           | 0.9 %             | 346,220                 |
| Iran   | 77,891,220                  | 250,000               | 36,500,000                    | 46.9 %                           | 47.4 %            | n/a                     |
| Iraq   | 30,399,572                  | 12,500                | 1,303,760                     | 4.3 %                            | 1.7 %             | 1,550,840               |
| Israel   | 7,473,052                   | 1,270,000             | 5,263,146                     | 70.4 %                           | 6.8 %             | 3,469,020               |
| Jordan   | 6,508,271                   | 127,300               | 1,987,400                     | 30.5 %                           | 2.6 %             | 2,226,220               |
| Kuwait   | 2,595,628                   | 150,000               | 1,100,000                     | 42.4 %                           | 1.4 %             | 898,560                 |
| Lebanon  | 4,143,101                   | 300,000               | 1,367,220                     | 33.0 %                           | 1.8 %             | 1,444,200               |
| Oman   | 3,027,959                   | 90,000                | 1,741,804                     | 57.5 %                           | 2.3 %             | 422,180                 |
| Palestine (West Bk.)   | 2,568,555                   | 35,000                | 1,512,273                     | 58.9 %                           | 2.0 %             | 914,660                 |
| Qatar  | 848,016                     | 30,000                | 563,800                       | 66.5 %                           | 0.8 %             | 481,400                 |
| Saudi Arabia   | 26,131,703                  | 200,000               | 11,400,000                    | 43.6 %                           | 14.8 %            | 5,148,240               |
| Syria  | 22,517,750                  | 30,000                | 4,469,000                     | 19.8 %                           | 5.8 %             | n/a                     |
| United Arab<br>Emirates  | 5,148,664                   | 735,000               | 3,555,100                     | 69.0 %                           | 4.9 %             | 2,909,860               |
| Yemen  | 24,133,492                  | 15,000                | 2,609,698                     | 10.8 %                           | 3.4 %             | 436,500                 |
| Gaza Strip   | 1,657,155                   | n/a                   | n/a                           | n/a                              | n/a               | n/a                     |
| TOTAL Middle East  | 216,258,843                 | 3,284,800             | 77,020,995                    | 35.6 %                           | 100.0 %           | 20,247,900              |

NOTES: (1) The Middle East Statistics were updated as of December 31, 2011 and Facebook subscribers as of March 31, 2012. (2) CLICK on each country name to see detailed data for individual countries and regions. (3) The demographic (population) numbers are based on data from the US Census Bureau. (4) Internet usage numbers come from various sources and are compiled here, see the site surfing guide. (5) The most recent usage information comes mainly from the data published by Nielsen Online, ITU , Facebook, and other trustworthy sources. (6) For growth comparison purposes, the usage data published by ITU for the year 2.000 is furnished. (7) Data may be cited, giving due credit and establishing an active link back to InternetWorld Stats. Copyright © 2012, Miniwatts Marketing Group. All rights reserved worldwide.

- ❖ **Statement Of the Research Objective:** THE PURPOSE OF THE PRESENT STUDY IS TO CONSTRUCT A STRUCTURAL EQUATION MODEL AND TO SIMULTANEOUSLY INVESTIGATE THE CONSEQUENCE OF CORPORATE GOVERNANCE ON THE INDUSTRIAL FINANCIAL PERFORMANCE IN THE SOUTHERN SUBURBS OF BEIRUT VIA SUCCESSION PLANNING, SUCCESSOR DEVELOPMENT AND FAMILY HARMONY.
- ❖ **Statement of the Research Problem and Significance of the Study:** THE RESEARCH PROBLEM CAN BE PUT IN THE FOLLOWING QUESTION FORM “WHAT IS THE IMPACT OF HAVING A PROPER SUCCESSION PLAN AND THE QUALIFICATION OF SUCCESSORS ON THE FINANCIAL PERFORMANCE VIA TECHNOLOGY.”
- ❖ **Significance of the Study:** THE SIGNIFICANCE OF THE STUDY IS BASED ON REVIEW OF LITERATURE. LIU AND BARRAR “FOUND THAT THE COMPANIES WITH STRATEGY-TECHNOLOGY INTEGRATION SHOWED BETTER FINANCIAL AND OPERATIONAL PERFORMANCE. .... HOWEVER, A NUMBER OF ORGANIZATIONAL CONDITIONS WERE FOUND TO BE NECESSARY FOR THE PURSUIT OF THESE STRATEGIES” (LIU AND BARRAR, 2009).
- ❖ **Research Hypotheses**

H<sub>1</sub>. The less the separation between ownership and management , the better the financial performance of the Industrial Financial Performance in the Southern Suburbs of Beirut.

H<sub>2</sub>. The more the firm is dependent on technology , the better the financial performance of the Industrial Financial Performance in the Southern Suburbs of Beirut.

H<sub>3</sub>. Successor' s development is positively related to financial performance of the Industrial Financial Performance in the Southern Suburbs of Beirut.

H<sub>4</sub>. Proper plan of succession is positively related to financial performance of the Industrial Financial Performance in the Southern Suburbs of Beirut.

H<sub>5</sub>. Family harmony is positively related to financial performance of the Industrial Financial Performance in the Southern Suburbs of Beirut.

## CHAPTER II:-

### Review of literature:-

#### Problems and Defects of industry in southern suburbs of Beirut:-

Lebanese industry is still experiencing several problems, which is traditionally associated with the emergence on the industry in Lebanon, And the region under study, in the southern suburbs of Beirut, where the large industrial enterprises in the region of Choueifat suffer generally from the same problems of the Lebanese industry .

The most prominent faces of these problems:<sup>1</sup>

- The high cost of production and national labor.
- The absence of any kind of protection over the flooding of local markets with goods and products.
- The absence of a formal plan clear to the state, as well as legislative and legal obstacles
- The small size of the total industrial financing loans, compared with a greater contribution to GDP.
- Non-application of the principle of reciprocity in relation to trade agreements with countries, including friendly countries and has developed technical barriers to the import .
- Lack of confidence in the Lebanese domestic products, especially food from them.
- Decline in the purchasing power of a large segment of the Lebanese, what makes some foreign products, because of low prices, and despite the low quality, real competition for Lebanese goods.
- The high cost of export through the ports of Lebanon, especially Beirut port and airport.
- Unfair competition from institutions that are not licensed.
- Do not adjust the cross-border smuggling operations as required (entry of goods without TVA).
- High cost of financing working capital.
- Do not fit some of the specifications imposed on the goods with the privacy of the Lebanese industry.
- Increase in the prices of inputs and related services to industry and export as a result of the continued practice of monopoly in a number of areas and markets for goods and services, such as port services, transportation, electricity and water.

Industry of suburbs of Beirut faces the challenges of inter Lebanese, especially the rise in oil prices during the last oil boom beginning in 2003 until this year, which led to a significant increase in the prices of final industrial products by about 33 percent in just two years. Also, industrial enterprises do not receive support mentioned by the government, in terms of reducing the prices of petroleum products and electric power, and this makes the Lebanese industry facing unequal competition by products neighboring countries within the Arab markets, as these countries offer great facilities in the subject area of the institutions working at home.<sup>2</sup>

It is true that Lebanese governments, and since 2007, proceeded to reduce the cost of electricity at night, but that did not help only 2 per cent of the total industrial enterprises in Lebanon, because it did not constitute a solution or a viable alternative to the crisis of power outages for more than 6 hours per day, which cause problems in the production process, especially in industries with intensive use of energy.<sup>3</sup>

<sup>1</sup>Economic department in Diar journal, (2011), "industry in Lebanon, group of aspirations and challenges oscillating between success and fail", Diar journal 12/11/2011, the full text is available: [www.saidaonline.com](http://www.saidaonline.com)

<sup>2</sup>ibid

<sup>3</sup>ibid

Industrialists have repeatedly called for development of reduced tariffs for industries dependent on intensive energy, to include the industrial enterprises which have more than the proportion of imported diesel fuel for 10 percent of the total volume of business. This can be achieved by reviewing the value added tax.

Industrialists also asked to allow the industrial cities of its own electricity production, and that through the construction of plants for energy production using coal of the capacity of 50 megawatts, or the use of alternative energy and environmentally friendly, namely natural gas in particular <sup>4</sup>

Lebanese industry has faced several challenges, not less important than the problems resulting from the unity of higher energy prices. One of these challenges, the shortage of labor available and the Lebanese with technical competence, due to increasing numbers of Lebanese immigrants, especially from young people, and the weakness of the trend towards vocational and technical education. This comes in light of work within the law to prevent the use of non-Lebanese workers in the industrial sectors.<sup>5</sup>

Julywar 2006 cause damage to the industry of southern suburbs of Beirut Choueifat agricultural( hasn't affected by the war) lost with the increasing construction concrete natural wealth of olive trees, turned to the industry wherein now the largest industrial cities in Lebanon have varied products factories by more than 150 factories, and invaded a lot of local markets, Arab and international. And become a competitor to many similar products in the world , especially since many factories won the international quality certificate.<sup>6</sup>As in the Choueifat, economic activity is active, supported by the existence of an industrial city, led significant pool of Choueifat Industrialists and its environs, as well as the presence of several banks and centers for banking and insurance companies and a large number of institutions and various business disciplines stores and services.<sup>7</sup>

But in southern of Beirut 77 factories were damaged as a result of aggression in the suburbs. 45 factories, including exposure to total destruction, and 32 partially damaged. Out of about 436 plants and operators in the suburbs were previously known "human tank" that affects the national economy index of the year.<sup>8</sup>

These factories are a part of 139 affected included an initial survey conducted by the Ministry of Industry. (44 in the south, 16 in the Bekaa and 2 in the Chouf).

The number of workers. That out of 139 plants affected in Lebanon is 1593 workers, while the overall number of workers is 4765<sup>9</sup>

**Table 5:-** 61 active 6161 firms affected in Lebanon by the war/Source: assaffir journal, (2008)

|   | South Leb | Bekaa     | Shouf     | Suburbs   | Total     |
|---|-----------|-----------|-----------|-----------|-----------|
| Number of industrial enterprises affected | <b>44</b> | <b>16</b> | <b>2</b>  | <b>77</b> | 139       |
| average worker per establish              | <b>12</b> | <b>18</b> | <b>25</b> | <b>25</b> | <b>18</b> |

A study showed that the number of installations in the industrial sector, which employs more than four workers was established 4033, of which 2010 are located in Mount Leb

**Table 6:-** industrial enterprises and average of workers

|                                  | Leb  | Mount Leb | South Suburbs | Choueifat |
|----------------------------------|------|-----------|---------------|-----------|
| Number of industrial enterprises | 4033 | 2010      | 436           | 150       |
| percentage                       | 100% | 50%       | 11%           | 4%        |
| average worker per establish     | 21   | 25        | 25            | 25        |

As the table the Number of industrial enterprises in Suburbs constitute 30% of Mount Leb enterprises and about 15% from the total in Lebanon<sup>10</sup>

<sup>4</sup>ibid

<sup>5</sup>ibid

<sup>6</sup>Hamdan , M.(2012), "shwayfathistory", monograph written by municipality of Shwayfatcity, the full text available: [www.choueifatcity.net](http://www.choueifatcity.net)

<sup>7</sup>ibid

<sup>8</sup>Qobeisi, F.(2008), "the effects of Julywar 2006 on the industrial enterprises in southern suburbs of Beirut", report achieved by assaffir journal at 23/10/2008

<sup>9</sup>ibid

The productive sectors affected include the food sector, the printing sector (most affected), and the clothing industry, and the furniture industry and wood, and building materials.

The southern suburbs where there geographical areas of production (factories), and labor at a time lacking in other areas, and has the possibility of marketing, its commodities exported to Europe. And some of them depend entirely on the foreign market.

The value of the damage in the factories district \$ 39 million, out of \$ 180 million the total value of the damage in Lebanon,( according to the reports of the insurance experts in the Ministry of Industry) in the area of Kafaat built a number of factories alternatively to the destructive.<sup>11</sup>

Only \$ 350 thousand for the monitoring of ten factories in the suburbs under the “UNIDO” out of three million dollars.

the choice of the recipient plants are being built on a field study conducted by the “UNIDO”, and include specific sectors are: furniture, leather, textiles, olive oil, food and beverages.

“this aid symbolic, and do not reflect the actual damage caused to plants”

The government supports the project “Laser” in the process of rehabilitation of some of the institutions selected valuable agro-industrial sector, including food, textile, leather and upholstery in the south and the Bekaa and the southern suburbs of Beirut, and the preparation of these institutions to resume production and the introduction of its products to global market. The number of SMEs benefiting from the project in its second phase, 41 companies in terms of 62ctive6262g and supporting them in civil works, in addition to training employees and developing their abilities. The value of the equipment, which was distributed in the southern suburbs about 300 thousand U.S. dollars.<sup>12</sup>

The advantages and positive aspects of industry in southern suburbs of Beirut

The most overwhelming of Lebanese industries concentrated in Beirut and suburbs, and the internal war contributed in the spread to other regions, especially the coast, which account for a percentage of the industrial complexes that are characterized by modernity as the 35 percent of the establishments founded in the nineties of the last century, And characterized by small production units in terms of the number of workers and the size of capital to its reliance on self-financing and most of them take the character of family in terms of ownership and management and correlation processing abroad (Europe – Japan – China – United States ...) for the supply of machinery and technology to meet the needs of the local market, and Arabic.<sup>13</sup>

formal study included all industrial sectors in all Lebanese districts Showed that half of the Lebanese industrial enterprises located in the province of Mount Lebanon, and that 78% of these enterprises employ between 5 and 19 workers.

The “Study of the industrial sector in Lebanon: facts and figures” about the year 2007 carried out by the Ministry of Industry in collaboration and partnership with the Association of Lebanese Industrialists and the United Nations Industrial Development Organization that the industrial sector lacks the diversity of its activities “as 86 percent of industrial enterprises are concentrated in ten branches key .<sup>14</sup>

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<sup>10</sup>Ministry of industry,” the Lebanese industrial sector “,op.cit

<sup>11</sup>Assaffir report,” the effects of July war”,op.cit

<sup>12</sup>Assaffir report,” the effects of July war”,op.cit

<sup>13</sup>Lebanese ministry of information,(2012)”report about advantages of Lebanese industry”the full text available:www.ministryinfo.gov.lb”

<sup>14</sup>ibid

**Table 7:-**The number of industrial firms and workforce distributed on all the activities in ctive  
Source: Ministry of industry,(2010)

| Economic Activity                    | No of establish |            | Workforce |            |
|--------------------------------------|-----------------|------------|-----------|------------|
|                                      | 2007            | % of total | 2007      | % of total |
| Food products & beverages            | 736             | 18.2%      | 20607     | 24.9%      |
| Other non-metallic mineral products  | 609             | 15.1%      | 10996     | 13.3%      |
| Fabricated metal products            | 558             | 13.8%      | 8054      | 9.7%       |
| Electrical machinery and apparatus   | 83              | 2.1%       | 3182      | 3.8%       |
| Chemicals & manmade fibres           | 193             | 4.8%       | 4792      | 5.8%       |
| Furniture & other manufactured goods | 730             | 18.1%      | 9136      | 11.0%      |
| Pulp,paper& paper product            | 82              | 2.0%       | 4213      | 5.1%       |
| Rubber & plastic products            | 168             | 4.2%       | 3692      | 4.5%       |
| Printed matter & recorded media      | 211             | 5.2%       | 5510      | 6.7%       |
| Machinery and equipment.             | 105             | 2.6%       | 2122      | 2.6%       |
| Other activities                     | 558             | 13.8%      | 10451     | 12.7%      |
| Total                                | 4033            | 100%       | 82843     | 100%       |

**Table 8:-** the activities of industrial wntprises distributed among Lebanon&MountLeb&South Suburbs of Beirut

|  | Leb  | Mount Leb | SouthSuburbs |
|--|------|-----------|--------------|
| Food products & beverages                                  | 736  | 253       | 50           |
| Textiles Clothes & dyeing fur                              | 287  | 189       | 108          |
| Leather & leather products                                 | 105  | 76        | 38           |
| Wood products (except furniture)                           | 87   | 49        | 23           |
| Pulp,paper& paper products Printed matter & recorded media | 293  | 195       | 59           |
| Chemicals & man-made fibres Rubber & plastic products      | 361  | 254       | 62           |
| metal products   | 568  | 299       | 76           |
| Machinery and equipment                                    | 191  | 127       | 55           |
| Medical, precision and optical instruments                 | 9    | 5         | 0            |
| Motor vehicles, trailers and semitrailers                  | 7    | 5         | 3            |
| Furniture & other manufactured goods n.e.c.                | 730  | 370       | 45           |
| others   | 50   | 16        | 67           |
| Total  | 4033 | 2010      | 586          |

Source:Ministry of industry,(2010)

**Table 9:-**The number of industrial firms distributed on all the activities in districts of South Suburbs

|                               | Choueifat | Gob eiri | Harat.h | Shiyah | Mrayje | Borj.b | Al janah | Ozaee | Total |
|-------------------------------|-----------|----------|---------|--------|--------|--------|----------|-------|-------|
| Food products & beverages     | 12        | 3        | 5       | 5      | 0      | 24     | 1        | 0     | 50    |
| Textiles Clothes & dyeing fur | 4         | 8        | 28      | 8      | 9      | 49     | 2        | 0     | 108   |
| Leather & leather products    | 5         | 0        | 8       | 1      | 2      | 20     | 2        | 0     | 38    |

|  |     |    |     |    |    |     |    |    |     |
|--|-----|----|-----|----|----|-----|----|----|-----|
| Wood products (except furniture)                             | 7   | 0  | 10  | 2  | 0  | 3   | 0  | 1  | 23  |
| Pulp,paper& paper products & Printed matter & recorded media | 13  | 2  | 21  | 7  | 2  | 10  | 4  | 0  | 59  |
| Chemicals & man-made fibres Rubber & plastic products        | 34  | 0  | 7   | 5  | 1  | 13  | 1  | 1  | 62  |
| metal products   | 19  | 6  | 21  | 1  | 7  | 17  | 1  | 4  | 76  |
| Machinery and equipment                                      | 14  | 1  | 17  |    | 6  | 10  | 2  | 5  | 55  |
| Medical, precision and optical instruments                   | 0   | 0  | 0   | 0  | 0  | 0   | 0  | 0  | 0   |
| Motor vehicles, trailers and semitrailers                    | 0   | 1  | 0   | 0  | 0  | 2   | 0  | 0  | 3   |
| Furniture & other manufactured goods n.e.c.                  | 5   | 0  | 14  | 3  | 7  | 11  | 0  | 5  | 45  |
| others   | 37  | 2  | 7   | 2  | 6  | 8   | 0  | 5  | 67  |
| Total  | 150 | 23 | 138 | 34 | 40 | 167 | 13 | 21 | 586 |

Source:Ministry of industry,(2010)

The Lebanese state has worked to encourage the industry in south suburbs by giving incentives, notably tax breaks and enact laws to protect them and give encouragement loans And the trade agreements signed between Lebanon and the countries of the world and its geographical location and ease of communication with the countries of consumption and raw materials in addition to the excellence of Lebanon materials and competent human graduating from specialized industrial labor formed an important incentive to stimulate the industry and the growth and development.

The industry in south suburbs,have the industrial and differential feasibility and advantages based on investment incentives and banking facilities and ease of import and export related to the status of the strategic facilities, in addition to the external relations of Lebanon and signed agreements with the Arab countries that have made for the industry an integral role with these countries.

Increased investment and industrial production and the diversity of markets and the skill of the Lebanese and their innovations made, for example, wood and furniture industry, medicine and chemical industry comparable to the finest global industries. Is also 64ctive in south suburbs, the jewelry industry, shoes and tobacco. As well as paper, plastic industry, which find a wide popular in a broad European markets.

Factors, pinned down in the capital and its suburbs, and on the coast refer to:

The existence of import and export ports (port: Beirut), which provides transport costs.

Proximity to consumer markets and labor.

Proximity to raw materials produced locally Industries, mining and building materials in the suburbs of Beirut Integration with a number of industries close to the plants or energy conversion, such as: industrial area and aluminum factories .<sup>15</sup>

### CHAPTER III:-

#### Procedures and Methodology:-

#### Population and sample Selection:-

The population in this study consists of all employees working in family business . The researcher selected a convenient sample size 250.

<sup>15</sup>ibid

**Questionnaire:-**

This questionnaire is about the effects on the role and the financial performance of the firm, like corporate government, technology, planning, culture, training, and relationship. For each factor, please tell me if the situations match your reality on a scale from 1 “strongly disagree” to 5 “strongly agree”

Gender: Male \_\_\_\_\_ Female \_\_\_\_\_

Religion

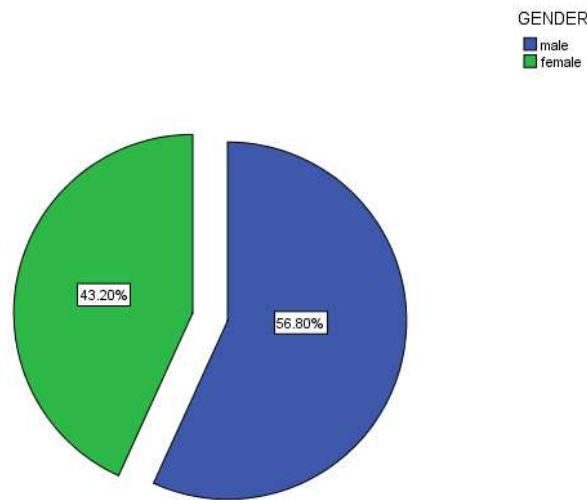
Age

**CHAPTER 4:-**

**Findings Of The Study:-**

Chapter presents the findings of the study with a focus on the test of hypotheses in the form of path diagram for the structural equation model. Graphs – 1 - through - 5 - show the graphical representation of the five dimensions but in *standardized scores* ( see Appendix 2)

**Graph 1:-** shows the gender representation with males making approximately 57% of the sample.



**Table 10:-** shows that the majority are Muslims

| RELIGION |           |           |         |               |                    |
|----------|-----------|-----------|---------|---------------|--------------------|
|          |           | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid    | Muslim    | 183       | 73.2    | 73.2          | 73.2               |
|          | Christian | 40        | 16.0    | 16.0          | 89.2               |
|          | other     | 27        | 10.8    | 10.8          | 100.0              |
|          | Total     | 250       | 100.0   | 100.0         |                    |

**Table 11:-** shows that the majority are between 31 and 50 years old

| AGE   |        |           |         |               |                    |
|-------|--------|-----------|---------|---------------|--------------------|
|       |        | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 20-30  | 80        | 32.0    | 32.0          | 32.0               |
|       | 31-40  | 98        | 39.2    | 39.2          | 71.2               |
|       | 41-50  | 50        | 20.0    | 20.0          | 91.2               |
|       | 51-60  | 20        | 8.0     | 8.0           | 99.2               |
|       | 61-100 | 2         | .8      | .8            | 100.0              |
|       | Total  | 250       | 100.0   | 100.0         |                    |

**Factor Analysis:-**

Table -12- through Table – 14- shows that there are five dimensions underlying the items in the questionnaire. These 5 dimensions are:



1. Financial performance
2. succession
3. Family harmony
4. Separation between property and mgt
5. Technology

**Table 12:-**

| KMO and Bartlett's Test                          |                    |          |
|--|--------------------|----------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. |                    | .717     |
| Bartlett's Test of Sphericity                    | Approx. Chi-Square | 4404.682 |
|  | df                 | 253      |
|  | Sig.               | .000     |

**Table 13:-**

| Total Variance Explained |                     |               |              |                                     |               |              |  |
|--------------------------|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|--|
| Component                | Initial Eigenvalues |               |              | Extraction Sums of Squared Loadings |               |              | Rotation Sums of Squared Loadings <sup>a</sup> |
|                          | Total               | % of Variance | Cumulative % | Total                               | % of Variance | Cumulative % | Total  |
| 1                        | 8.134               | 35.365        | 35.365       | 8.134                               | 35.365        | 35.365       | 5.615  |
| 2                        | 2.330               | 10.132        | 45.497       | 2.330                               | 10.132        | 45.497       | 3.844  |
| 3                        | 1.869               | 8.127         | 53.624       | 1.869                               | 8.127         | 53.624       | 3.538  |
| 4                        | 1.497               | 6.511         | 60.135       | 1.497                               | 6.511         | 60.135       | 3.635  |
| 5                        | 1.318               | 5.731         | 65.866       | 1.318                               | 5.731         | 65.866       | 3.620  |
| 6                        | 1.141               | 4.962         | 70.828       |                                     |               |              |  |
| 7                        | 1.070               | 4.651         | 75.479       |                                     |               |              |  |
| 8                        | .986                | 4.286         | 79.765       |                                     |               |              |  |
| 9                        | .771                | 3.352         | 83.116       |                                     |               |              |  |
| 10                       | .710                | 3.087         | 86.203       |                                     |               |              |  |
| 11                       | .603                | 2.622         | 88.826       |                                     |               |              |  |
| 12                       | .566                | 2.463         | 91.288       |                                     |               |              |  |
| 13                       | .410                | 1.782         | 93.070       |                                     |               |              |  |
| 14                       | .327                | 1.423         | 94.493       |                                     |               |              |  |
| 15                       | .260                | 1.130         | 95.623       |                                     |               |              |  |
| 16                       | .244                | 1.063         | 96.686       |                                     |               |              |  |
| 17                       | .223                | .970          | 97.656       |                                     |               |              |  |
| 18                       | .139                | .603          | 98.259       |                                     |               |              |  |
| 19                       | .120                | .522          | 98.781       |                                     |               |              |  |
| 20                       | .092                | .400          | 99.181       |                                     |               |              |  |
| 21                       | .070                | .304          | 99.485       |                                     |               |              |  |
| 22                       | .065                | .285          | 99.769       |                                     |               |              |  |
| 23                       | .053                | .231          | 100.000      |                                     |               |              |  |

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

**Table 14:-**

| Structure Matrix                  |           |      |      |       |       |
|-----------------------------------|-----------|------|------|-------|-------|
|                                   | Component |      |      |       |       |
|                                   | 1         | 2    | 3    | 4     | 5     |
| We focus on financial performance | .850      | .252 | .284 | -.384 | -.048 |

|   |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|
| We train staff to work on technical requirements and developments in the work                                     | .827  | .177  | .252  | -.241 | -.366 |
| We have relationship between leadership levels characterized by harmony   | .772  | .524  | .325  | -.292 | -.391 |
| We plan the technical needs for the next years  | .741  | -.030 | .506  | -.336 | -.287 |
| We Analyse the deviations between the forecast and the reality  | .741  | .333  | .449  | -.367 | -.256 |
| We plan the administrative needs for the next years   | .678  | -.111 | -.027 | .220  | -.192 |
| We evaluate financial performance from time to time   | .651  | .592  | .373  | -.596 | -.244 |
| We have the relationship between leadership levels and workers characterized by understanding and non-superiority | .421  | .246  | .003  | -.046 | -.169 |
| We replace the old by the new   | .421  | .766  | .434  | -.488 | -.381 |
| The best successor is selected  | .177  | .747  | -.130 | .066  | -.334 |
| We prepare a good successor   | .154  | .695  | .088  | -.322 | -.260 |
| We update the technical development in computers and communications   | .150  | .636  | .193  | -.324 | .115  |
| We use modern means of communications   | .466  | .522  | .387  | -.225 | -.405 |
| We have an internal system governing relations between the different FAMILY MEMBERS AT WORK                       | .178  | .108  | .904  | -.060 | -.204 |
| We have systems for prior and subsequent censorship   | .226  | .054  | .894  | -.070 | -.296 |
| We separate between management and property   | .196  | .107  | .092  | -.807 | -.144 |
| We have a politic in your work  | -.076 | .338  | -.045 | -.671 | .079  |
| We have a strategie in your work  | .507  | .294  | .357  | -.619 | -.590 |
| We plan th e employment needs for the next years  | .439  | .427  | .167  | -.610 | -.518 |
| We use technology in production   | .174  | .420  | .148  | -.136 | -.800 |
| We use technology in management   | .354  | .131  | .375  | -.208 | -.775 |
| We follow a global or local standards for the performance of work   | .212  | .024  | .475  | -.095 | -.537 |
| We plan the operations of production  | .453  | .183  | .347  | -.506 | -.506 |
| Extraction Method: Principal Component Analysis.<br>Rotation Method: Oblimin with Kaiser Normalization.           |       |       |       |       |       |

#### Multiple Regression

Table -15- through Table – 17 - shows that the four dimensions including the succession problem significantly affect the financial performance of the firms.

**Table 15:-**

| Model Summary |                   |          |                   |                            |
|---------------|-------------------|----------|-------------------|----------------------------|
| Model         | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1             | .391 <sup>a</sup> | .153     | .139              | .92777612                  |

a. Predictors: (Constant), TECHNOLOGY, SEPARATION BETWEEN PROPERTY AND MGT, FAMILY HARMONEY, SUCCESSION

**Table 16:-**

| ANOVA <sup>a</sup> |            |                |     |             |        |                   |
|--------------------|------------|----------------|-----|-------------|--------|-------------------|
| Model              |            | Sum of Squares | df  | Mean Square | F      | Sig.              |
| 1                  | Regression | 38.112         | 4   | 9.528       | 11.069 | .000 <sup>b</sup> |
|                    | Residual   | 210.888        | 245 | .861        |        |                   |
|                    | Total      | 249.000        | 249 |             |        |                   |

a. Dependent Variable: FINANCIAL PERFORMANCE  
 b. Predictors: (Constant), TECHNOLOGY, SEPARATION BETWEEN PROPERTY AND MGT, FAMILY HARMONEY, SUCCESSION

**Table 17:-**

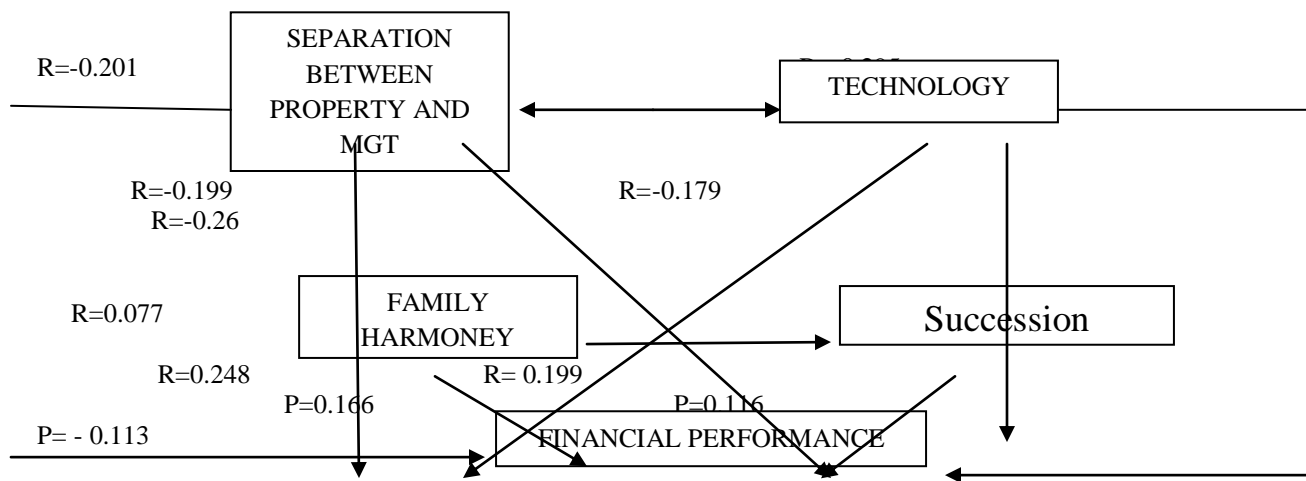
| Coefficients <sup>a</sup> |                                     |                             |            |                           |        |       |
|---------------------------|-------------------------------------|-----------------------------|------------|---------------------------|--------|-------|
| Model                     |                                     | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig.  |
|                           |                                     | B                           | Std. Error | Beta                      |        |       |
| 1                         | (Constant)                          | -3.375E-017                 | .059       |                           | .000   | 1.000 |
|                           | SUCCESSION                          | .116                        | .062       | .116                      | 1.885  | .061  |
|                           | FAMILY HARMONEY                     | .166                        | .061       | .166                      | 2.701  | .007  |
|                           | SEPARATION BETWEEN PROPERTY AND MGT | -.113                       | .062       | -.113                     | -1.825 | .069  |
|                           | TECHNOLOGY                          | -.224                       | .061       | -.224                     | -3.660 | .000  |

a. Dependent Variable: FINANCIAL PERFORMANCE

Path analysis

**Graph 7:-** shows the Path Analysis in the form of SEM \_ Structural Equation Model-.

**Graph 7:-**  
 Path analysis



**CHAPTER V:-****Conclusion:-**

This paper addresses five different hypotheses:

H<sub>1</sub>. The less the separation between ownership and management , the better the financial performance of the Industrial Financial Performance in the Southern Suburbs of Beirut.

H<sub>2</sub>. The more the firm is dependent on technology , the better the financial performance of the Industrial Financial Performance in the Southern Suburbs of Beirut.

H<sub>3</sub>. Successor' s development is positively related to financial performance of the Industrial Financial Performance in the Southern Suburbs of Beirut.

H<sub>4</sub>. Proper plan of succession is positively related to financial performance of the Industrial Financial Performance in the Southern Suburbs of Beirut.

H<sub>5</sub>. Family harmony is positively related to financial performance of the Industrial Financial Performance in the Southern Suburbs of Beirut.

The hypotheses were tested using causal analysis in the form of path analysis. Three different statistical techniques were used:

- 1- Factor analysis
- 2- Multiple regression and,
- 3- Path analysis

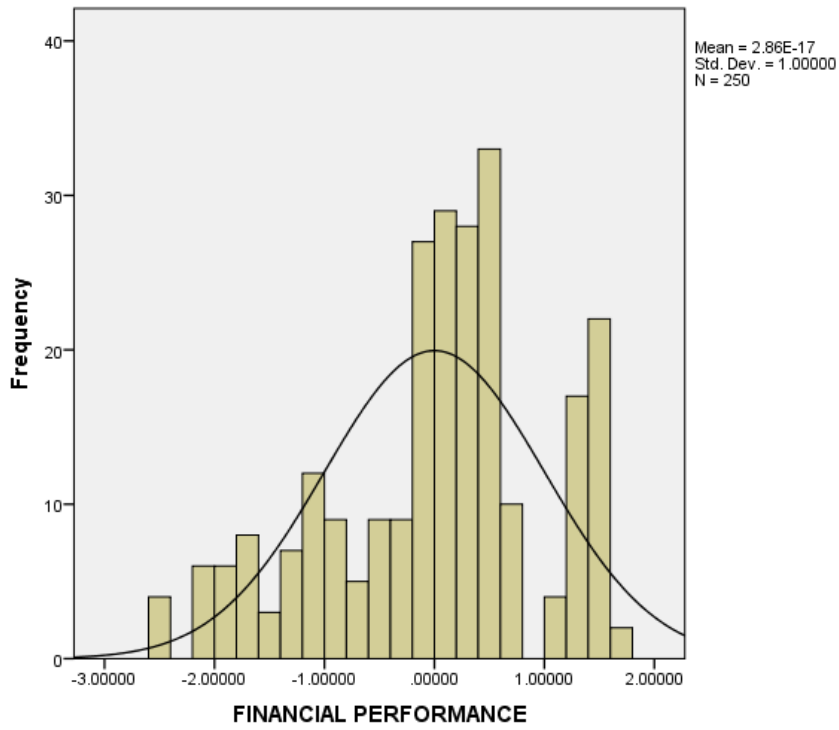
The paper makes a contribution to the corporate finance and management literature since the subject of financial performance s underrepresented in the academic literature. This is one of the few papers that address both the succession problem in management and financial performance. Most of the past literature addresses one but not the other. The paper has implications for the board of directors. Our results should help the board of directors determine if the succession affects performance . The paper also has managerial implications in the sense that companies should organize managerial development practices and expose their successors to several different job functions. The knowledge gained through these programs allows successors to have in-depth knowledge of functional areas other than their primary area and helps them overcome the shock of environmental change .

**Appendix 1:-****Questionnaires**

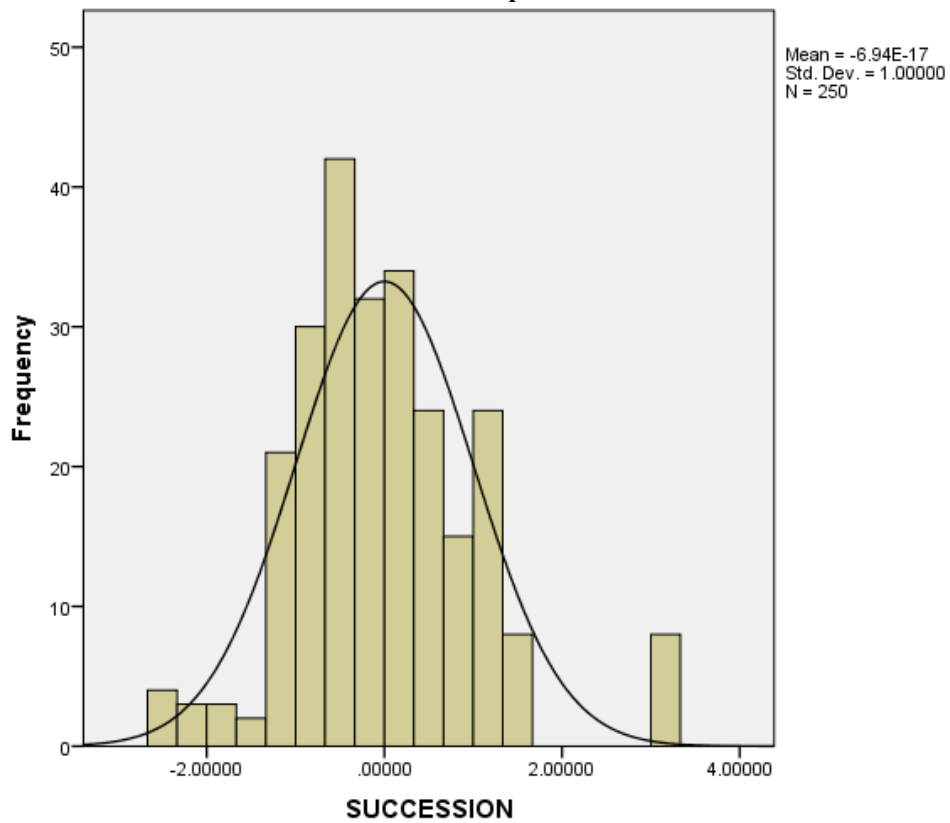
| No | situation  | Strongly disagree | Disagree | Neutral | Agree | Strongly agree |
|----|--|-------------------|----------|---------|-------|----------------|
| 1  | We separate between management and property  |                   |          |         |       |                |
| 2  | We have an internal system governing relations between the different administrative levels |                   |          |         |       |                |
| 3  | We have systems for prior and subsequent censorship  |                   |          |         |       |                |
| 4  | We follow a global or local standards for the performance of work                          |                   |          |         |       |                |
| 5  | We use technology in production  |                   |          |         |       |                |
| 6  | We use technology in management  |                   |          |         |       |                |
| 7  | We use technology in accounting work   |                   |          |         |       |                |
| 8  | We use modern means of communications  |                   |          |         |       |                |
| 9  | We update the technical development in computers and communications                        |                   |          |         |       |                |

|    |  |  |  |  |  |  |
|----|--|--|--|--|--|--|
| 10 | We replace the old by the new  |  |  |  |  |  |
| 11 | We have a strategie in your work   |  |  |  |  |  |
| 12 | We have a politic in your work   |  |  |  |  |  |
| 13 | We plan the operations of production   |  |  |  |  |  |
| 14 | We prepare the estimated budgets   |  |  |  |  |  |
| 15 | We plan the administrative needs for the next years  |  |  |  |  |  |
| 16 | We plan th e employment needs for the next years   |  |  |  |  |  |
| 17 | We plan the technical needs for the next years   |  |  |  |  |  |
| 18 | We Analyse the deviations between the forecast and the reality   |  |  |  |  |  |
| 19 | as General manager i have accesstothe continuousdevelopments inthe profession                                  |  |  |  |  |  |
| 20 | We trainstaffto work ontechnical requirements anddevelopments inthe work                                       |  |  |  |  |  |
| 21 | We evaluatejob's stafffrom time to time  |  |  |  |  |  |
| 22 | We have relationshipbetween leadershiplevels characterized byharmony   |  |  |  |  |  |
| 23 | We have the relationshipbetween leadershiplevels and workers characterized byunderstanding and non-superiority |  |  |  |  |  |

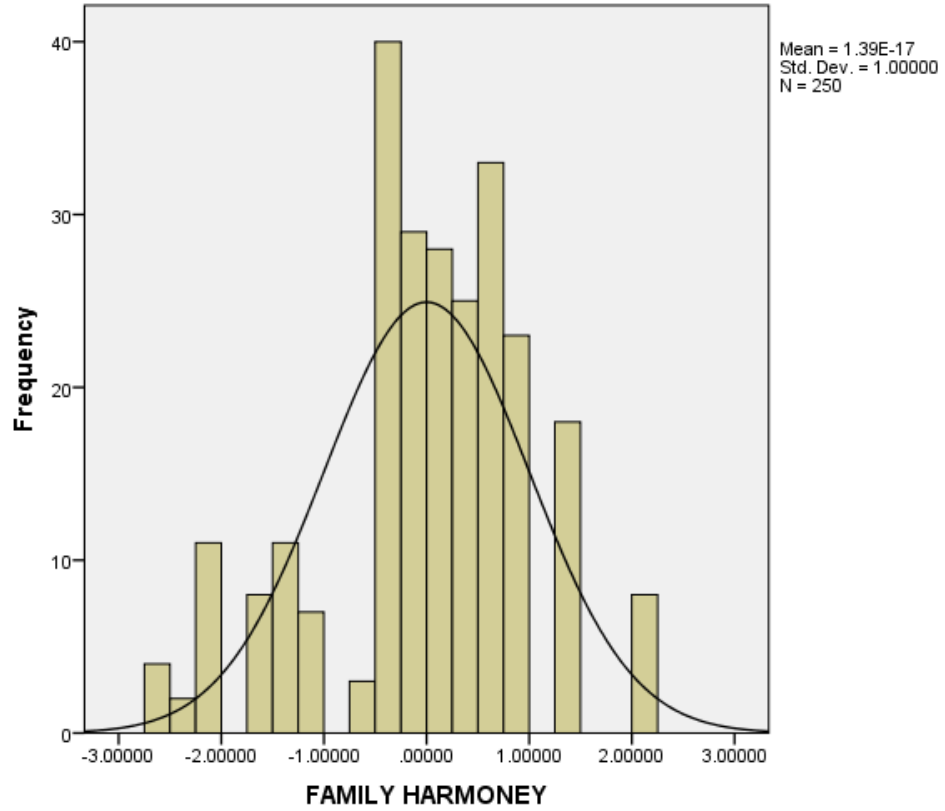
Appendix 2



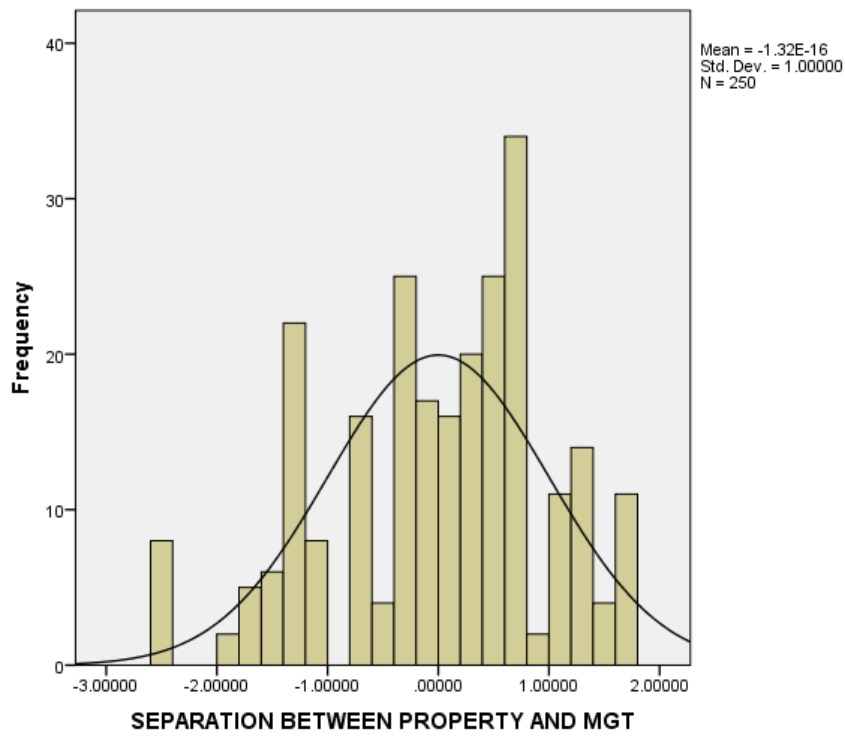
Graph-1



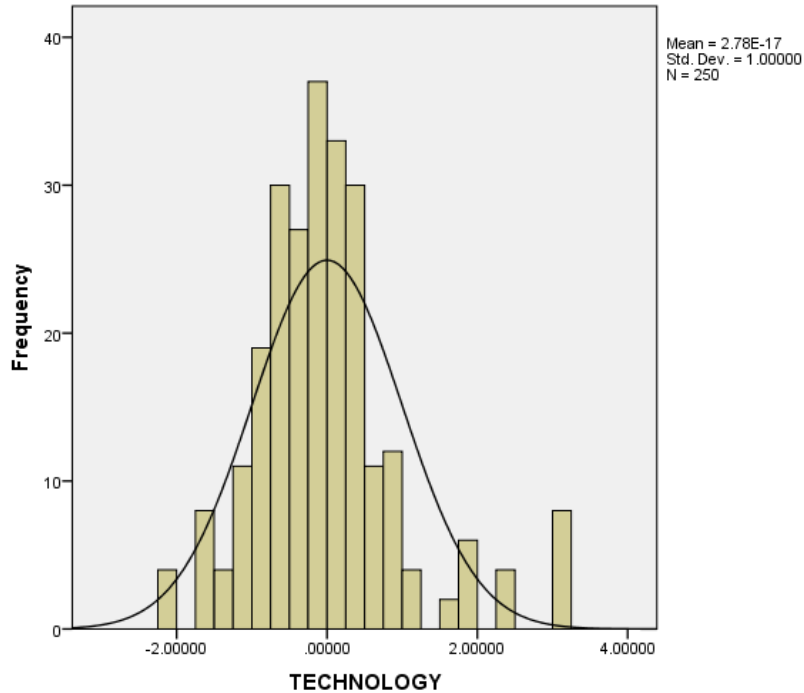
Graph-2



Graph-3



Graph-4



Graph-5

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