

A Work Project, presented as part of the requirements for the Award of a Master's Degree  
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## **Planning for The Future of Masmoudi's Business Family**

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## Abstract

The following work project has the purpose of advising the *Masmoudi* family to plan for the future. The family and business were presented, the current situation of family governance was assessed, and the need for developing a family constitution was identified. For the purpose of developing such document, qualitative data from the members of the family was collected and analyzed, to eventually present a draft of the constitution. In the process, the concepts referred to in the literature review regarding family business and family business governance, were demonstrated in the discussions with the *Masmoudi's* family members.

Keywords: Family Business; Uniqueness of Family Firms; Family Governance; Family Constitution.

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## 1. Introduction and Background of the Business and Family

The story of *Masmoudi* goes back to 1972 in Sfax, Tunisia, when the founder Moufida Aloulou (age: 84) started making pastries not only for household consumption, but also for her friends and acquaintances<sup>1</sup>. Sooner, the word has spread for the good quality of her sweets, more and more people came through the door asking to buy pastries.

Since a young age, the children (three brothers and a sister) were involved in the business, they used to help their mother in the preparation processes. In 1991, a limited liability firm was established, and ownership was divided equally by the founder and her three sons. Prior to that, the daughter had to move to a different city after getting married, so she couldn't be part of the new venture's development. At that point, both generations were **working together** (Gersick, 1997), the mother was focused on technical aspects of pastry making, while the brothers had managerial responsibilities. Eventually, the management and leadership of the business has transitioned from the founder to the three sons. The company is now the leading traditional Tunisian pastry manufacturer in the country, it operates with 800 employees and has 23 stores spread around Tunisia, France, Netherlands, and Algeria. In the recent years, *Masmoudi* has been expanding to add different business units, it has introduced an Italian ice-cream franchise to the country, with nine stores across Tunisia. There are also two other business units that are being developed. Overall, the business has a **privately-owned equity** of 1€ million and a yearly sales turnover of 20€ million.

The *Masmoudi* family is currently composed of 27 members, one in the first generation, seven in the second (including three in-laws), seventeen in the third (including four in-laws), and two in the fourth.

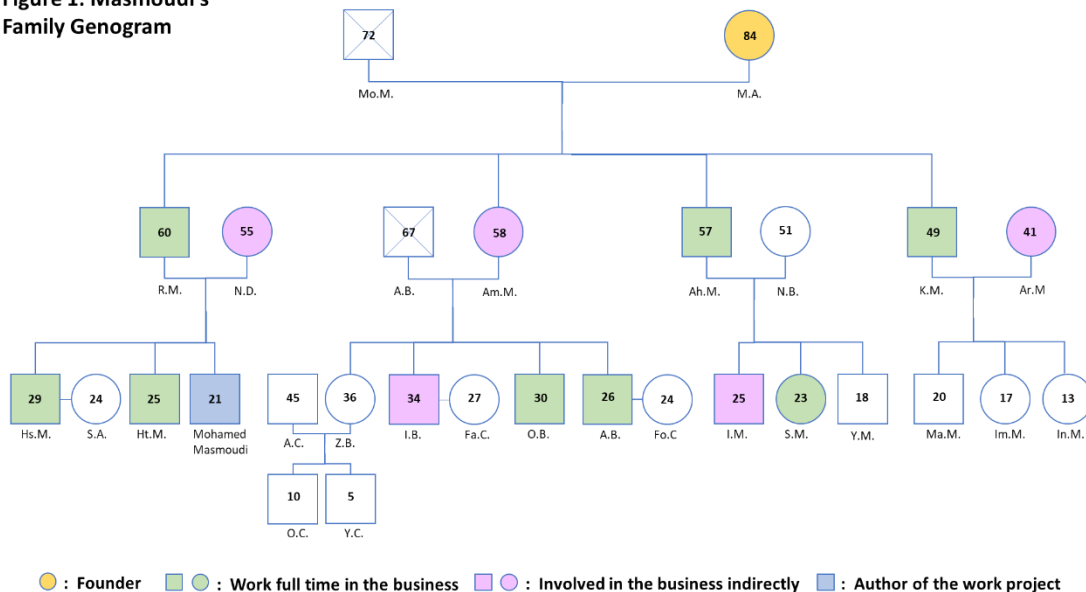
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<sup>1</sup> Traditional pastries are typically served in most events and ceremonies in Tunisia. Also, it is consumed in households, generally served with coffee.

## 2. Thinking of the Future

Currently, the business is in the **working together** step of family development (Gersick, 1997). The ownership structure is still the same, it is **privately owned** by the founder and her sons. It is **controlled by the three sons** who make up the top management team. Nonetheless, five members of the third generation have already joined the business to work full-time, three of which are holding middle management positions, and contribute in decision making. Also, few other members of the family are involved in the business indirectly. They are not considered employees of the business, but rather, exclusive business partners for the business e.g. suppliers. In the meantime, more members are expected to join the business in the near future, considering the range of ages, as depicted in the following genogram (Figure 1).

**Figure 1: Masmoudi's Family Genogram**



The fact that more members are expected to join the business raises some concerns for *Masmoudi's* future. There seems to be a major generational transition on the way, the concern comes from the fact that **only twelve percent of family businesses have succeeded to transition from the second to the third generation**. Such low percentage is generally a

consequence of lack or poor planning for the future (Poza & Daugherty, Family Business, 2014). That's where this work project comes in handy, its purpose is to offer a potential strategic plan to prevent *Masmoudi's* family business to fall in such pitfall.

### 3. Literature Review

#### 3.1 Family Business in literature

Setting an exact definition for subjects in academia is often challenging. It is the case of family business, considering the complexity of the forms and structures it could be built on (Sharma, 2004). There is a wide range of literature on family business in which various definitions have been used. One revised definition that was proposed after analyzing various studies entitles that, **a family business is a firm in which multiple members of the same family are involved as major owners or managers**, either contemporaneously or over time (Miller, Breton-Miller, Lester, & Cannella, 2007).

Family enterprises account for around two-thirds of all businesses around the world, and **contribute between 70% and 90% of global GDP**. This shows the impact and importance of family businesses in world economies (Family Firm Institute, 2016). A study comprised 403 companies from S&P 500 index covering 1992 to 1999 proved that, **family firms are significantly better performers when it comes to ROA** (Return on Assets) with 6.6 points of percentage difference, and have recorded **10% greater in market valuation** (Anderson & Reeb, 2003). Moreover, publicly traded family businesses have recorded **higher returns to shareholders** when compared to management-controlled counterparts in MCSI Europe, MSCI World, and S&P 500; with two to three percentage points of CAGR weighted average from 1997 to 2009 (Caspar, Dias, & Elstrodt, 2010).

### 3.2 Uniqueness of family business

Uniqueness of family business comes from the bivalent attributes that were first presented in the **Three-Circle Model**<sup>2</sup> by Tagiury and Davis in 1982; The overlapping parts are family, ownership, and management (as depicted in figure 1 of appendix 1). This creates a situation of **blurred boundaries** where members of a family firm could have simultaneous roles, as in being part of two or more elements at the same time (Tagiuri & Davis, 1996). The fact that a member of a family firm could belong to more than one category could result in advantages as well as disadvantages. Family members involved in a business through simultaneous roles could develop a sense of stewardship towards the family and business, especially when the goals of both are aligned. However, emotional involvement could hinder objectivity, and intrude in business decisions. Family members sharing a common history and mutual privacy could be constructive or destructive. They could have developed a sense of awareness that would facilitate communication, or, it could be used against each other and serve as a fuel for conflict (Dawson & Mussolino, 2014).

Furthermore, the concept of **Socioemotional Wealth** is viewed as an important feature that makes family firms unique, and explains why they act distinctively. This concept is defined as the set of non-economic utilities that the family has invested in the business. It is characterized by five dimensions that are referred to as **FIBER**: “**F**amily members’ control and influence over strategic decisions, **I**dentification of family members with the firm, **B**inding social ties based on kinship and reciprocity, **E**motional attachment to the family business, and **R**enewal of family bonds of the firm through dynastic succession” (Dawson & Mussolino, 2014). Preserving the family’s socioemotional wealth represents a key goal for family businesses. Especially for family members who identify strongly with the business,

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<sup>2</sup> The Three-Circle Model was a breakthrough framework in the topic of family business, it is often referred to in academia worldwide. Other than being simple, it focuses on the importance of Ownership and not only Family and Business (Davis, Three-Circle Model, n.d.)

they tend to exert efforts to preserve it, even when it comes with a financial cost (Berrone, Cruz, & Gomez-Majia, 2012).

### 3.3 Dynamics among family business subsystems

Based on the Three-Circle model, a member of a family business could be part of one or more of the three circles, from that, some dynamics or behavior could be highlighted. A family business could be focused on only one circle of the model, which introduces family-first businesses and management-first businesses. In the case of the former, family unity and harmony is the most important, performance comes in a second place. For the latter, performance and organizational effectiveness is the goal. For example, employment in the business is not a birth right, it's rather based on merit (Poza & Daugherty, Family Business, 2014). Favoring family members without consideration of capturing the best talent possible, as in practicing **nepotism**, could hinder performance and profitability (Menendez-Requejo, 2006). Although it is argued that performance should be the focus, since it leads to long-term sustainability, the family factor in family business can never be overlooked. It is indeed what makes such firms unique, as it was demonstrated by the concept of **socioemotional wealth**. Therefore, it is advised that these subsystems would be balanced, in a way that make them jointly optimized, and not focusing on one while ignoring the other. **Joint optimization** is an alternative to the concept of blurred boundaries, it serves to identify the boundaries, and balance the needs and interests of the different subsystems. **This could be achieved through a solid governance structure and practices**, as it will be further discussed in the next sections (Poza & Daugherty, Family Business, 2014).

### 3.4 Governance for family business

Governance systems specific for family firms has been a relatively understudied domain until recently, when compared to literature on corporate governance systems in general. The



governance of a family business is more complex when compared to non-family firms, considering the involvement of family and the overlapping roles concept, as illustrated by the aforementioned **Three-Circle Model** (Davis, *Governing the Family-Run Business*, 2001). The same model serves to demonstrate the different governance systems for each component (as depicted in figure 2 of appendix 1). Each part (Management, Ownership, and Family) requires its own governance structure in an effort to avoid organizational problems (Davis, *Governing the Family-Run Business*, 2001). The governance structures for management and ownership circles are common to all businesses, but, what is of interest in a family business context comes from the family circle, to present “the Family Council”. It is a governance structure, that consists of family members who come together periodically to discuss family and ownership matters. Its main purpose is to provide a mechanism, in which members of the business family can articulate their values and expectations vis-à-vis the business, and develop policies that safeguard the long-term interest of the family. Such values and policies could be codified in a **Family Constitution** (Feliu & Gersick, 2014). Thus, top management and shareholders are the voice of the employees and owners respectively, and the family council is the voice of the **business family**. To emphasize, a business family is not the whole family, it is more specific, it includes family members who are owners, managers, or any beneficiaries of the family business in terms of ownership, employment, or income. Generally, the current owners, their spouses, their children, and their grandchildren are considered to be the business family members (Davis, *Governance of the Business Family*, 2006). Nevertheless, these governance structures must communicate and cooperate to ensure having consistent goals and policies (Davis, *Organizing the Family-Run Business*, 2001).

### 3.5 Family constitution

A family constitution, also known as a charter or a protocol, serves to support the family's intentions and goodwill. It highlights the vision and values of a business family and codifies essential rules and obligations, which supports family members' behavior regarding the management or ownership of the business. A family constitution varies from a family to another and it is specific depending on the family's unique attributes. It could be simple or complex. What is of utmost importance is that it is under a written format, that could be referred to when needed, and not only unspoken rules (T'Serclaes, Gravito, & Marzo, 2015). Drafting a clear family constitution is important for sustaining a family business, since it **facilitates the transgenerational transition of business leadership**. Research conducted by the *Boston Consulting Group (BCG)* has found a difference of fourteen percentage points in revenue growth over two years following a leadership transition, favoring family businesses who had planned for the transitions, compared to those who did not. In addition, a charter helps families to **build a strong legacy that could endure for generations**. It defines a family's identity and core values, which would be then used to develop strategies that are aligned with the family's vision. It also works as an instrument to maintain discipline in the relationships of family members among each other, and towards the business (Bhalla & Kachaner, 2015). Best practices advise that, the development of a family constitution should occur in a favorable economic period, as opposed to a period of crisis or conflict in the family (Fopp, Prager, & Lendentu, 2011). Accordingly, it should be based on collaboration, where different point of views of all members are considered. An effective family charter should not be one-sided or imposed in an authoritarian way (Davis, Governance of the Business Family, 2006). It is also important to emphasize that it is not a legally binding document, it is more of a moral contract between family members (Poza & Hisrich, Family Governance White Paper, 2012).

### 3.6 Family constitution: Outline

Using *Harvard Business School's paper by John Davis, Poza's Family Business book, Credit Suisse's report on Family Governance, and Family Governance report by the International Finance Corporation* as references for best practices, it was established that there are few basic elements that are generally included in an outline of a family charter. Typically, it starts with an introduction of the family, through **mission and vision**, here some basic questions are addressed. For example, who is considered to be a member of the business family, what's the vision of the family towards the business, to what extent are the members committed to the business. Then comes **values**, this part comprises the set of core values that identify the business and the family. They serve to guide the behavior of the members; considering that they represent the business and reflect its image. The next major part includes policies for family members towards the business, such as an **employment policy for family members**; where there would be a set of rules that entitle under what conditions family members can join the business. This part could also include an **ownership policy, dividends policy**, or other policies. A further topic would be **succession and development of next generation members**. Finally, there could be an **appendix** that includes information about family members, an organizational chart, and shareholder information. Again, the content of such document should be unique to a given business family. The elements mentioned could be referred to entirely, eliminate some parts, or add new parts, depending on the characteristics and needs of a given business family (Davis, *Governance of the Business Family*, 2006; International Finance Corporation, 2011; Poza & Hisrich, *Family Governance White Paper*, 2012; Poza, *Family Business - 4th Edition*, 2013).

## 4. Planning for the Future

The following part documents the processes that were completed to assess the current situation, and defines the eventual need for a family constitution. The literature review serves as a main point of reference for the following sections.

### 4.1 Assessing the current situation

To get a solid grasp of *Masmoudi's* family governance status quo, a further analysis was conducted, where the leaders of the business presented their input. Assessing the current situation has two main sources of insight. The first comes from the author's knowledge as a member of *Masmoudi's* third generation, however, such insight is not enough for a thorough assessment. It just serves a basis for an overview, considering that he does not have governing or strategic planning responsibilities for the family business. So, the second source would be the voice of those who are responsible for governing the business and the family. The second-generation members would be the most appropriate in this case, since they are leading the family and the business.

**As a first step for assessing the situation**, family members were briefly introduced to the concept of family business and family governance, and how there should be strategic plans to ensure the transgenerational continuity. This initial part of the process had an informal setting, in which, the author took the opportunity of a family gathering to briefly discuss the topic of family governance and highlight its importance. At that time, second-generation and third-generation members (including their spouses) were present. The purpose of choosing such setting was that most members would acknowledge the forthcoming transition, and the importance of planning. **The second step** took a formal approach, in which, there was a meeting scheduled in the company's office. It was held with the three top managers and their sister. The brothers have always been responsible for dealing with strategic matters in the

business, and the sister's role in the family as part of the second-generation cannot be overlooked. During the meeting, the author presented the literature review, which highlights the importance of planning for the future and suggests a way to do so. Following that, the top managers were asked if there is a formal structure for family governance or a product of such structure. The response was that, **currently, there is neither a family governance structure nor a framework, however, there are few informal ideas for rules** that should govern the behavior of family members towards the business. Thanks to the presentation, they have acknowledged the importance implementing a family governance framework, and **they have agreed to develop a family constitution**. However, establishing a formal structure such as a family council was not described as a necessity at this level, so, **the author of this work project was given the responsibility of drafting the first version of the family constitution**.

#### 4.2 Defining what is needed

Every family charter should be unique for a given business family, its outline should match the needs of the family. In this case **the process of defining the need started** from highlighting all the elements to be considered. This was established in the first meeting with the second-generation members, after presenting some examples of best practices for family constitutions (as summarized in the literature review). However, not all the elements suggested are applicable for the *Masmoudi* business family, also, not all the applicable ones were considered a priority. That's where the **second step** came to highlight the relevant elements and establish priorities. Eventually, an outline was developed, it consists of three major parts. The first covers the **vision**, the second lists the **values** of the business family, and the third part consists of an **employment policy**. In the **next step**, a period of time was set, at the end of which, the document should be reviewed and updated; considering that the development of a constitution is a continuous process. The structure of the family and

business might change, so, there might be a need for reviewing the content, either by adding new elements or just updating the existing ones. It was suggested by the family leaders that the document should be reviewed every three years. After establishing what is needed to draft a family constitution, the next process of collecting and analyzing information to build the content was initiated.

## 5. Data Collection and Analysis

The findings of this part will be the building block of *Masmoudi's* family constitution. While the outline was elaborated by the second-generation members, the content was developed while referring to both the second and third generation members' input, making the process collaborative; as suggested by best practices. Clearly, it couldn't be denied that third generations members have an important role in the family and business, and they should be indeed a part of planning for the future.

### 5.1. Collecting insights and information

#### 5.1.1. From second-generation members

The process of data collection **started** from determining how to collect the information needed. The method used consisted of conducting a **group interview** with the three top managers and the sister, also it would be more effective to have collaborative answers. The **second step** was to develop a set of questions. Since the data to be collected is qualitative, most of the questions were open ended, to encourage the respondents to develop descriptive answers. They were specific, and the terms used were simple, to be clear and understandable. It was important that the questions were not leading, to avoid any sort of bias. Eventually, the questions were developed, and were categorized into two parts. To match the family charter's elements, the first part (definitions) addresses the vision and values, and the second

part focuses on the content of the employment policy (refer to appendix 2 for a detailed list of the questions).

#### 5.1.2. From third-generation members

Similarly, the process of collecting information **started** from determining how to collect the data, but, the method used here was different. **Individual semi-structured interviews** were conducted, considering the higher number of participants. The **second step** was to establish the list of the interviewees. The considered respondents were all third-generation members (excluding spouses, as was advised by second-generation members) that are at least 18 years old. This gave out a list of **ten** interviewees. The **third step** consisted of developing the questions of the interview. The same list of questions developed for the second-generation members' group interview was referred to, considering that it covers all the parts required for the content. Albeit, not all ten members have the same position in the family business, some are full-time employees, some are involved indirectly, and some are not involved in the business. So, the list of questions was modified depending on the interviewee's relationship with the business (alterations are found in question nine). The **fourth step** was to prepare the structure of the interview sessions. Each session started with an introduction summarizing the findings of the literature review. The introduction presented the context of a family business, also, demonstrated the concept of family governance alongside the importance of planning. Finally, the **last step** was to conduct the interviews, the results of which will be discussed in the following part.

## 5.2 Analyzing the data collected

### 5.2.1. From second-generation members

The group interview was conducted in a second meeting, which has occurred in the same setting as the first. The data collecting process from the second-generation members was

smoother when compared to the sessions with the third-generation members, as it will be further discussed in the next part. The answers were somewhat ready and clear, without any significant differences between the four respondents. This could be explained by two facts. The first is that as top managers, they are used to discuss strategic matters, and already have thoughts concerning governance in general. The second is that in several occasions, e.g. press conferences or other events, they were asked to communicate the mission and vision of *Masmoudi*. Starting with the **definitions part**, the interviewed group answered that members of the business family are all lineal descendants of the founder. Concerning **vision**, the statement given by the top manager *Ah.M.* (who is also the spokesperson of the business) was: “we want to become one of the leading business groups in Tunisia, with strong international presence, while continuing to be a family-run business”. While discussing the question of “whether the business depends on the family or the family depends on the business”, it was argued that the business depends on the family, in a sense that family members are needed to continue the development of the business. However, it was emphasized that the needs of the business come before the interest of family members. Concerning **values**, **sharing** was described as one of the main values that the founder lives by, and that she raised them to always be generous and selfless. They also described **respect** as one of the values to be engraved in all members and future generations of *Masmoudi*; they mentioned respect for work, for family, for employees, and for rules.

Moving to the **employment policy** part of the interview. This part also had relatively direct responses, since there was already a discussion about best practices of employment policies in the first meeting. They support the idea that employment of family members in the business should be based on merit, and that it should depend on the needs of the business only. Also, they advocate that members seeking employment should go through the standard procedures of recruitment, and those who are employed should comply with all work procedures, like



any non-family employee. However, there was some flexibility concerning employment prerequisites, such as having a specific degree or experience outside the business as mandatory requirements. Although they mention that it is highly encouraged, they argue that there should not be discouraging criteria. At the same time, that does not allow a family member to get a position that they are not qualified for. They suggested that, those who are seeking employment could go through a training program, in which performance would be assessed by the Human Resource department only. Furthermore, employment of in-laws and spouses of family members was described as an opportunity, then again, there should be compliance with all standard procedures of recruitment for any candidate.

#### 5.2.2. From third-generation members

Ten interviews were conducted, each interview lasted between forty-five minutes and an hour. There were various points of views for certain questions, compared to the second-generation members' input, as it will be discussed. During the introduction part, most participants were surprised by the fact that, only twelve percent of family businesses survive from the second to the third generation. However, what was interesting is that most did not show any strong concern about this. It seemed like there was a level of confidence that this won't be the case of the *Masmoudi*. Most have agreed on the importance of planning and having a family governance framework. Starting with the **definitions** part of the questionnaire, all interviewees agree that a member of the business family is any lineal descendant of the founder. When it comes to **vision**, the responses were not so different from the second-generations members' responses. The most recurrent statements described that, the *Masmoudi* family would continue to be united generation after generation while carrying the legacy of the founder. Other responses were more business-oriented stating that, *Masmoudi* would become one of the most successful businesses in the country. There was always an emphasis on the importance of family, this was further expressed in the questions

of “whether the business depends on the family or the family depends on the business”. Similarly, most have described that the business depends on the family, in a sense that without the efforts and sacrifices of the previous generations, the business wouldn’t be as successful as it is today. Two respondents gave the example of a crisis that occurred few years back; their parents (top managers) have refrained from having vacations or having any unnecessary expenditure, and constantly put out their private money to pay out the debts of the company, until the crisis was overcome. Nonetheless, it was described that the family depends on the business at the same time, in a sense that, the family wouldn’t be as united as it is, if it wasn’t for the business. It was argued that, the fact that family members work together and see each other regularly has made the family united, not to mention that, there is a shared interest to be preserved. Consequently, it was concluded that both the family and the business depend on each other, with the business being the primary focus. The **values**’ question has produced numerous responses, each member provided at least three, however, some were repeated more than others. The analysis has provided a list of the most mentioned values; **honesty, sharing, and hard work**. “Honesty” was recorded in six out of ten interviews, “sharing” was mentioned by five respondents, then, “hard work” was mentioned four times. Some of the other values that were mentioned at least twice were “family unity”, “humility”, “sacrifice for the business”, and “money isn’t everything”.

Moving to the **employment policy** part of the questionnaire. This section started with the main question of should there be a set of guidelines for family members to join the business. All members had affirmative answers. Going into details, third-generation members were asked if they think employment of family members should be a birthright or based on merit. The analysis showed that, eight out of ten indicated that it should be **based on merit**. Likewise, almost all respondents stated that employment should be based on the needs of the business. But, what is interesting is that there was a loophole in some of the responses of this

question, which was discovered after further discussion. Four members (who have already responded that employment should be based on merit and the business's needs) stated that if there is no existing need, one could be created to welcome a family member who could add value in the firm. The latter have also argued that, in the situation where there is a non-qualified family member going against a qualified non-family member for an open position, the position should go to the qualified person. Interestingly enough, there was no correlation between these members and their employment status in the business; two were working full time, one was involved indirectly, and one was not involved in the firm. So, it couldn't be explained by their interest in joining the business for example. When it comes special treatment of family members (in questions six and seven of the second part), views were diverse, and some responses were neither affirmative nor negative, so each respondent was asked to further specify his or her point of view. For a meaningful analysis, their responses were broken down into three categories; "strongly agree", "strongly disagree", and "neither agree nor disagree". On the one hand, three interviewees have indicated that family members should be treated indifferently, and nepotism should not be tolerated, otherwise performance could be jeopardized. On the other hand, two respondents argued that, family members should have an advantage because they belong to the business and have a shared interest, which could be explained by the dimensions of socioemotional wealth, and how they will make sure that it will be always preserved. Interestingly, these two members belonged to the group of four who stated that, a need for employment in the business could be created to match a family member's profile. Then, five of the interviewees were unprecise about their answers, and gave an in-between kind of response ("neither agree nor disagree"). Their arguments could be summarized in the following: having a certain level of objectivity is crucial. But, the fact that this is a family business, family members should be part of the business, because of their incentive to preserve their socioemotional wealth.

Moving to the questions of including in-laws in the business (questions eight and nine), nine out of ten respondents indicated that they should be treated as any non-family member. There should be no treatment of favor, if there is a need in the business they are welcome to go through the regular recruitment and selection procedures.

To conclude the analysis, the aforementioned five dimensions of socioemotional wealth (**FIBER**) seem to be reflected in the input of both generations of the *Masmoudi* family, and, the importance of implementing a family governance framework is acknowledged.

## 6. Presenting the Findings

This part comes to present the following draft of the first version of *Masmoudi's* family constitution. Its development was a result of mainly documenting to the input collected from the business family's members, which makes it the voice of the family. The structure of the document was inspired from best practices, however, while typically it should include a table of contents, here it was disregarded due to space limitations.

### **The Masmoudi Family Constitution**

#### Preamble

This family constitution serves as a roadmap for the *Masmoudi's* business family members, being any lineal descendant of the founder. It was developed to bring together the collective vision and values in our family, enabling next generations to carry on the legacy of our beloved mother, grandmother, and founder *Moufida Masmoudi*.

We acknowledge the forthcoming transition from the second-generation to the third-generation, and we believe that it is crucial to manage expectations, making personal interests and the business's needs balanced.

Thus, this document<sup>1</sup> serves as a vehicle to:

- Clarify what *Masmoudi*'s business and family wants to be in the future
- Define a set of values that are the foundation of the family and business, such values are to be maintained and passed to future generations
- Record a set of rules regarding employment that governs family members' relationship with the business

## Section 1: Vision

- 1.1 *Masmoudi* wants to maintain the **unity** of family members, being an important factor for success
- 1.2 *Masmoudi* wants to remain a **family-run** business, that continues to grow generation after generation
- 1.3 *Masmoudi* wants to be one of the **leading business groups** in Tunisia, with a significant **international** presence
- 1.4 *Masmoudi* wants to maintain the **positive image** of the business and the family
- 1.5 *Masmoudi* wants to keep on being a positive **representation of Tunisia** internationally, through its product and service offerings

## Section 2: Values

A set of fundamental values has always been a main factor for our success, and for setting a positive image for the business and family. Such values, were passed to the second-generation from the founder, and to be passed to all future generations of *Masmoudi*

- 2.1 **Honesty.** Following an ethical conduct works in the favor of common good, and maintains the positive image of *Masmoudi*. This applies to all forms of interactions (e.g. information, goods and services) regarding the business either between family members, family members and members of the business, or family members and the community.
- 2.2 **Sharing.** Our beloved founder has always known for generosity, we want to maintain this trait in all members and future generations of *Masmoudi*.
- 2.3 **Respect.** We thrive for an environment where family members respect each other, and all stakeholders in the business are treated with respect.
- 2.4 **Hard-work.** Dedication and commitment to achieve the company's objectives, regardless of the efforts it takes.
- 2.5 **Family unity.** Our family's unity has always been the backbone of the business, it should be maintained for its continuity.

- 2.6 **Humility.** Regardless of the level of success or status reached, family members should always be free of arrogance and superiority.
- 2.7 **Sacrifice for the business.** Needs of the business come before personal needs. Sacrificing for the business is rewarded by success, which eventually all family members benefit from.
- 2.8 **Money isn't everything.** Money is only a tool, it should not be considered a goal.

### Section 3: Employment Policy

Members of the family are encouraged to join the business, and contribute in carrying on the legacy generation after another. However, all members should be aware of the guidelines that entitle them to be employed in the business.

- 3.1 Employment of family members is **based on merit** rather than being a birth right.
- 3.2 Employment of family members should **depend on the needs** of the business.
- 3.3 Family members considering working in the business are **encouraged to gain experience outside of the business** before joining.
- 3.4 Family members seeking employment in the business should **have the requirements** for a given job description (i.e. level of education).
- 3.5 Family members without experience seeking employment in the business are **eligible for a graduate program**, designed and managed solely by the Human Resource department.
- 3.6 Family members seeking employment in the business should **go through the regular procedures** of recruitment (same for non-family applicants).
- 3.7 Compensation of employed family members should be **in accordance with the standard procedures** (same as for non-family members).
- 3.8 Family members employed in the business should comply with **general work procedures**, and respect the organizational hierarchy.
- 3.9 Spouses and in-laws seeking employment in the business should go through the **standard employment procedures**. (same as for non-family members)

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<sup>i</sup> This constitution is subject of continuous development, it should be reviewed and updated every three years.

## 7. Possible Limitations of the Study

Although the work project has reached its aims, to offer an actual draft of a family constitution for the *Masmoudi* family, there are some possible limitations. One could be **bias**, resulting from the nature of the relationship between the author and the business family members in question. Nonetheless, the author assures that all documentation of information gathered from family members is free of any sort of deviation. The interviewees could have showed some bias, in which they did not express their true opinions about some of the discussed matters. Another possible limitation could be a result of **linguistic differences**. While the content of this work project and the research behind the literature review were developed using English, the sessions with the family members including all interviews and discussions took place in Tunisian Arabic<sup>3</sup>. There could have been misunderstandings coming from the author's and/or respondents' side, a message could have been conveyed differently when a statement was translated from a language to another. In spite of that, the author was aware of this issue while communicating with the family members, and always strived to deliver an accurate translation while presenting or documenting content.

## 8. Recommendations

The fact that *Masmoudi's* business family acknowledges the importance of planning for the future, and is engaging in the development of a family constitution, represents a positive sign, for it to pursue its vision. Nevertheless, **it is advised that the business family would assemble, and make a consensus** to review the constitution, and eventually it would become an official document that is approved by all members. Accordingly, they should be well informed with the purpose of the session, all of them should acknowledge that it is an open

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<sup>3</sup> The official language of Tunisia is Arabic, it is used for all written documents. However, the spoken language used in daily speech is somewhat different, it is referred to as Tunisian Arabic or *Tounsi* (which translates to Tunisian). It is a set of dialects that is influenced by Arabic, French, Berber, Italian, and Turkish.

process that is only valid when done collectively, in which **every suggestion or concern will be valued**. This way it would be legitimate, and ensure that all members comply with, even though it is not a legally binding document. Unfortunately, it was not possible for such process to be a part of this work project, due the time constraints and the unavailability of all members to be part of it. Regardless, the family leaders have decided to take action for this recommendation, and implement such process. This event will take place in the founder's house following Sunday's lunch, gathering all members of the business family on the 25<sup>th</sup> of February. **It is also advised that the process would not be rushed**. The members should consult the initial draft of the constitution in advance, so that they have enough time to review it (maybe seek outside advice), and eventually have all comments noted when they have the chance to express their concerns. Furthermore, **it is recommended that the family reconsider the priorities for family governance**. The elements that were already considered are crucial, however, there are some others that are equally important, but were ruled out. Taking into example, the establishment of a family governance structure that would be embodied in a Family Council. Although, the first version of the charter was drafted by the author of this work project, such **structure is needed** for the continuous development of the document. Other than that, it would be the main body responsible for developing strategies that may become a priority in the near future, such as, succession plan, development of next generations members, an exit strategy, etc. In addition, **it is recommended that Masmoudi seek services of local consulting firms** specialized in family business. An outside and thorough analysis of the family could be conducted, also, professional advice is invaluable when developing strategies.

Finally, *Masmoudi* should always keep strategic planning as a primary focus, in an effort ensure a successful transgenerational succession, carry on the legacy of the founder generation after another, and fulfill the vision of the family overall.



## Appendices

### Appendix 1:

Figure 1: Three-Circle Model  
(Tagiuri & Davis, 1996)

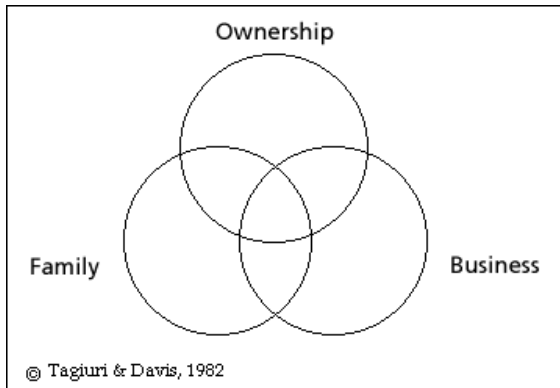
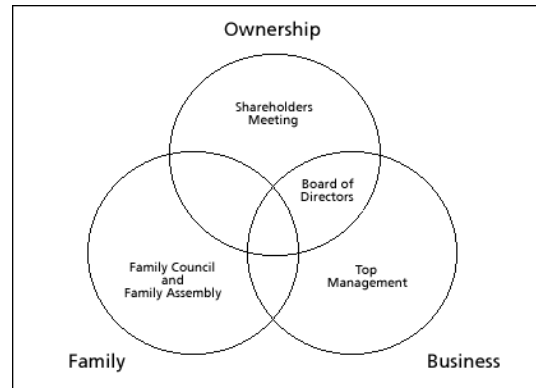


Figure 2: Family Business Governance Systems  
(Davis, Governing the Family-Run Business, 2001)



### Appendix 2: Interview Questions

#### • Part One: Definitions

- 1) Who is a member of the business family?
- 2) **Vision: What do you want the family to achieve in the future?**
- 3) What are the objectives of the family (towards the family)?
- 4) What are the objectives of the family (towards the business)?
- 5) Does the business depend on the family or the family depends on the family, why?
- 6) **What are the values of the business family?**
- 7) Do you think future generations should be encouraged to join the business, why?
- 8) How should next generation members should be encouraged?
- 9) **(Third-generation members who work in the business or are business partners)** Were you encouraged to join the business, how?  
**(Third-generation members who do not work in the business)**  
Are being encouraged to join the business, how?
- 10) How can family unity be maintained?

#### • Part Two: Employment Policy

- 1) **Do encourage having rules for family members to join the business? (employment policy)**
- 2) Do you think employment should be based on merit or is a birthright?
- 3) Do you think it should be based on the business needs only, why?
- 4) Do you think that there should be criteria for joining, why? i.e. degree or experience
- 5) Do you encourage having outside experience before joining the business, why?
- 6) Do you think family members should go through the regular employment process and procedures (the same for non-family members), why?
- 7) Should employed family members be treated the same way as non-family members (respecting hierarchy and regular work procedures), why?
- 8) Do you encourage employing family members' spouses of family members, why?
- 9) Do you encourage employing in-laws of family members, why?

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