

## The Impact of using AMO Model in Achieving Competitive Advantage for Family Business under Critical Economic Environment (Iraq as a Case Study)

**Dr. ALI HASSON FANDY**

Prof. at College of Economic & Management, University of Baghdad.

**SAJA ABDUL JABBAR IBRAHIM**

Ministry of Higher Education & Scientific Research

Email: [sajaibrahim75@gmail.com](mailto:sajaibrahim75@gmail.com)

---

### *Abstract*

*Although, after 2003, Iraq could be one of the most economic famous centers in MENA region, especially after canceling the sanctions, exporting oil directly without any boundaries, canceling many debits and other benefits that could be the starting point for better situation. But, the lack of management, planning, monitoring and leadership created a critical economic environment, either improving investors to enter the Iraqi market or making limitations upon their entry. In addition, Iraq is still controlled by limitations which are far from the modern methods of management; that leads it to be isolated from the other countries. This study will try to find a method to achieve competitive advantage through developing as well as improving the family business organizations which were available before and now disappeared; these organizations have the chance to get its role to build a powered economy in Iraq through following modern management methods that are suitable for open market or free zone by using AMO model (A- Ability, M- Motivation, O- Opportunity) to ensure the sustainability.*

**Keywords:** *Economy, MENA Region, Sanctions, Ability, Motivation, Opportunity, Sustainability.*

---

### **Introduction**

According to the view of the resource – based of competitive advantage family business organizations in Iraq, sustainable competitive advantage can be achieved only when a family business organization possesses valuable, rare, and non-transferable resources. Human resources can be considered as one of the most valuable resource to have competitive advantage if other conditions are available as well (Almutawa et al, 2017). Which means, that the tangible assets is much greater than intangible resources. Moreover; the complexity and ambiguity of the causal relationship in family business either their attitudes or behaviors increase the barrier for sustainability. Thus, by time and efforts, the researchers as well as practitioners in family business organizations will try to find creative methods to more valuable than before.

Despite many studies tried to work on finding a theory to save the family business organization from deflation and disappeared but in vein nothing happened. Although many disagrees faced this matter but a response from such studies that aroused the three idiom (Ability, Motivation, Opportunity) take its path to follow. AMO model became a mediating mechanism through HRM affect performance to get competitive advantage in family business organization. In addition Kanfer in (1992) proposition of proximal versus proximal variables, employees' attitudes are considered one of the important proximal variables in the

mediating stage of the HRM- performance relationship (Deer & Reeves, 1995). Although employees' attitude is largely defined in terms of job satisfaction and organizational commitment, the focus of this study is on affective commitment. Affective commitment is considered more stable than job satisfaction in closely associated with employees' behavior (Bell & Menjuc, 2002). Accordingly, this study aims to investigate the mediating effect of the AMO model on the relationship between HRM system and the way of having competitive advantage.

## Review of Literature

AMO as an idiom appeared lately and becomes very important to distinguish the family business organization that trying all the time to sustain and achieving competitive advantage, many written papers were took pace in administrative literature and in other scientific journals. Such writers wrote that it is any gap happened in family business organization environment, either it is social; political or none. Others said it is government's entry in commercial processing (Kobrin, 1980: 5), or any entry that affect the economic either positively or negatively (Shapiro, 1992: 4). While others said the unstable political situation is related to personal benefits or terrorism acts (Lindeberg & Morndal, 2002: 581). Moreover, in such cases the political risk it is not a sudden event, but it is a process (Fitzpatrick, 1983: 249), and (Robock, 1971) agreed with this opinion and said it is none fixed risk, because it can changed through time passing, (Toit, 2013 : 118) said it is a dynamic event like any ideological changes that affects either family business organizations or multinational ones.

Abdul Razaq, 2017, "Family Enterprises Governance" said that this type of business considered as the main root of private sector in any economics because it has a huge number of employees and supplying the markets with many kinds of products, moreover it invests the national revenues and helping the global trading. Family business formed 85% of global registered businesses in which (500) of global companies are family business that formed 35%. Although the fact was as mentioned but the reality is completely different because we have around 95% of most family businesses are not sustain more than third generation after the establisher death. Thus, the system of family business governance trying to manage these businesses and how to sustain through many generations.

Yusuf et al, 2017, "Succession planning, Mentoring and Employees Career Progression" examined the succession planning, mentoring and employees career progression. The purpose to do a conceptual, theoretical and empirical review of literature on succession planning and mentoring. Thus after a general review of literatures it appears there is a consensus in literature that succession planning and mentoring is a process that needs to be properly implemented in family business organizations, as pointed out by the researches in the review that there are benefits and returns achieved by firms that had implemented successfully, succession planning and mentoring.

Ghee et al, 2015, "Family Business Succession Planning: unleashing the key factors of business performance" Family business studies are becoming more pervasive in Malaysia, and several studies have focused on factors that shape family-owned business performance levels. Succession planning issues, and specifically the succession issues and experiences of second or third generation family business owners (2GO/3GO), have not yet been explored at length. This study aims to revisit various factors that shape family firm performance by examining succession issues and transition experiences encountered by successors. Data were drawn from self-administered surveys completed by 55 2GOs and 3GOs. Descriptive, correlation and regression analyses were conducted to interpret our findings. The findings show that management styles, relationships between family members, values and beliefs and successor training significantly influence family business performance levels. The relationship between antecedents and business performance is found to be partly mediated by succession issues and fully mediated by succession experience. Both theoretical and practical implications and avenues for future research are discussed.

Giarmarco, 2012, "The Three Levels of Family Business Succession Planning" said that Despite the numerous benefits of a formalized business succession plan, many family businesses fail to make it a top priority. Every family business owner is going to have to decide when it will be the right time to step out of the business and how he/she will do it. Business succession planning is broken into three main issues: management, ownership, and transfer taxes. This article addresses all of these issues and describes many of the techniques business owners can use to transfer their businesses to the next generation while minimizing both family discord and transfer taxes.

Al Mutawa et al, 2016 "The Effect of Human Resource Management System on Employees Commitment : the Meditating Role of the AMO Model" said Although the field of Human Resource Management has been extensively studied in the previous decades, still remaining theoretical and methodological questions are yet to be answered. These questions were found to evolve around how to conceptualize and operationalize HRM as well as the mechanism through which HRM affects performance.

Consequently, numerous models were proposed to address these questions and among which the AMO model is considered the one that grasp the attention of many scholars. The current study, therefore, aims to address these questions by investigating the mediating effect of employees' Ability (A), Motivation (M), and Opportunity to participate (O) model on the relationship between HRM system and employees' affective commitment. An abstract level of HRM system was operationalized and hypothesized to have an indirect effect on employees' affective commitment via the AMO model. A cross-sectional data was gathered through a questionnaire survey distributed to 800 employees working in the telecommunications sector in Kuwait. Structural equation modeling (SEM) via AMOS22 was used to build and test the hypothesized model.

Hoffman et al, "Succession planning: what is the cost of doing it poorly....or not at all?" said Most companies today claim to have a succession planning program in place, designed to identify talented individuals throughout the organization and prepare them for defined leadership roles. In many cases, however, these efforts are focused only on a handful of high-potential executives who are considered next-in-line for C-suite positions. Beyond that first or second organizational layer, the succession planning team typically has only minimal awareness of the employees who actually produce results for the company – the "pivotal talent" that makes the organization successful. Nor is there an in-depth understanding of the skills and experiences those individuals will need to round out their development and make them capable of handling more responsibility in the future.

For companies in the energy industry, the lack of an in-depth, corporate-wide succession planning program can be especially troubling. Today's oil and gas business has two unique characteristics that make it critical for smart companies to invest in a coordinated, holistic employee development effort.

## Objectives of the Study

According to certain circumstances that Iraqi economy lately suffered from either terrorism or ISIS and what they made in Iraq. The investment in Iraqi market aimed to achieve a balance between the benefits after investment especially family business organizations. Thus, this study will try to find the suitable method of adopting AMO model that will influence the investment in Iraqi market.

## Hypothesis of the Study

This study aimed to look for the main hypothesis:

H: There is no impact of using AMO model in achieving competitive advantage for family business under critical economic environment in Iraq.

## Period of the study

The period was from 2010 to 2017, which included the most unstable period according to the entry of ISIS, and the non-stability of Oil prices. The study took the data from the period before and after ISIS entry.

## Methodology

### Sample Frame

This study handling the family business in Iraqi market either local nationality or global ones which were very famous before, by selecting (10) business families in Baghdad and Kurdistan (Al Kasakei for Sweets, Abu Afif for Sweets, Saj Al Reef Restaurant, L&A women clothing, Al Rawad Ice-cream, LC Waikiki, Aghyath for jewelry, Hardees Restaurant, ZARA outlet, Al Hafadh for electrics).

### Data Collection Method:

The study depends mainly on the primary data collected through a well- framed card and structured statements. This study was carried out through survey method using statements as the main instrument that includes the indicators: employee abilities, turnover Ratio%, employee motivations, number of competitive companies that could be as an opportunity to challenge to sustain & continue.

### Statistical Tools

This study trying to analyze the relationship between AMO indicators and markets' indicators challenging opportunities of Iraqi companies that could sustain under critical economic environment.

### Limitation of the Study

The outcome of the study will be only reflecting these respondents in Iraqi business market. The survey was limited because of the bad political circumstances in most of Iraqi governorates.

### Statement of the Problem

With the global ISIS terrorism that started from many years ago. Iraq is a most country which suffered from ISIS. Family business Iraqi organizations suffered as well because of departure of most rich families out of Iraq and transferring their organizations where they settle accordingly, and the other families start to challenge and transfer the weakness into strength and the threats into opportunities.

### Findings:

The measuring data of analyzing the MAO indicator and its effect upon Iraqi Market indicators from the year 2010 to 2015 showed the following losses:

Table1. Average Variance Extracted and Internal Consistency

Variable (Competitive Advantage)	No. of items	AVE	Cronbach's alpha $\alpha$
HRM system	23	.59	.93
Skills enhancing practices	9	.50	.89
Motivation Enhancing practices	11	.50	.91
Empowerment enhancing practices	3	.67	.83

AMO Model			
Ability	3	.54	.73
Motivation	3	.53	.77
Opportunity to participate	4	.54	.80
Affective commitment	5	.66	.91

Table 2. Descriptive Statistics and Correlations

Variable	Mean	SD	1	2	3	4	5
1 HRM system	3.54	.598	1				
2 Ability	4.31	.494	.294**	1			
3 Motivation	4.35	.537	.221**	.011	1		
4 Opportunity to participate	4.00	.624	.354**	.174*	.339**	1	
5 Affective commitment	4.02	.755	.608**	.301**	.310**	.428**	1

Notes: \*\*p<0.01, \*p<.0

## Conclusions & Recommendations

### Conclusions

- 1- Although, the AMO percentage is different among family business organizations but any organization could have a competitive advantage by training, developing, improving their skills through such tools and training skills that can be drawn according to the needs of any business market.
- 2- This paper leads the researchers to think well about the needs of Iraqi market for such competencies and how to create a new generation of entrepreneurship family business leaders to achieve sustainability, and then building an economic systematic market.
- 3- With reference to the Iraqi situation after the economy crisis, the researchers conclude that Iraqi market needs many portfolios programed to train their children school's on AMO skills; spiritual, intellectual, self-training, ability, motivation or even trying to catch the opportunities that could lead the family business owners to train their families how to be business employee as well.

### Recommendations

- 1- Using the novel technologies in training courses for employee in family business organizations to empowered them to create and innovate and facing the threats then transfer them into opportunities under certain financial or political circumstances.
- 2- Trying to find the close relationship between AMO and Competitive advantage in family business organizations, especially under the economic crisis to find out new direction to follow and cross this crisis.
- 3- Establishing such non-profit organization and join their duties with global ones to adapt the philosophy of having family business organizations either local ones or global in Iraq and how these organizations have a great influence on the Iraqi economy.

## References

- Abdul Razaq Lakhder Mulai, (2017), "Family enterprises governance", waraqla university. Csakne pilep, judit, et al, 2018, "Financial Characteristics.
- Csizmadia, Péter, (2018), "Managing succession and knowledge transfer in family businesses: lessons from a comparative research", *Budapest management review*, doi.: 10.14267.
- Ifeanyi Okoli, (2018). "Succession planning and sustainability of selected family owned businesses in anambra state, nigeria", [tps://www.researchgate.net/publication/323835990](https://www.researchgate.net/publication/323835990)

- Julius Giarmarco, Jd, IIm, (2012). "The three levels of business succession planning", *journal of finance services professional*.
- Laura E. Marler, et al (2017). "succession-related role transitions in family firms: the impact of proactive personality", *journal of managerial issues*.
- Mako, Csaba, (2018). "succession in the family business: Management system on employees' commitment: the mediating role of the amo model", *The journal of developing areas*, vol. 50, no.:6.
- Sholesi olayinka yusuf, et al , 2017, "Succession planning, mentoring and employees career progression", *International journal of management and commerce innovations*, vol. 4, issue 2, pp: (785-792).
- Todd hoffman, et al, "succession planning: what is the cost of doing it poorly....or not at all?", [todd.hoffman@us.pwc.com](mailto:todd.hoffman@us.pwc.com)
- Unleashing the key factors of business performance", *Asian academy of management journal*, vol. 20, no.2, 103-126 , vol. Xxix number 1: 57-81
- Wee yu ghee, et al, 2015, "family business succession planning: of family businesses and financial aspects of succession", *budapest management review*, doi.: 10.14267.
- Zayad al mutawa, et al 2016, "The effect of human resource, Need to transfer the 'socioemotional wealth' (sew)", *Budapest Management Review*, doi.: 10.14267.

