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THE AKSOB CIRCLE

Policy Brief #2

Managing Conflict, Preserving Legacy, and Strengthening Lebanon's Business Ecosystem

July 7, 2026

Developed by the Institute of Family and Entrepreneurial Business, Adnan Kassar School of Business (AKSOB)

Core Message

Family businesses are a central pillar of Lebanon's economy, employment base, and entrepreneurial legacy. Their continuity depends on their ability to manage conflict, plan succession, professionalize governance, and separate family relationships from business decision-making. Lebanon's reform agenda should recognize family businesses as a strategic economic sector and support them through legal recognition, governance tools, succession frameworks, advisory mechanisms, and evidence-based policymaking.

Policy Actions at a Glance

1. Recognize family businesses in commercial and economic policy.
2. Develop a national family business governance code.
3. Support succession and ownership transfer across generations.
4. Professionalize management, boards, and decision-making.
5. Establish advisory and mediation support for family disputes.
6. Create a national family business observatory.

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Summary

Family businesses are vital to Lebanon's economy, employment, and entrepreneurial continuity, yet they remain insufficiently recognized in public policy. The brief argues that their sustainability depends on addressing conflicts generated by overlapping family, ownership, and management roles, particularly around succession, leadership, compensation, dividends, and strategic direction. Informal trust and unwritten rules may support early growth, but they become inadequate as firms expand and ownership passes across generations. The brief calls for a national policy agenda that legally recognizes family businesses, develops a family business governance code, supports succession and ownership transfer, professionalizes management and boards, and establishes mediation and advisory services. It also recommends creating a national family business observatory and structured public-private dialogue to generate data, guide reform, strengthen Lebanon's broader business ecosystem, and preserve productive enterprises across generations during periods of economic instability.

1. Current Challenges: Managing Conflict in a Fragile Business Ecosystem

Family Businesses Are Central but Under-Recognized

Family businesses form a major part of Lebanon's private sector, yet they remain weakly recognized in public policy. They are usually treated as ordinary SMEs or private companies, with limited attention to the specific challenges that arise from the overlap between family, ownership, and management. This gap affects the design of policies on business continuity, succession, taxation, governance, dispute resolution, and administrative support.

The absence of a formal policy framework leaves many family firms dependent on informal arrangements. Decisions about leadership, ownership transfer, family employment, compensation, dividends, board membership, and dispute resolution are often governed by unwritten rules. These arrangements may work while the founder is active and the business remains small. They become less reliable as firms grow, ownership widens, and new generations enter the business.

This creates a structural vulnerability. A disagreement over management roles can become a family dispute. A family conflict can disrupt business operations. A delayed succession decision can weaken market confidence, employee morale, and supplier relations. In the Lebanese context, these risks are intensified by economic instability, emigration, financing constraints, and administrative uncertainty.

Conflict Emerges from Role Overlap

Conflict in family businesses is often rooted in overlapping roles. A person may be a shareholder, sibling, parent, founder, manager, heir, or board member at the same time. Each role carries different expectations. A founder may expect loyalty and continuity. A nextgeneration member may seek authority and innovation. A sibling may expect fairness. A manager may expect performance and accountability.

When these expectations remain implicit, disagreement becomes personalized. Decisions on salaries, promotions, dividends, reinvestment, leadership succession, or strategic direction may be interpreted as signs of trust, exclusion, favoritism, or rejection. This is why governance in family businesses must address both the emotional and economic dimensions of decision-making.

Structured communication is particularly important. Families often avoid difficult conversations in order to preserve harmony, yet silence can allow grievances to accumulate. The conference discussions stressed that disagreement can become productive when it is handled early, honestly, and within clear governance forums. Family councils, shareholder meetings, advisory boards, and written protocols can help families address sensitive issues before they threaten business continuity.

Succession is a Major Continuity Risk

Succession remains one of the most sensitive challenges facing family businesses. It involves leadership, inheritance, ownership, competence, legitimacy, and founder identity. Many founders view the business as an extension of their life's work, which can make the transition emotionally difficult. Younger generations may be ready to contribute, yet they may lack a clear pathway into leadership. Passive shareholders may prioritize dividends, while active family managers may prioritize reinvestment and growth.

The absence of succession planning can fragment ownership, delay decisions, and expose the business to legal or managerial conflict. Succession should therefore be treated as a gradual institutional process rather than a late-stage family decision. It requires leadership development, role clarification, ownership planning, dispute-resolution mechanisms, and agreed procedures for transferring authority.

Lebanon currently lacks a dedicated framework to help family firms manage succession. Families often navigate inheritance, registration, tax, ownership, and governance issues through fragmented legal and administrative procedures. This increases uncertainty and encourages postponement. A more supportive policy environment would help viable businesses remain intact across generations while reducing conflict during transition.

Informal Trust Cannot Substitute for Governance

Many Lebanese family businesses were built on trust, reputation, and personal relationships. These are valuable assets, yet they cannot substitute for governance once firms become more complex. As the business expands, families need formal rules for employment, compensation, dividends, board appointments, performance evaluation, ownership rights, and conflict resolution.

Governance mechanisms do not remove family values from the business. They protect those values by creating clarity and accountability. A family constitution can define principles for ownership, leadership, and participation. A family council can provide a space for dialogue outside daily business operations. Advisory boards and independent directors can bring external expertise and reduce the personalization of strategic decisions.

Professionalization is also essential. Family businesses need formal management systems, transparent reporting, qualified leadership, and merit-based roles. This does not require removing the family from control. It requires distinguishing between ownership, management, and oversight so that the business can grow without depending on informal authority alone.

Data on Family Businesses Remains Limited

Lebanon lacks reliable national data on family businesses. There is limited evidence on their number, sectoral distribution, employment contribution, governance practices, succession status, or conflict risks. This limits the ability of policymakers to design targeted support measures.

A national observatory for family businesses would help address this gap. It could produce periodic reports on economic contribution, governance adoption, succession trends, and business continuity needs. It could also support case studies, executive education, policy dialogue, and advisory tools. Universities, business associations, chambers of commerce, and relevant public institutions are well placed to jointly develop such a platform.

> **In fragile business environments, continuity cannot depend on informal trust alone; sustainable family enterprises require governance structures that transform personal relationships into institutional resilience.**

2. Scaling Reform: From Family Business Dialogue to Policy Action

The conference at LAU created a platform for connecting family business experience with Lebanon's administrative and economic reform agenda. It showed that family business continuity cannot be addressed only through private effort. It requires a supportive ecosystem that includes public administration, legal services, courts, banks, universities, chambers of commerce, business associations, and professional advisors.

OMSAR's broader administrative reform agenda is relevant to this ecosystem. Simplified procedures, digital services, clear deadlines, interoperable registries, and more predictable administrative processes can reduce uncertainty for businesses. These reforms matter for family firms because business registration, licensing, taxation, ownership transfer, commercial documentation, and dispute-related procedures often become sources of pressure during succession or restructuring.

Legal and advisory infrastructure is equally important. Family business disputes can quickly damage operations when they affect leadership, ownership, banking relationships, supplier confidence, or employee stability. Mediation and specialized advisory mechanisms can help families resolve disagreements before they escalate into litigation or business paralysis. Courts remain necessary for legal disputes, yet many family business conflicts require negotiated solutions that protect both the enterprise and the family relationship.

Universities also have a strategic role. Family business continuity requires knowledge in governance, entrepreneurship, law, finance, leadership, negotiation, and conflict management. Academic institutions can provide executive education, research, advisory clinics, case studies, and neutral spaces for dialogue. The participation of students in the event also reinforces the importance of preparing future business leaders to understand the realities of family enterprise.

Lebanon's reform opportunity lies in connecting internal family business governance with external ecosystem support. Firms need better succession plans, boards, family councils, management systems, and communication structures. The public ecosystem should provide legal recognition, administrative clarity, data, advisory support, and consultation channels. This combined approach can help preserve productive firms and strengthen national economic resilience.

> **Family business continuity is not only a private concern; it is a public economic priority that depends on governance, institutional support, and a reform ecosystem capable of turning intergenerational transition into long-term resilience.**

Policy Actions at a Glance

Achieving family business continuity in Lebanon requires a coordinated policy agenda centered on recognition, governance, succession, professionalization, and evidence-based support. Key priorities include:

- **Legal Recognition of Family Businesses:** Introduce a formal definition of family businesses within Lebanese commercial and economic policy frameworks. This would allow family firms to be explicitly integrated into SME policy, economic recovery strategies, governance programs, and business-support initiatives.
- **National Family Business Governance Code:** Develop a practical governance code adapted to Lebanon's legal, cultural, and economic context. The code should provide guidance on family constitutions, family councils, shareholder agreements, advisory boards, independent directors, employment rules for family members, dividend policies, and conflict-resolution procedures.
- **Succession and Ownership-Transfer Frameworks:** Establish advisory and legal tools that help families plan leadership transition and ownership transfer before crisis conditions arise. These tools should reduce fragmentation, clarify shareholder rights, support continuity, and explore tax-neutral or low-friction mechanisms to preserve viable businesses across generations.
- Professionalization of Management and Boards: Incentivize family firms to adopt formal management systems, transparent reporting, qualified non-family executives, independent board members, and strategic planning processes. Professionalization should be framed as a way to protect family legacy by reducing dependence on individual personalities and strengthening accountability.

- **Advisory and Mediation Mechanisms:** Create dedicated family business advisory and mediation services through partnerships between universities, chambers of commerce, business associations, legal professionals, and relevant public institutions. These services should help families address governance risks, succession disputes, and communication breakdowns before they damage the enterprise.
- **National Observatory for Family Businesses:** Establish a research and policy platform to collect data on family businesses, produce periodic reports, document governance practices, monitor succession trends, and inform public policy. The observatory should be developed in partnership with universities, business associations, chambers of commerce, and public institutions.
- **Structured Public-Private Dialogue:** Integrate family business representatives into policy consultation processes related to administrative reform, SME development, taxation, digital government services, dispute resolution, and economic recovery. This dialogue should move beyond general consultation by producing workplans, timelines, responsible institutions, and measurable indicators.