

# Successful family businesses

*Over 80% of Middle East businesses are owned or controlled by families. As they prepare for the next generation, they face unique challenges to achieve value both for the business and the family.*

*Where is your family business heading?*



# Your family business: Where is it heading?

*Will your family still own it?*

*Will you sell it?*

*Will the special culture you created still exist?*



At PwC, our Family Business Advisory Team is dedicated to working with family businesses – large and small – to envision the future and achieve your goals and those of your family. Whatever your business, from founder generation to cousin consortiums, we have facilitated the creation of family governance structures that achieve sustainable long term success.

With over 150 years of experience in helping family businesses succeed we pride ourselves on building long-term relationships. We are passionate about supporting you and your family business. Let us face the challenge together over the coming years.

In the Middle East, over eighty percent of businesses are either owned or controlled by families who began as entrepreneurs and subsequently diversified their business interests. A significant number of these businesses started in the early 1960s and continuity has become a growing concern: many of them will need to manage a generational change over the next five to ten years.

Family businesses are both strong and unique but they are also complex. They face the same challenges as any other business and as both the business and the family grow and expand, they must also deal with a range of specific problems. They have to manage the challenges of operating in a difficult global economic environment alongside inevitable generational change.

**Many families will need to manage a generational change over the next 5 to 10 years.**

Our services include:

<b>Governance</b>	<b>Strategy</b>	<b>Operational, Innovation and efficiency</b>
<ul style="list-style-type: none"><li>• Family and ownership governance</li><li>• Building of family protocols or constitutions</li><li>• Continuity and succession planning</li><li>• Corporate governance</li><li>• Ownership structure (including trusts)</li><li>• Internal Audit</li></ul>	<ul style="list-style-type: none"><li>• Corporate and financial strategy</li><li>• Product and market entry strategy</li><li>• Mergers and acquisitions</li><li>• Valuations</li><li>• Strategic philanthropy</li><li>• Portfolio reviews</li></ul>	<ul style="list-style-type: none"><li>• Operations cost effectiveness</li><li>• Performance management</li><li>• Organisation design</li><li>• Finance and reporting</li><li>• Technology and information</li><li>• Products and innovation</li><li>• Optimizing capital investments</li><li>• Supply chain efficiencies</li><li>• Marketing, branding, and sales</li></ul>

# The family business: key issues

*PwC's family business advisory team recognises that it is vital that your business model reflects the culture of your family.*

*Drawing on our expertise of different ownership models and structures, we can help you to identify the right one to suit your family's philosophy.*

## **Continuity planning**

It is important that each family has a vision for the future and is fully committed to the success of the business.

It is very easy for family members of the next generation to have conflicting objectives. These can lead to serious challenges and breakdown in both business and family relationships. It is very important for all family members to agree on an overall vision as well as remaining true to their own convictions.

## **Conflict management**

Conflict always exists in families, and it will always exist in family businesses. Managing conflict is the key not just to the survival of the business, but to the survival of the family itself.

In our experience, in any family business, family members need to establish strong intra-generational business relationships. Being brothers or cousins is never enough.

If situations are confused or unpredictable, conflict may arise. These are some potential flashpoints:

- Decision-making on key issues
- The strategic direction for the business
- Family representation on the board
- Dividend policy
- Family employment
- Family shareholder's exit

## **Succession planning**

Succession is the biggest threat facing all family businesses and can either make or break these family businesses.

There are two dimensions to this: ownership succession and management succession. Both of these need careful long-term planning. The ownership transfer and the management of this process is the most difficult challenge that the family business encounters.

In the Middle East, leadership is traditionally passed to the eldest family member; but this practice is not always fully supported by other members of the family.

In our experience, most families have no real plans for succession, which leaves the next generation confused and unprepared for the challenges ahead.

**Conflict always exist in families and it will always exist in family business.**

*Family business owners need to take a holistic view of both their family and their business. The most successful family businesses make it a priority to understand the dynamics of family relationships, and to create rules that promote family harmony and commercial success*

*At PwC, we have developed mechanisms to assist families with succession planning and ensure that succeeding generations support their business managers.*



Our team has developed working methods which help families identify potential conflict flashpoints. We can help you develop protocols to create unity in dealing with these – before conflict arises.

# So how can PwC help?

## Ownership governance

To help you devise the right structure for your family and its business, PwC's professionals can offer an independent voice in inter-family discussions. We can help your family build clarity and unity of vision, address areas of conflict, establish structures and create family protocols that will form the basis of the business for generations to come.

Some family businesses have created Family or Shareholder's Councils for the family owners. This is separate from the Board of Directors and the management. These Councils provide a forum for all the family owners to debate ownership issues, they reduce the chance of family conflict and make it more likely that the next generation will embrace and grow your business.

## Legal structure and asset ownership

To support your ownership governance and succession planning we can work with you to advise on how the family should own their shares in the family business. Our advice can also cover the most appropriate legal structure for the ownership of all the family's property and wealth, to provide maximum asset protection for you and future generations. Depending on your circumstances and objectives and the location of your assets these structures may involve both onshore and offshore arrangements.

## Financial strategy

Our firm can assist in developing financial strategy for your family business. Our services include:

- Identifying achievement to date and your strategic objectives.
- Reviewing financial performance of the family portfolio
- Preparation of business plans, valuations and information memoranda for new investors / financiers
- Fund raising for new business ventures and projects
- Advising on mergers , acquisitions and disposals
- Advising on product and market entry strategy

## Corporate governance

Corporate governance is about accountability and communications. At PwC, we are committed to championing good governance and understand the importance of local concerns and traditions. We can help family businesses through a range of corporate governance services:

- Assessing corporate governance structures
- Assessing board activities and recommending improvements.
- Designing corporate governance structures

## Internal audit

PwC can assist organisations in improving their internal audit function. We do this in several ways: by measuring the effectiveness of existing internal audit processes and advising on the development of enhanced internal audit methodologies; providing full or partial internal audit outsourcing solutions; supporting the internal audit function with advanced software tools; and delivering tailored training programmes for internal auditors

## Operations, innovations and efficiency

We can help you to draw on your core skills and resolve a range of issues:

- Our performance management team can support you in developing effective corporate performance management tools.
- Our human resources advisors can help you make your people a source of competitive advantage
- Our finance professionals can help resolve issues around finance function effectiveness
- Our IT experts can help you align your IT resources with your business objectives
- Our product and service innovation team can help you with product development and innovation
- Our supply chain team can help you optimise capital investments and improve supply chain efficiencies

## Come Think With Us

'Come Think With Us' is a brainstorming workshop bringing together key decision makers/owners of a privately owned business with PwC advisors. Together, we take up to half a day working 'on, not in' your business. We will talk through your commercial and personal goals, brainstorm opportunities and challenges and discuss ways in which your business could be set on a path to sustained and profitable growth. Depending on your specific areas of interest, we can discuss portfolio strategy and growth plans, opportunities to strengthen the current operating model through organisational alignment and enhancing operational efficiencies in areas such as supply chain and working capital management. In addition, we can discuss ways and means of enhancing overall group and subsidiary level financial performance.

## Key Family Business thought leadership

### Global FB Survey



### Middle East FB Survey English



### Middle East FB Survey Arabic



### Family Matters



### Understanding Family Dynamics and Family Conflict



To help you create the value you are looking for; contact:



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CDC 206 (01/2014)