Freish Sons Ltd.

Start-up, growth and transition of a small Arab family business

Freish Sons Ltd. (FSL) is one of the popular and successful family businesses in Muscat that deals primarily in herbals and traditional medicines. Their main business office and store is located at Seeb market, along the corniche road. The routes of their business can be traced back to the early1950s.

The story of FSL began with the the founder Freish Salem Al-Mahrazi's (Figure 1) move from his village to the city of Muscat. His dream in doing so was to be independent and rich in order to be able to support his family. He used to live in Al-Mudhabi, a village in the Al-Sharkiya region, where opportunities for business were limited in the 1950s. In order to fulfill this desire Freish moved to Muscat, the capital city of Oman, leaving his village where he was born and raised. His decision to move was influenced by two main reasons: to be able to feed his small family and to escape from conflicts that arose between the tribes in the region in those days. He chose Seeb souq (market) as the location in greater Muscat to open his small shop. He started with selling small things such as crops and traditional grocery items. This small shop is still there in Al-Seeb souq, and the new 4-story modern building beside it is its head office (Figure 2).

Occasionally he used to say, "The one who just has the knowledge without wisdom, cannot be successful in his life". He was a humble person who used to gain pleasure by helping people. He used to spend his free time treating people who were sick or who needed advice and spiritual guidance. At the beginning, he started treating them by the teachings of the Holy Quran and then he started to use both the teachings of the Holy Quran and herbals. The idea of using herbal medicine in treating came to him because some patients needed special herbs or medicine to recover. He used some herbals that were made in Oman and India.

Online research suggests that the use of herbs to treat disease is almost universal among non-industrialized societies, and is often more affordable than purchasing expensive modern pharmaceuticals. The World Health Organization, (WHO) estimates that 80 percent of the population of some Asian and African countries presently use herbal medicine for some aspect of primary health care. Studies in the United States and Europe have shown that their use is less common in clinical settings, but has become increasingly more common in recent years as scientific evidence about the effectiveness of herbal medicine has become more widely available.

Freish was an open-minded person with regard to business activities. He used to keep all the accounting for himself, without having any relevant education or background. He believed that Allah (God) would help him in his business and would protect him and his family. He also had confidence in his sons' abilities in that they would take active part in his business.

The Freish Family

Freish family consists of seven sons and three daughters. The Freish family tree appears in Figure 3. The eldest son was named Naser and the second one, Suliman. Suliman went to Britain to study and then worked for a while. The third eldest son was named Abdullah who was very close to his father. He was with his father from an early stage of the business. The remaining four sons: Khalid, Salim, Ali and Said did not get involved with his father's business at all. Each of them followed their own careers and pursued their own interests. Eventually, Freish chose Abdullah as a close assistant for his business. Abdullah used to spend most of his time sitting along-side his father and learning from his experience. Freish also realized that Abdullah had both a positive attitude and good work behavior, qualities that were congenial for business success.

Abdullah co-managed the business with his father for many years. Eventually his father realised it was time to see if Abdullah was ready to run the business by himself. In order to do so, Freish decided to go to perform the Haj (pilgrimage to the Holy Makkah and Medina in Saudi Arabia). In those days, the Haj journey used to take longer, about one and a half months.

During that time, Abdullah faced some challenges like lack of working capital as well as the shortage of merchandise in the shop. To overcome this challenge, he sold his motorcycle for R.O.150 (RO 1=$2.60) and went to Mattrah Souq (main market in those days in Muscat) to purchase the needed products. On his return from Saudi Arabia, his father pleasantly noticed the positive change and the prosperity of the shop under Abdullah's management. At this point, Freish realised that Abdullah was the ideal successor for his family business. In 1980, he left Muscat and returned to his town again.

The relation between siblings and owners

Some of the children and grand-children of Freish take interest in family business. Especially Abdullah (intermediate school) and Sulaiman (secondary school), who encourage their children to take part in the business. Abdullah has three sons (Saud, Aiman, Adil) and Suliman has four (Daood, Yousif, Adnan, Qahtan). The most involved Freish's grandsons are Saud (diploma in business), Daood (intermediate school), Yousif, and Adnan, who are cousins. Although the parents and their children had had limited academic achievements, they possessed quite a strong motivation for a career in business.

In general, the relationship between the family members was warm and mutual respect was always there. Although some of Freish's sons lived overseas, their relationship with their siblings is good. None of Freish's daughters were involved in the business prior to their father's death in 2011 at the age of over 100 years. Sometimes, Freish used to have discussions among family members (Figure 4). Freish used to tell his sons and daughter how to treat each other and how to respect each other. They were very close to each other through bonds of love and care. Despite this family atmosphere, some sort of tensions still occurred between them. That was because of

the personality of the oldest brother who was tough and tended to be more dominant, according to Saud, one of the grandsons of Freish. They did not let this disturb and break their family ties, however.

Growth through Diversification

The business continued to expand as everything was going well. By 2001 the company expanded its business to 12 small shops in greater Muscat area. In 2002, they started to expand beyond Muscat by opening new branches in the Al-Sharqia region and in Al-Buraimi. In the meantime, the company also planned to build their head office and main outlet in Seeb souq. In 2006, they opened their big four-story center in Al-Seeb on the sea coast street. By establishing this center they closed about six of their small shops which were merged in this new large center. In 2008, they continued what the founder Freish started in traditional medical treatment and they opened a clinic in the same filed. For such expansion, Abdullah and his son Saud went to china to search for new products. In an attempt for further growth and diversification, they decided to open a bricks factory in Al-Sharqiya region in 2009. In the same year they also established a new factory in Al-Buraimi to target a new segment of customers by producing and selling hair oil and cosmetic products. Later, they added in their clinic an Ayurvedic center which specializes in traditional medicine.

FSL Branches

As already indicated, the company operations are now performed from its three main branch offices and factories. Brief details are provided here:

1. Al Seeb: Head Office and Main Branch

This office consists of four floors: the ground floor is a super market for selling different types of products including herbal medicine, perfumes, vegetables and fruit, meat, food stuff and others. The first floor is for herbal exhibition. They import the herbs from local and international sources like India, China, Africa, Jordon, Syria, Saudi Arabia and the Jabal Al-Akthar mountain in Oman. The second floor is the traditional medical clinic. Finally, the Ayurvedic center is on the top floor. In an attempt to raise more revenue and profits, in early 2014, the company has added two new businesses: Freish Pharmacy and Freish Travels & Tourism. These two lines of their businesses are located in a small outlet located adjacent to its main building in Seeb.

2. Al-Sharqiya

It is one of the three main branches of the business. It has become a very profitable branch primarily because of its good location (see map, Figure 5). There are two types of business here: one is a grocery store and the other is brick manufacturing. They added these new lines of business because of its potential in the region. At the time, the brick manufacturing business was highly profitable. They were the only producer of machine-made bricks in the region. While

other competitors could produce only about 500 bricks manually, their China-made machine could produce 2000 bricks per day. They were the dominant supplier of bricks in the region.

It is located in Al-Sharqiya North, on the main highway. It services a large number of people who commute to their place of works from Al-Sharqiya to Muscat. The branch has five workers. Saud (the oldest son of Abdullah) was responsible for directing this branch and running it from 2004 to 2007. He was 20 years old, possessed a diploma in business from Al Buraimi College. His father realized his business tendency and passion and appointed him to run business at this branch.

3. Al Buraimi

Their most recent branch was opened in Al Buraimi, an Omani city adjacent to Al Ain city in United Arab Emirates. In this branch they targeted a new segment of customers by producing and selling hair oil and cosmetic products. Later, they added in their clinic an Ayurvedic center which specializes in traditional medicine.

Management Structure

The management structure of the firm is not clear. As Figure 6 shows, Suliman and Abdullah are jointly heading the business of FSL. The roles and responsibilities are not clearly identified. Along with them, their sons are also involved in running the business at all three branches. Since the business is gradually growing and a number of cousins are involved in its operations, the business is likely to have a more clear organization structure. Especially, the leadership roles and responsibilities need to be clearly spelled out and the family members need to be made aware of it.

Financial Performance

The company seems to be doing well and it continues to generate good financial results. The family business sales and revenue margin is increasing year after year. The table below shows the sales and profit of the branches in 2012.

Branches	Number of employees	Sales	Profit
Al-Seeb	35	R.O 120000	R.O 35000
Al-Sharqia	5	R.O 35000	R.O 20000
Total	40	R.O 155000	R.O 55000

Riyal Omani (RO) 1= $2.60 (approximately)

Source: Interview with Saud Abdullah Freish, 3 May 2013.

Figures for the Al Buraimi factory were not available.

Future Outlook

During the last several years, a number of Ayurvedic clinics have been opened in the greater Muscat area. These are operated primarily by people of Indian origin. They have emerged as the main competitors for FSL's Ayurvedic business. Consequently, the company is facing limited growth opportunity in this niche business. As a result, the company considers that diversification in other products and markets would be necessary.

FSL, as a small family business, is also facing some other difficulties. For example, in 2001 the government launched the Omanization policy, whereby companies have to employ certain percentage of Omani nationals. This was followed by further regulations which require the companies to pay a minimum salary to Omani employees. These are big obstacles for the business, according to Saud. Such regulations force them to replace foreign employees with Omani nationals with much higher salary. As a consequence, they lose expert workers and pay more in wages and salaries. Another important challenge, according to Saud, is that they face difficulties in gaining governmental permission for selling some herbals products. The company has also difficulties related to management and accounting issues. "These problems occur because of lack of consultation and regular meetings among actively participating family members", said Saud. They sometimes also find themselves without liquidity due to the lack of good financial planning.

Reference:

Interviews with Saud Abdullah Freish Al-Mahrizi, the son of the current owner of Sons of Friesh conducted during May-July, 2013.

Appendices

Figure 1: The founder Freish Al Mahrazi

Figure: 2 Head Office and Main Branch at Seeb

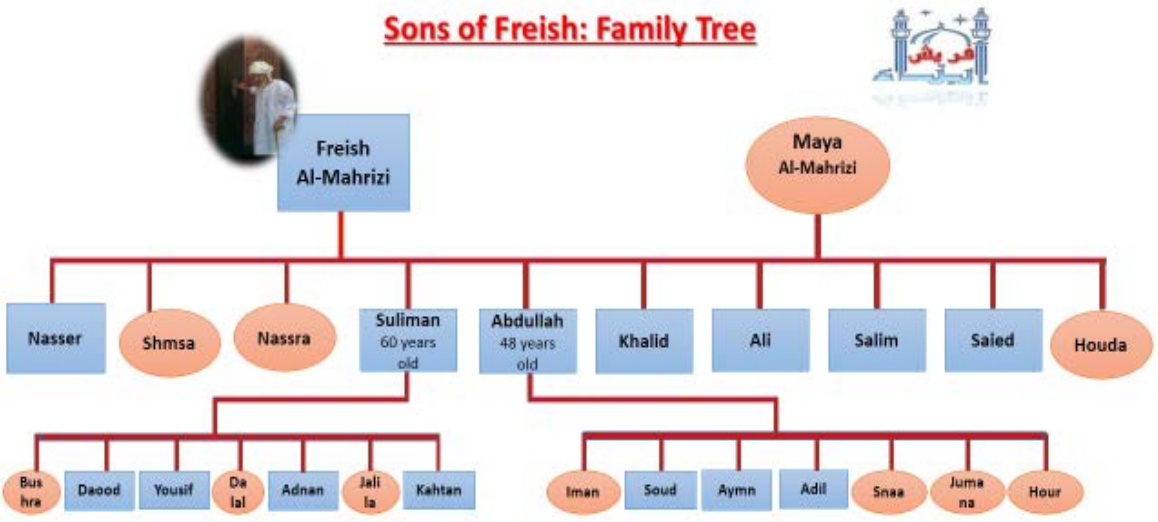


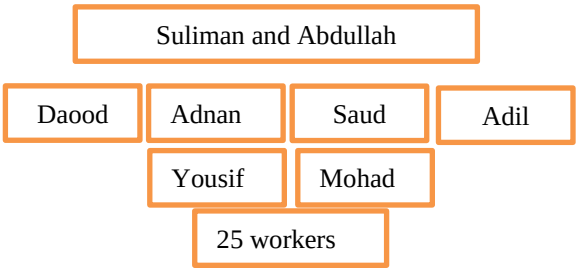
Figure 3: Freish Family Tree

Source: Freish Family Tree, Designed by Researcher, May14, 2013.

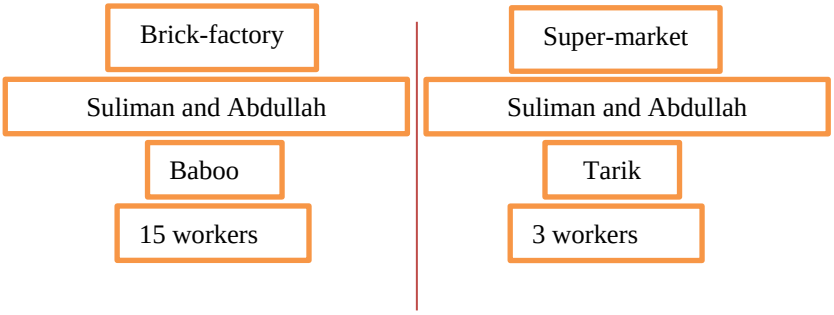
Figure 4: Freish and sons in Discussion

Figure 5: Map and locations of Freish Branches

Head office, Al-Seeb



Al Sharqia



Al Buraimi

Figure 6: Current Management Structure

Source: Prepared by researchers based on interviews with Saud, June 2013.