Abstract:

This article explores the startup, growth, and success factors of Sinokrot Global Group. Sinokrot, a family-owned enterprise located in the Palestinian West Bank. Sinokrot began as a local confection in the West Bank, focusing on Agro-Industries and Agriculture, which has expanded into the global market. The firm employs permanent and seasonal workers from surrounding fifty villages and cities. It accounts for three thousand five hundred workers in Palestine society and ships to over twenty countries worldwide. Despite political and economic challenges in Palestine and the Middle East, Sinokrot has set modern successful business ventures in the Palestinian and other emerging markets. This case study on Sinokrot, now termed Sinokrot Holdings, examines factors that contributed to the success and survival of Sinokrot. A structured interview method is used to elicit relevant information from top management of Sinokrot on its sustainable growth and entry into global markets. We will discuss implications for entrepreneurs in less developed nations. An entrepreneurship success model for family-owned businesses is proposed.

Keywords:
Palestine; International entrepreneurship; family owned business; success; situational analysis; strategy

I. Introduction

According to International Council for Small Business (ICSB), 90% of small and medium-sized firms account for 60-70% of total employment and fifty percent of Gross Domestic Profit (GDP) (United Nations, 2019). This translates to those enterprises with fewer than 250 employees being a great source of jobs worldwide (Barinova, Zemtsov, & Tsareva, 2018; United Nations, 2019). As the population continues to rise and poverty becomes an increasing concern worldwide, these micro, small and medium firms are projected to house 600 million jobs to address the working population requirements by 2030 (Janta et al., 2015; United Nations, 2019). The contributions of family-owned businesses to less developed and developed countries' economic growth are significant (Lussier & Sonfield, 2009; Nikoloski, 2020; Patel, Pieper, & Hair, 2016). These businesses are often regarded as the economy’s backbone, with high amounts of wealth directly linked to family-owned enterprises (Galván, Martínez, & Rahman, 2017; UN, 2004).

In Western countries, it is estimated that family-owned businesses represent more than 80 percent of all companies, and they are the dominant form of enterprises (Bewayo, 2009; Garton, 2019). Further, family-owned businesses control more than 30 percent of the world’s largest corporations (Bewayo, 2009). In the West Bank and Gaza areas of Palestine, family-owned companies are represented in every sector. "The Palestinian economy contains about 104,000 economic units. Of the total, 91 percent are working in the private sector, 5 percent..."
are functioning as government ministries and sub government units, and 2 percent are organized as Non-Governmental Organizations (NGOs). In comparison, about 1.4 percent are organized in local government units and United Nations Relief and Works Agency (UNRWA) for Palestine Refugees units.” (Sabri, 2008). Family-owned businesses are considered a seedbed for industrialization because they serve as sources of employment and technological development (Tahir & Sabir, 2015; UN, 2004).

This case study examines the factors that contributed to the success of one family-owned business, Sinokrot Global Group (SGG), in the Palestinian West Bank. SGG, which was known as Sinokrot Food Company, has operated for more than two decades in the West Bank.

Enterprises in Palestine are always seeking to follow international environmental standards, quality assurance, social ethics, and labor norms, all of which are becoming significant determinants for companies seeking internationalization. Businesses in Palestine function under crucial adverse conditions such as the Israeli closure policy, movement restrictions, and round-the-clock curfews. Palestinians are threatened with extreme poverty due to the separation wall's construction (Abu-Ras & Mohamed, 2018; UN, 2004). Further, Gaza’s recent war resulted in Israeli destruction of critical Palestinian infrastructure, making commercial reconstruction difficult to impossible.

Although the Palestinian economy enjoyed substantial growth following the 1993-1994 Oslo peace accords between the Israelis and the Palestinians and the Palestinian authority's establishments, this growth period masked deep-seated structural imbalances and weaknesses inherited from the occupation period. These structural deficits include impoverished supply capacity, a high unemployment rate, a growing trade deficit, and an economy dominated by micro-enterprises employing fewer than five persons (Bouazza, Ardjouman, & Abada, 2015; Idewele, 2020; UN, 2004). The UN recognizes that the growth of small companies like SGG is crucial for the future independent state of Palestine, especially under the current weak economy, distorted supply capacity, and the limited size of local markets (Panza, 2013; UN, 2004).

1.1 Country Background

The Sinokrot Company is a business in the West Bank's Palestinian area, a region almost Vermont’s size. Palestine has been continuously dominated by various entities and is currently occupied by the State of Israel. The result has been the diversification of the population and government. Palestine’s territory has been in dispute for centuries. Its border and name have changed numerous times throughout history.
A look at the 1946 map of Palestine in Figure 1 shows Palestine bordered by the Mediterranean Sea from the west, Syria, and Jordan from the east, and Lebanon from the north. The southern border extended from Rafah and Tabbah (Egypt) to Agrabah Jordan's gulf (Caplan, 2019; Permanent Observer Mission of Palestine to the United Nations, 2019).

Present-day Palestine, however, comprises much less than 20 percent of the 1946 map. Most of the Palestinian population is concentrated in the West Bank and Gaza areas. Palestinians dream of having their independent state, but the present Israeli occupation of the West Bank and Gaza and internal conflict between Fatah and Hamas, the two major political parties, have presented barriers to the realization of this dream (Anderson, 2015; The Institute for Middle East Understanding, 2009).

According to the Central Intelligence Agency (CIA) website, approximately 2,798,494 Palestinians live in the West Bank, and nearly 1,836,713 residing in Gaza. The annual population growth rate for the West Bank is 1.81 percent and 2.25 percent for the Gaza Strip (CIA, 2018).

In September of 1993, the Oslo Accord was signed and gave hope to the region for peace and economic progress (O'Flynn, 2019). Pledges from international aid existed to build up the economic infrastructure of the West Bank and Gaza. However, studies show that the Palestinian standard of living declined after the Oslo Accords (Hammond, 2015). Some attribute the failure to expand and establishment of settlements that made the economic, educational, and medical situation in Palestinian territories sink to an extreme low (Dhaher, 2016).

To further the decline, the 2006 victory of Hamas in the Palestinian elections resulted in an economical and financial seize against the Palestinians that included massive poverty and unemployment. The percentage of people living below the poverty line in 2007 reached fifty-
seven percent and the Palestinian Central Bureau of Statistics (2017) reports poverty at 13.9% in West Bank and 53% in Gaza Strip.

Major industries in the West Bank and Gaza include cement, quarrying, textiles, soap, olive-wood carvings, and mother-of-pearl souvenirs. Major exports are olives, fruit, vegetables, and limestone, while primary imports are food, consumer goods, and construction materials. The West Bank and Gaza GDP for 2018 are estimated at $14.616 Billion, an increase from $12.673 Billion in 2015 (World Bank, 2019).

1.2 Company Background
Established in 1982, Sinokrot Global Group (SGG) managed to grow from a small confectionery company known as Sinokrot Food Company to the largest family-owned business group in Palestine. Located inside the Industrial Zone near Ramallah's city in the West Bank, they started their business by manufacturing several confectioneries, including nougats, wafers, and chocolates. SGG, which is currently one of the leading organizations in the Middle East, chose to expand by diversifying its business vertically and horizontally into sectors or Strategic Business Units (SBUs), as shown in Figure 2.

1.3 SGG Executive Management
SGG is led by Mazen Sinokrot, who has a BA degree in Production Engineering and Industrial Management from the University of Nottingham in the UK. Mazen is also a former Palestinian Authority (PA) Minister of National Economy. He also holds many titles in education as well as business enterprises. Mazen Sinokrot and his four brothers, accompanied by the founder of Sinokrot Company, their father Mohammad Tawfiq Rasheed Sinokrot, all work together to accomplish the mission of SGG:

Mohammad Tawfiq Rasheed, Sinokrot SGG’s Founder and President
Mazen Sinokrot, SGG’s Chief Executive Officer (CEO)
Marwan Sinokrot SGG’s Vice President and Agriculture Sector CEO
Muhsen Sinokrot, SGG’s Industrial Sector’s CEO
Kamel Sinokrot, SGG’s Tourism Sector’s CEO
Sulyman Sinokrot, SGG’s Trade Sector’s CEO

Strategic Business Units (SBUs)

Figure 2. Sinokrot Global Group (SGG) Strategic Business Units (SBUs)
1.4 Mission Statement

General Manager, Hasan Al-Sadeq, describes SGG's mission statement as: "We continuously strive to offer the highest quality, convenience, and value of the various products and services we develop. We are committed to the well-being and growth of our employees, national economy, and stakeholders. Our business partners represent the reason for our existence, and we are devoted to fulfilling their various needs at the highest ethical and moral level."

1.5 Vision

SGG has the vision to be an innovative marketing and research-oriented economic Group and a leader in all its business categories. SGG plans to develop competitive products and services in line with market potential through global technology, using research and development.

This should enable SGG to market its products and services both locally and globally (Al-Sadeq).

1.6 Objectives and Goals

- The efficient and effective utilization of the Group's resources and activities increases the utilization percentage by 70 percent.
- Developing the managerial and organizational structure of the Group to enhance and foster its capabilities.
- Adopting the principle of comparative advantage in SGG's pursuit for new and potential investment opportunities.
- Strengthening the financial system of the Group and activating the system of cash flow cycle and internal audit (Al-Sadeq).

Figure 2 shows SGG's five strategic business units (SBUs): Agriculture, Industry, Tourism, Trade, and Service.

An SBU is defined as an autonomous division or organization unit, small enough to be flexible and large enough to exercise control over most of the factors affecting its long-term performance.

Because SBU's are more agile (and usually have independent mission and objectives), they allow the owning conglomerate to respond quickly to changing economic or market situations (Hölzle, Reimer, & Gemünden, 2018).

Additionally, SGG exports products such as olive oil and Sinokrot Food Company products to several Arab and European Union (EU) countries. SGG products are also available in the Jordanian, Iraqi, Saudi Arabian, American, and Russian markets (Palestine National Export, 2014; Sinokrot Holdings, 2019).

Agriculture is the profitable SBU for SGG. There is a great demand for medical herbs produced and packaged according to the Global EuroGap standards, with a capacity of 250 tons a year (Sinokrot Holdings, 2019). Tourism, on the other hand, has been hit very hard due to the regional conflict. Most tourism enterprises in the Palestinian territories are faced with the threat of going out of business (Abualrob & Kang, 2016; Human Development Report, 2009; UN, 2004).
Further, the rapid growth that SGG experienced put them under enormous pressure to expand their social responsibility, not only toward the employees and their families but also toward the Palestinian community. SGG has 3500 employees working in 400 outlets who provide 2,700 family members in 70 cities, villages, and refugee camps (Khoyira, 2008).

II. Review of Literatures

2.1 Performance & Sustainability of Family-Owned Businesses

The family-owned business has been defined in different ways by various authors. The Entrepreneur defines a family business as a business actively owned and managed by more than one member of the same family (Entrepreneur, 2019; Ramadani & Hoy, 2015). In her book, Andrea Colli (2003), The History of Family Business, 1800-2000, defines family-owned business not only from the ownership but from the control perspective. Colli talked about the ability of family businesses to appoint the CEO and other executives and to be able to manage the firm according to the culture and family values. Mullins and Schoar (2016); Smith (2007) conclude that the fundamental differences between family and non-family firms are much less than what earlier studies have indicated. They maintain that manufacturing is the industry with the most differences.

Research has reported that one-third of the S&P 500 founders or their families are still engaged as directors or senior managers in running those companies. Surprisingly, those companies are usually the best performers (Weber, Lavelle, Lowry, Zellner, & Barrett, 2003).

According to the Journal of Finance, family companies' performance far outstripped that of non-family companies in the S&P Index (Weber, Lavelle, Lowry, Zellner, and Barrett, 2003). Companies like Dell, eBay, and Oracle excel remain on top of other companies by having founders who work with their companies' passion. This power goes beyond what money can get from any hired executive.

Sometimes, the family-owned business success stems from top executives and their board members' ability to focus on the core enterprise (Weinstein, 2018; Weber, Lavelle, Lowry, Zellner, and Barrett, 2003). Family-owned businesses around the globe share common factors of success. In her article, Family Business Owners Offer Secrets to a Successful Business; Mia Katz stated that leadership, communication, and succession planning were among the most critical issues to address its success (Katz, 2005).

Forbes, as outlined by Deeb (2019) and Farrell (2018), identified other success factors as follows:
- Born to lead: working relentlessly from an early age, listening to elders and repeating their advice, having the experience that an outsider cannot match.
- Quick decisions: they can move faster than corporations because their hearts are occupied with what they are doing.
- Breeding loyalty: although they demand a lot from their employees, they treat them like family.
- Investing in growth: their way of building and preserving their wealth is that they reinvest heavily in their businesses. Wal-Mart quadrupled the number of outlets in fifteen years.
- No absentee landlords: family members are motivated to work harder to maintain the integrity of their wealth.
The factors that contribute to family-owned businesses' success include content outlined in Jiménez, Martos, and Jiménez’s (2015) research that provides for harmony within family businesses. Their study confirmed that having a work climate surrounded by participation brings forth unity among the family-run companies as they have a higher level of trust (Jiménez et al., 2015). Bloom, Sadun, and Van Reenen (2015) confirm that family-owned businesses integrate practices that bring forth effective management despite the country of origin because of their routine operational and monitoring of all involved and the utilization of modern disruptive technologies. Mathews and Blumentritt (2015) discuss that the family-owned business's sustainability is critical to ensure company profitability. Families' selection of the next leader based on their credentials and how well they execute the assignments equals equal success and family business longevity (Mathews & Blumentritt, 2015).

2.2 Strategic Management and Industry Analysis

The success of family businesses can't succumb to similarities of large entities as they adhere to different strategies; this was confirmed in a multi-industry comparison in Australia that confirmed the absence of concrete strategic plans for small businesses would lead to failure (Weber, Geneste, & Connell, 2015). The ability to obtain and utilize a precise strategic vision leads to success and sustainability. It's estimated that without a strategic focus, 75% and higher of small businesses fail within the first five years (Charles, Ojera, & David, 2015; Karadag, 2015). Also, lack of strategic planning was identified by Forbes as the reason why family businesses are less likely to achieve their financial goals and less possible to stay in business (Conway, 2019; Eisenberg, 2019).

The majority of 90% of family-owned businesses fail due to lack of strategic planning; lack of time was why not engaging in strategic planning (Hibbler-Britt & Wheatley, 2018; Hu-Chan, 2019). Lambert (2008) and Schröder (2016) identified company size as one of the challenges to small businesses.

Cater III, Beal, and Justis (2006); Schwass & Glemser (2016); Zwick & Jurinski (2019) identify greed and ego as significant challenges to the small family business. Both can kill a family business, especially if family members are included in the partnership agreement. Future uncertainties, which are in no one's control, such as the death of one of the partners, may also end a family business. Finally, the authors acknowledge that some family members' unwillingness to forgo generated revenues can prevent a family business from future growth.

Bouazza, Ardjouman, and Abada (2015); Tung and Aycan (2008); Wang (2016) describes inadequate access to financial resources and investment capital as significant barriers to growth for small, medium enterprises. This challenge accounts for high rates of failure among small businesses.

III. Research Methods

The sample participant of this study was SGG's CEO, Mazen Sinokrot, in Palestine. A 6-part questionnaire was utilized in this executive interview; these questions were structured into seven different sections to allow for in-depth probing. The interview areas outlined in the questionnaire design allowed for probing of the success and internationalization of SGG family-owned business.
The research questions design were structured in six parts to answer the critical question (Oe & Yamaoka, 2020a), "What contributes to the success of family-owned businesses in Palestine?" In this study, the questionnaire’s variables allowed for an executive interview of the CEO of Sinokrot with results discussed below.

IV. Discussion

This section outlines the specifics of the proposed research hypothesis. The formulated interview questions were validated by academic research experts and are in alignment with the theory. The executive interview with SGG's CEO, Mazen Sinokrot, was conducted in Ramallah at the Sinokrot headquarters.

4.1 Research Q#1: What does Strategic Management mean to Sinokrot?

Response: Strategic management is the reason for our success. We understand where we have been in terms of strengths and weaknesses and where we are heading. Our reserves and flexibility to adapt to an ever-changing market allow us to harvest market opportunities before others realize them. We depend on market research to identify needs. We understand that the market is based on supply and demand. Take, for example, our Agricultural SBU, which is our cash cow in the Jericho area. We can plant and grow herbs all year round because of the fair weather and enough workers. There is a tremendous demand for Palestinian crops from the EU.

SGG adopted several well-planned strategies and policies to take advantage of the available opportunities and alleviate the negative aspects and outcomes of the current Palestinian economic environment. Hence, the Group's approach focuses on reorganization, efficient utilization of the available resources, and fostering the national economy's growth sources, and enhancing its competitive capabilities.

4.2 Research Q#2: How do you Achieve and Maintain Product/Service Quality?

Response: We are ISO 9001 certified. SGG was the first Palestinian entity to register to ISO 9001 and several other international and local standards. International, as well as Palestinian Quality Auditors, visits our businesses for periodic assessment. We continuously strive to offer the highest quality, convenience, and value of the various products and services we develop. We are committed to the well-being and growth of our employees, national
economy, and stakeholders. Our business partners represent the reason for our existence, and we are devoted to fulfilling their various needs at the highest ethical and moral level.

4.3 Research Q#3: Tell me about Sinokrot's Next Generation? Are they Supporting the Same Kind of Business Model? Do you Have a Succession Plan?

Response: Yes, we have a succession plan. Five of our children studying in the various business-related fields in foreign countries like the USA, Europe, and the UK have taken active roles within the family business. My first son studied Business Management in Cyprus, and my second son studied Agricultural Engineering in the UK. My third son studied Business Law in the UK. My brother's (Vice President) son studied Industrial Engineering. Two of my nephews studied Mechanical and Industrial Engineering.

4.4 Research Q#4: Tell me about Sinokrot's Social Responsibility Activities in the Community

Response: We are consistent in our belief in the importance of social responsibility and national development. SGG annually hosts thousands of students on field trips in our factory. We also accept two to four students from local universities each year as interns for two months.

We help fund schools and university social functions. The Group enjoys a solid base in the Palestinian community and is highly involved in nationwide charitable, cultural, cooperative, and other activities. The Group has both direct and indirect contacts that tie it with more than 75% of the local community.

4.5 Research Q#5: Who are your Competitors? How do you Handle the Competition?

Response: Our main local competitor when we started in 1982 was Silvana, but they closed their operations in 2000. We bought most of their machines. We even contracted with the Australian company, Haas, to fix those machines. As for foreign competition, for example, Turkish, Egypt, and Malaysia products are available in the local market, and we acknowledge their presence. Still, our competitive advantage is the high-quality products and good customer service. To strategically handle and alleviate foreign competitors' adverse effects, we have established a new company within the Group called "The Grand National Markets (GNMs)." This company's primary goal is to be the sole representative for many foreign companies, especially those who can be considered our main competitors in the Palestinian market.

Thus, we have managed through this strategy to turn off the adverse effects of foreign competition into positive and profitable means that positively contribute to SGG's strategic goals and objectives.

4.6 Research Q#6: What are SGG's Greatest Strengths, Weaknesses, and Threats?

Response: We can summarize our main strengths as our corporate culture, brand name, customer retention, high-quality products, effective marketing system and sales, qualified team of employees and workers, vast market share, and advanced technology.

Our weakness is in the lack of technical training since all our machines and equipment are bought from a foreign market, especially the Australian Haas Company. Additionally, regional conflict presents a barrier to networking with information technology experts. To overcome this training deficit, we invited a German team of experts to provide onsite training.

The main threat for SGG lies in the current disturbed and deteriorated economic and political climate in Palestine represented in the various obstacles and arbitrary measurements.
of the Israeli forces that dominate all aspects of our daily life. Also, the high costs of raw materials as well as the costs of distribution due to the isolation imposed on the various Palestinian cities and villages by the Israeli roadblocks and military checkpoints. Due to the regional conflict, SGG has lost the Israeli market, a significant raw materials supplier. Competition from external markets in Egypt, Turkey, and Malaysia has also presented a challenge to SGG's success. One way that SGG has met the challenge of loss of inventory is by resorting to refrigerated trucks to carry products due to lengthy inspections that can last hours and sometimes days. Additionally, lengthy waits for permission to cross checkpoints have resulted in the loss of cargo and perishable goods.

4.7 Research Q#7: Who is behind Sinokrot Success?

Response: Not one person started our business work as a team, especially my brothers and the employees. They all have been enthusiastic, corporately oriented, and work together as one family towards achieving SGG's goals and objectives.

4.8 Model for Success

![Sinokrot Model for Success](image)

*Figure 4. Sinokrot Model for Success*

Governance and dedicated family involvement are what drives small business sustainability; according to Small Business Administration (SBA), the failure rate of small family businesses ranges from 20% for the first year, followed by 30% for the second year, 50% in the 5th year, and 70% within ten years (Hiebl, 2015. SBA, 2012; Sarbah & Xiao, 2015).

These numbers are disturbing. Thus, small business owners' emphasis on research is essential for the business longevity; with the study, the owners can plan to tackle the industry’s unexpected changes and customer needs. Planning strategically and engaging in situational analysis ensures that companies understand their customer's needs and wants and closely monitor competitors and other critical issues.

In PricewaterhouseCoopers (PwC) (2019) survey of the family business, the findings revealed that a family business's success is correlated to a strong involvement by the next generation; this is accomplished by 47% of the following leaders taking part in senior roles within the company. This correlates to the study of the Sinokrot success model. They focus on guaranteeing that the next generation is preparing to take on leadership by studying in various fields that will bring their business to the 21st century, especially with digitization capabilities. Lastly, there is evidence that social responsibility has increased among family-owned businesses, especially the community level involvement. Sinokrot's Participation in their communities brings awareness and contributes to loyalty and long-term sustainability.
(Cuadrado-Ballesteros, Rodríguez-Ariza, & García-Sánchez, 2015; Peake, Cooper, Fitzgerald, & Muske, 2017). The proposed model that begins with an in-depth situational analysis then moving to set strategies that will address product/service quality, next-generation business model, and social responsibility will yield a successful family-owned business.

V. Conclusion

All success factors mentioned in the Literature Review section have contributed to SGG’s success. However, the critical factor in SGG’s success is excellent strategic management and contingency planning. These factors are crucial for family-owned enterprises operating in challenging conditions, such as Afghanistan, Iraq, and Nigeria (Alaya, Basly, & Saunier, 2017, Myatt, 2015; Ogbechie & Anetor, 2015). Additional factors responsible for the survival and growth of SGG despite adverse market conditions include a well-defined company structure and a well-established brand name. SGG enjoys custom exemption from the Arab and EU markets as part of the Palestinian product’s support. Small businesses in the emerging market would benefit from seeking similar custom exemption and help. SGG’s ability to capitalize on new ideas that worked in other countries has expanded local opportunities. An example of this is SGG’s Frosty Company which operates under the Tourism SBU. Frosty Company is an open-buffet-style restaurant model utilized in foreign markets (USA, China).

SGG has established its own logistics company, which provides services to the entire Group, and it distributes the various products of the companies in the Palestinian market. Likewise, forward vertical integration would provide an advantage for growth in family-owned businesses in emerging economies. SGG utilizes TQM to maintain its high standards, and it has liquidity of resources, reserves, and extended financial leverage (Haqim & Hartika, 2020). TQM is a must for small businesses’ competition in emerging markets. Solid relationships with the government, institutions, NGOs and international groups ease some of the company’s barriers and threats. SGG takes an active role in formulating economic laws and regulations in cooperation with local government. A set of favorable factors can create an atmosphere for business success. Based on its leadership, organizational structure, and other competitive advantages, SGG has the potential for further global expansion (Oe & Yamaoka, 2020b).

References


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