PwC Middle East Family Business Survey 2019

Future-proofing Middle East family businesses

Achieving sustainable growth during disruptive times

#pwcforfamilybusiness

pwc.com/me/family-business-survey-2019

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Foreword

Family businesses are built with a vision for the future in mind. Although they are often viewed as change-resistant, the reality is that many family businesses have an innate ability to self-innovate, demonstrate resilience in times of change, inspire trust, and build a competitive advantage while maintaining their entrepreneurial spirit and their core values. We are currently experiencing a period of rapid transformation – digital disruption, economic impact, megatrends. Family businesses are called upon to rise to new challenges. The opportunity is enormous, provided they prepare adequately to face the future.

There is a new norm in which family businesses need to operate. Market dynamics are changing and are calling for new business models, digitalisation is disrupting whole industries with new related skillsets being required, trust in institutions and technology is more important than ever, and millennials are changing the way companies do business.

After surveying nearly 3,000 family businesses across 53 territories, we are confident that family businesses – built around strong values and with an aspirational purpose – have a competitive advantage that pays off during disruptive times. We have long recognised that family firms – ranging from global enterprises to small community businesses – are more likely than other companies to treat each day's activity as an investment in the long term, prioritising broad stakeholder interests over satisfying the quarterly earnings cycle.

Changing times, however, require adaptability and action in order to ensure that potential isn't wasted and that the future is secured. It is clear that a simple continuation of the traditional ways of working is not enough for family businesses to succeed in a digital and increasingly competitive age. Family businesses are called to enlist their stand-out advantages like their values, their loyalty and their commitment and to seek ways of operating in a robust fashion in a changing environment.

In the Middle East, family businesses play a particularly significant role in the region's economy so enabling their growth is high on both the private and public agendas. With a GDP contribution of 60%, a workforce contribution of 80%[1], and one trillion USD[2] estimated to pass from one generation to the next within a decade it is easy to see why this is a prioritised sector.

We are proud to present this important publication as it addresses the power and growth potential of one of the most vibrant and vital socioeconomic sectors of our region which are Middle East family businesses. Our publication aims to highlight key current themes impacting the sustainable development of family businesses and to provide a roadmap for success.

[1] PwC Family Business Survey 2016
[2] Family Business Council - Gulf

The analysis of our Middle East survey results indicates a reserved yet overall positive climate. Lower oil prices have impacted growth but the outlook is optimistic and ambitious. Our respondents in the Middle East expressed concern about the economic environment, finding skilled workers with the right capabilities, innovating to keep ahead, regulations and succession, but also optimism about future growth. In our region we interviewed a wide range of companies from small to large, which are run by generations from the first to the fourth. Total turnover topped $10 billion and represented a broad range of sectors including food and drink, manufacturing, construction, education, and health. Half of these businesses work in multiple sectors and multiple countries, compared with a quarter that does the same globally. Their success is crucial to the region's economic prosperity and stability.

We would like to thank the respondents for taking the time to participate. We were also privileged to speak with leaders of influential and successful Middle East family businesses to obtain their views on key growth drivers. We hope you will find the report valuable and that its insights will help you make better decisions for your family business.

Hani Ashkar

Middle East Senior Partner
PwC

Adnan Zaidi

Middle East
Entrepreneurial & Private
Business Leader
PwC

Imad Shahrouri

Middle East
Entrepreneurial & Private
Business Board member
PwC

Middle East Family Businesses: Traditional values yet new challenges

The 2019 Middle East Family Business Survey at a glance:

Family businesses are called to operate in an environment that is changing more rapidly than ever. Being ahead of the curve in four distinct areas is an imperative to ensure growth and longevity for generations to come.

The 2019 PwC Middle East Family Business Survey examined a series of key current themes affecting family businesses and the message is clear: Leaders can't afford to remain idle.

Our past surveys showed us that there is a lot of work to be done on the **family** side – traditional challenges that are pertinent to family businesses around governance, continuity planning, development of the next generation, capability building and the overall professionalisation of the business have always been high on the agenda. The 2019 survey results show that such issues continue to be of importance.

What has changed though in the results of this year's survey is that the **business** side stands out at least as much as a priority – the tough market conditions bring new challenges. This is the first time that family businesses in the Middle East reported less growth than in the past. Every family business feels the impact of the changing economic environment as well as the pressure to build an agile and innovative organisation that is fit for a digital future. Streamlining the business, instilling innovation, and increasing efficiency and profitability are top of mind for family business owners.

Another key theme that has emerged is the importance of a fostering ecosystem. Family businesses don't operate in isolation and the influence of external factors such as changing regulations was rated as another key challenge. As growth engines which benefit the prosperity of the wider community and region, family businesses can benefit from supportive policy development and public-private collaboration.

Pillars of growth: Four vital areas for Middle East family businesses

Looking inwards: **Setting the right foundation**	Looking long-term: **Creating a sustainable business**	Looking forward: **Innovation and digitalisation**	Looking outwards: **A fostering ecosystem**
Top challenges over the next two years			
Skills and capabilities 66% **Succession planning** 53% **Professionalisation of the business** 44%	**Economic environment impact** 78% **Domestic competition** 47%	**Need for innovation** 63% **Digitalisation** 44%	**Coping with regulations** 63% **Prices of energy and raw materials** 44%
The way forward			
• Developing good governance • Attracting and retaining top talent, investing in capability building • Empowering management and the next generation	• Defining a strategy for long-term objectives • Addressing top-line growth and bottom-line profitability • Optimising the business portfolio	• Embracing innovation, new business models, new ways of thinking • Investing in digital transformation • Building a culture that fosters innovation and digitalisation	• Being part of the regional socio-economic development • Encouraging public-private collaboration • Responsibly preserving the family business for the benefit of all

Percentages in the publication refer to agreeing respondents

Contents

Case studies

Our report is developed with family businesses in mind. The objective of this year's survey was to analyse the respondents' input and draw conclusions on the key areas that will help family businesses drive growth. In addition to the quantitative input that built the foundation of our survey, the personal views and stories of the following family businesses have enriched our survey analysis. We would like to sincerely thank all participants.

Growth – and how to sustain it

Family Businesses in the Middle East show a successful track record of growth. In our past surveys they reported the highest growth numbers compared to their global peers and demonstrated ambitious plans. Yet last year's growth has been more modest.

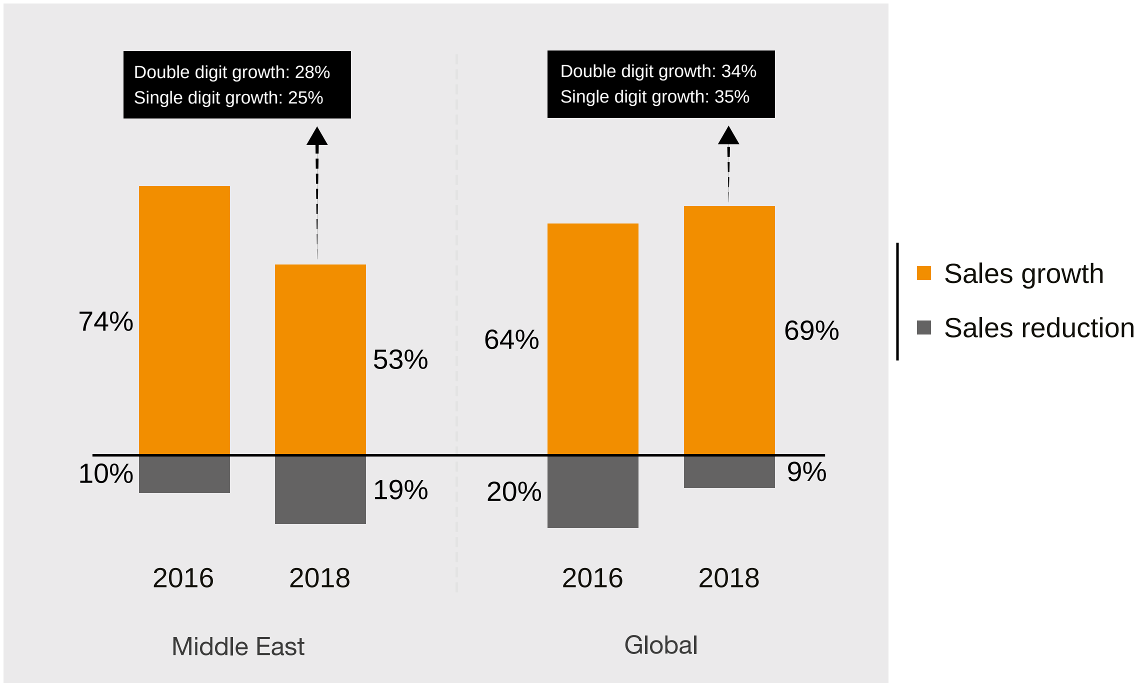
What has changed and how can future growth be preserved?

Family businesses: engines for growth

In recent PwC surveys, family businesses in the Middle East outpaced their global peers in revenue growth, but this year presented a slightly different picture. Growth amongst Middle Eastern family businesses over the last 12 months decreased compared to 2016. Still, more than half (53%) of those surveyed saw growth (vs. 74% in 2016), with 28% of them even experiencing double-digit growth (see Exhibit 1 on this page). The respondents' answers on slower growth over the last two years were expected considering the impact of dropping oil prices. 2018 was a year of economic improvement compared to 2017 and in spite of a new oil price drop in the last quarter of 2018, the outlook for 2019 shows that oil prices have stabilised and public spending has generally increased. Amidst this modest recovery, family businesses are expected to benefit, particularly in countries where leaders are attempting to diversify economies, attract foreign investment, and help the private sector professionalise.

In comparison, the global picture is more optimistic: Family businesses reported robust health with growth levels reaching their highest point since 2007. Revenues are expected to continue growing for the vast majority of businesses globally (84%), with 16% saying growth will be ‘quick’ and ‘aggressive’. Sixty-nine percent of our global respondents saw revenue growth in the 12 months before the survey was conducted, compared to 64% reporting revenue growth over the same period when we last did the survey two years ago.

Exhibit 1: Growth in the last financial year



Key challenges facing Middle East family businesses

Our survey suggests Middle East family business leaders are confident about the future with 82% of them expecting to grow in the next two years – compared to the global average of 84% (see Exhibit 2 page 10). Yet undermining confidence is a nagging sense that growth can't easily be sustained given a number of challenges. Middle East company leaders cited the economic environment, accessing the right skills and capabilities, the need to innovate to keep ahead, and regulation as chief concerns (see Exhibit 3, page 11). They also reported they are worried about changing business models driven by digitalisation, increasing competition, and the problems associated with transitioning from one generation to the next while preserving family wealth. Sustainable growth depends on how well companies navigate these treacherous waters.

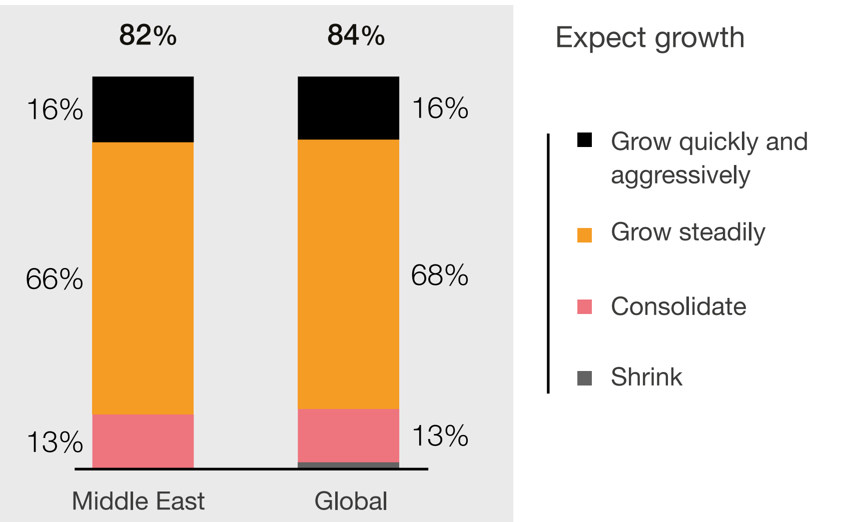
The recent economic downturn has also exposed some family businesses to strategic and operational deficiencies. Many family business leaders in the Middle East say they intend to adjust to this new reality. Many are taking a fresh look at business portfolios and operating structures and figuring out ways to become leaner and more competitive. Thirty-four percent of those surveyed expect to significantly change their business models over the next two years, while 66% plan to take meaningful steps in terms of enhancing digital capabilities in the next two years (see Exhibit 4, page 12).

Families in the region tend to be large – their size is on average double that of UK and US families. By our estimates, their businesses need to grow by double digits for future generations to maintain their wealth and same standard of living. This represents an enormous challenge.

Leaders surveyed said that attracting and retaining the best talent was amongst their top priorities over the next two years, with 94% citing this goal (see Exhibit 5, page 13). This is largely driven by pressure to innovate, as well as an understanding that survival depends on a company's ability to navigate an increasingly complex digital landscape.

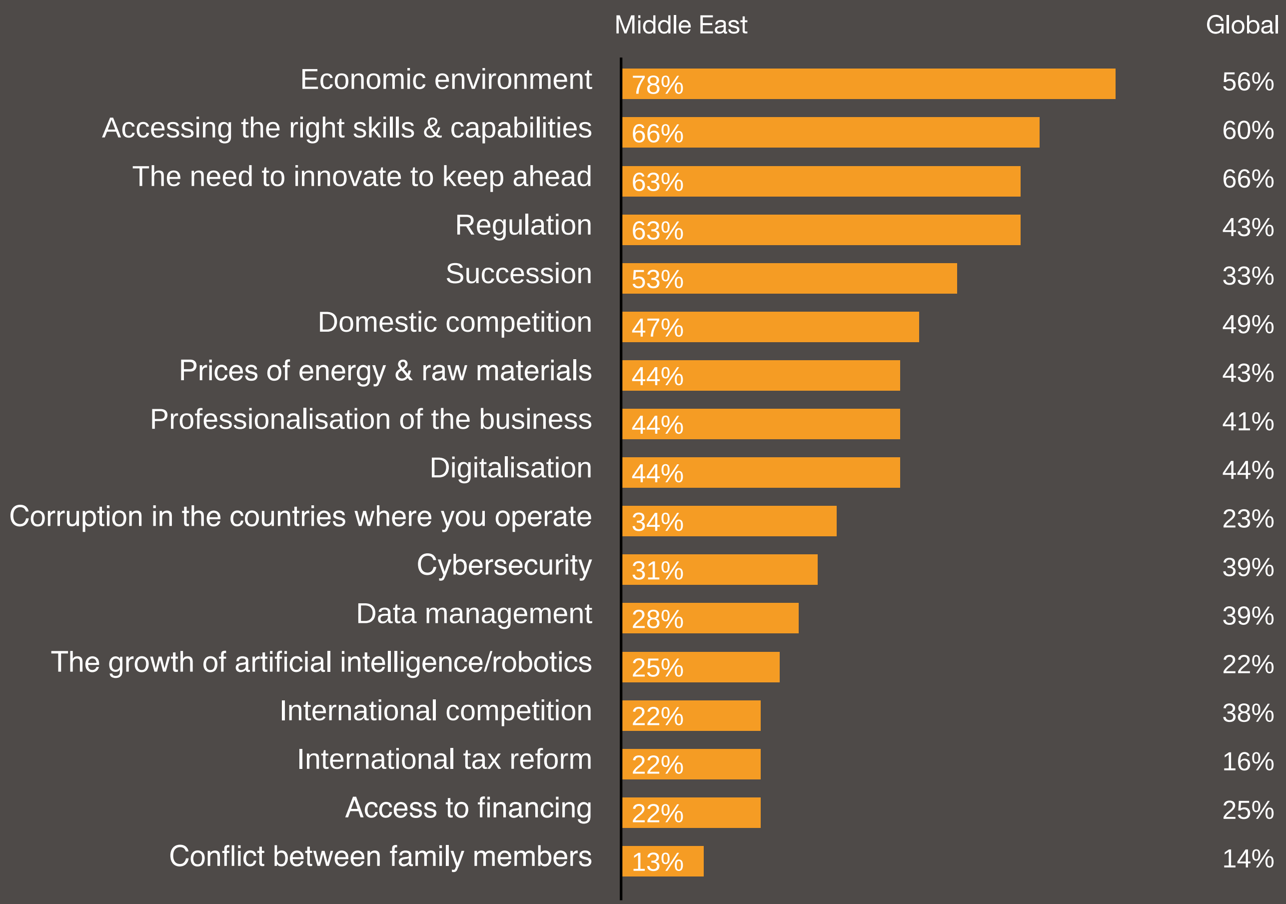
Succession planning continues to be a huge challenge for family businesses everywhere, but particularly problematic in the Middle East where large families are more common and many of these relatively younger businesses are facing succession issues for the first time. Establishing family protocols to regulate succession, conflict resolution mechanisms, business valuations and other key issues are required to secure smooth transitions and preserve wealth. This year we noticed an increase in the number of companies with some form of policy or procedure in place but these don't necessarily include key documents such as family constitutions or conflict resolution mechanisms. There is still much work to be done. Family business leaders face an unusually tough environment. There has never been a more pressing time to get the fundamentals right.

Exhibit 2: Growth aims over the next two years



Comparison note: In 2016, 87% of businesses in Middle East and 85% of Global businesses expected to grow over the next five years

Exhibit 3: Key challenges over the next two years



No current global survey of the health of family business would be complete without looking at the challenge of digitalisation. There was a marked jump since our last survey (2016) in the number of businesses feeling vulnerable to digital disruption. Middle East family business leaders feel this acutely and told us they were actively preparing for the future by significantly improving digital capabilities in the short term, reevaluating business models and bringing in outside professionals. There is an opportunity also to boost engagement in the digital realm by enlisting the help of the next generation.

Some family business leaders in the Middle East are thinking of ways to attract and retain outside talent for boards and management teams to help professionalise their businesses.

Eighty-four percent of those surveyed anticipate bringing in external professional expertise. In order for external hires to succeed, families must properly empower their senior people, and put trust in them.

Without this kind of freedom, good people leave. What's more, given growth pressures, family business leaders should free themselves from the day to day operational tasks to focus more on strategy and identifying areas for future growth.

It is worth noting here that women in Middle Eastern family businesses only average 13% of board members (vs. a global average of 21%) and just over one in five women are on the management teams (22% vs. 24% globally).

Exhibit 4: Middle East family businesses are planning to undergo significant changes over the next two years

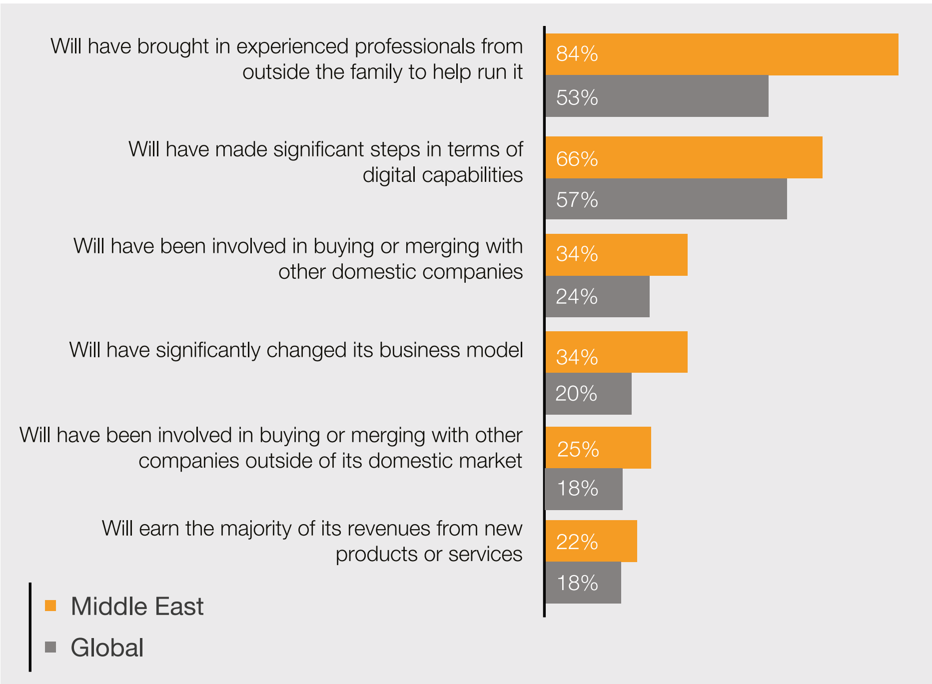
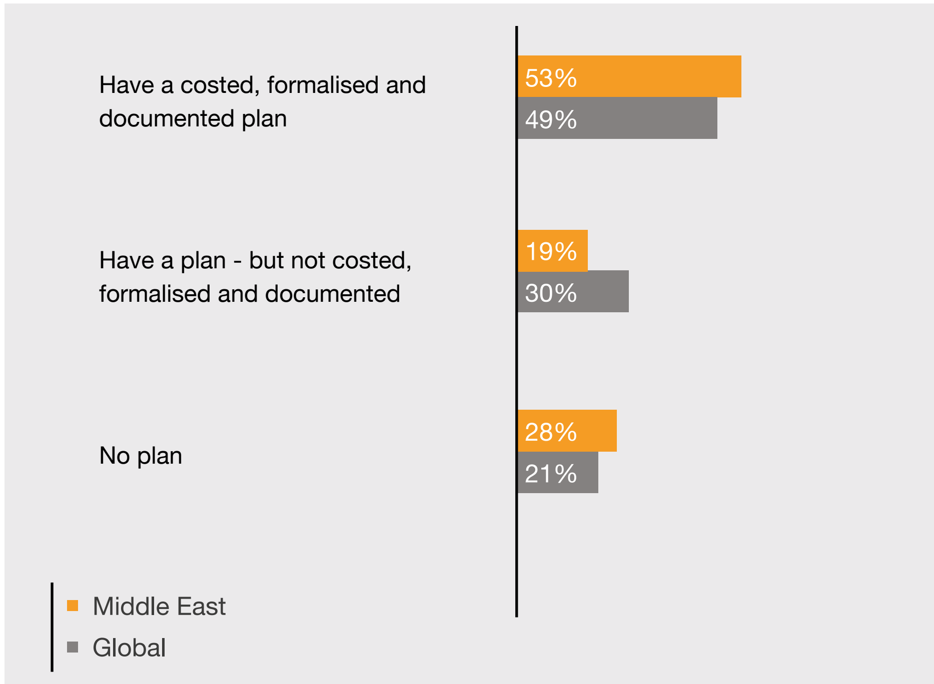


Exhibit 5: Mid-term strategic planning



Building strategies for future growth

Our survey shows it pays to plan ahead. While the long-term strategy and the immediate planning are typically in place, mid-term strategic planning – over a three to five-year time frame – is often one of the biggest missing pieces of the puzzle for family businesses. This year, we found that survey respondents fall into three groups (see Exhibit 5, page 12):

- The first group, making up 21% of the global total, has no strategic plan at all. This compares to 28% in the Middle East who have no plan. These ‘low-strategic planners’ seem to be more focused on keeping the boat afloat than thinking about where it is going.
- The second group makes up another 30% of the global total – those that have a plan but not one that is far advanced such as being explicit about costs or methods of achieving the company’s goals. Nineteen percent of Middle Eastern family businesses fall into this category.
- The third group, the remaining 49% of those surveyed globally, are those with a costed, formalised and documented midterm plan. More than half of those surveyed (53%) in the Middle East fall into this group. Within this, we have defined a sub-group (36%) of ‘high-strategic planners’ who also have financial and non-financial key performance indicators (KPIs). There is a correlation between these high-strategic planners and other high value groups. High-strategic planners constitute 56% of the companies with a high level of philanthropy; 53% of those with a robust, documented and communicated succession plan; 46% of businesses with annual turnover above US$100m; 42% of companies with double-digit growth; and 41% of those with a high level of focus on digital technology.

High-strategic planners are translating their strategic goals into everyday practices and building up the habits that, over time, create a distinctive legacy. The bottom line is that family businesses, which are built on strong values and plan ahead, come out on top. No surprise here.

Exhibit 6: How Middle East family business senior executives are planning to respond to change

Family values as a competitive advantage

Another big survey takeaway is that family businesses with clear strategic plans, which also make their values and purpose explicit, have a significant advantage.

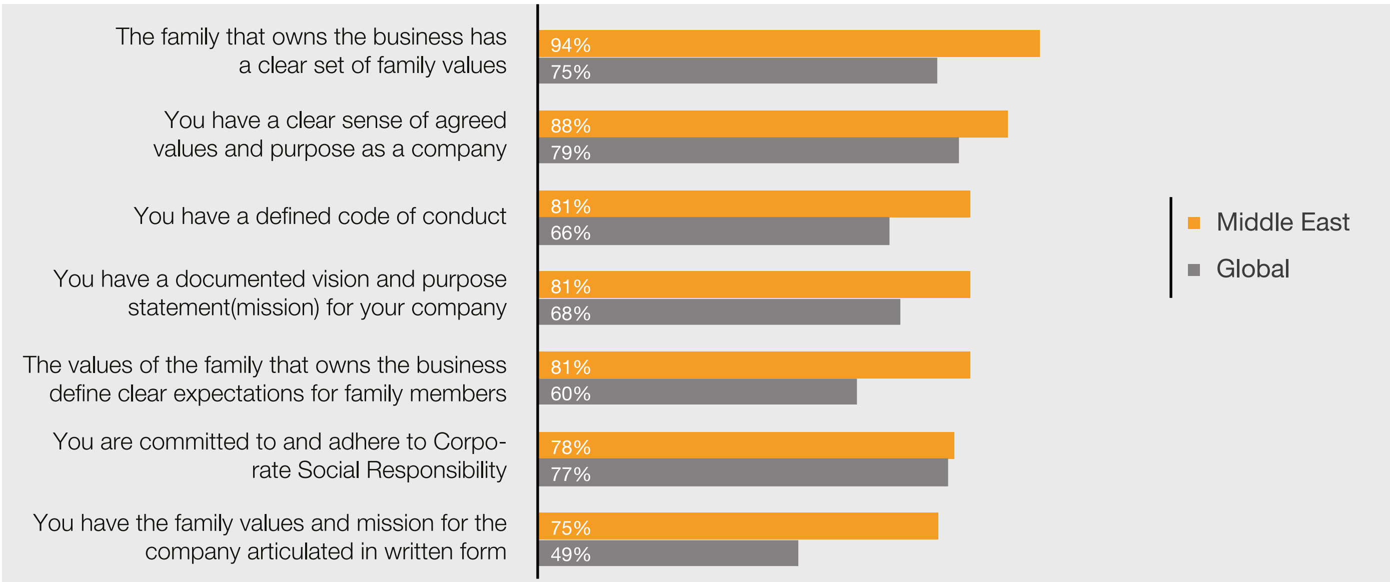
Indeed, a healthy 75% of all of our survey respondents globally felt that having a clear set of values created a competitive advantage (see Exhibit 7 on this page). There was also evidence that businesses with annual growth of 10% or more tended to be those with a clear sense of agreed values and purpose.

Middle Eastern businesses, in particular, are well placed to profit from being values-driven companies. Our survey shows that in the Middle East the vast majority (88%) of family businesses have a clear sense of agreed values and purpose. What's more, they are more likely than their global counterparts to have documented these values or company mission. Seventy-five percent have their family values and a company mission articulated in written form, compared to just 49% globally.

Yet one consistent finding since we started this biannual survey in 2002 is that many family businesses – in the Middle East and elsewhere – do not fully benefit from these natural advantages to help secure profitable, long-term legacies. This latest survey suggests there is a great opportunity here, and one not to be missed.

Investors typically favour family businesses as they tend to outperform their non family-owned counterparts[3]. Family businesses have long-term strategies in place, are less prone to risk, carry less debt, and deliver a steady and strong performance. The danger here is that the vision and drive of the founding fathers gets diluted from one generation to the next. This is reflected in the continuity statistics of family businesses which see less than one third making it to the second generation and only 12% making it to the third[4]. Strong and clearly communicated family values can ensure survival. Common ideals that cultivate a sense of duty, belonging, responsibility, and purpose can build a family business DNA that transcends time.

Exhibit 7: Middle East families view their values and purpose as defining for their business



[3] Credit Suisse, Standard & Poor's ratings
[4] PwC research, Family Business Institute

Four key drivers that can foster growth

Middle East family businesses have succeeded so far thanks to an entrepreneurial founding generation that forged powerful political and financial alliances. Despite tough times in the past, they have remained resilient. But the economic environment is more challenging than ever with narrowing profit margins and an unpromising global economic outlook. The days of double-digit growth are – at least for the foreseeable future – a thing of the past.

Interpreting our survey's results, we realise that company leaders must look inward, long-term, forward and outward to ultimately unlock value:

- Internally, they need to professionalise the businesses, including processes, structures and systems, to become more efficient and profitable. They must establish better corporate governance and organise succession planning for a smooth transition from one generation to the next. They also need to attract, train and retain skilled workers who are equipped to face the digital age. In addition, genuine management empowerment is an important catalyst for efficient decision-making processes that drive the business.
- For sustainable value, family businesses need to examine with objectivity the efficiency and profitability of their business segments. The current economic environment dictates that streamlining assets and "cutting the tail" is a necessity. At the same time, family businesses can't afford to miss investing in future ventures. Mastering both bottom-line profitability and top-line growth is what will distinguish the winning family businesses.
- One does not need to look far to realise that the digital age is here and disruptive technological change is imminent. Family businesses need to embrace new business models and new ways of working that are compatible with a digital mindset. Business innovation and self-innovation are the ultimate competitive tools.
- Finally, externally, family businesses require a nurturing ecosystem with a business friendly environment. The role of government and also peer-to-peer communities, is crucial.

Regulatory compliance is a key concern for family businesses and it can often come at a heavy price. A recent example is the introduction of VAT, which brought a lot of preparatory compliance-related overhead for family businesses. Supportive policy development and public-private collaboration that enables sector growth can help shield family businesses in times of change.

Targeting sustainable growth for Middle East Family Businesses

Looking inwards

Setting the right foundation

The underlying challenges:

- 66% agree that assessing the right skills and capabilities is a top concern
- Succession planning is a key issue for 53% of respondents
- Professionalisation of the business is a challenge for 44% and 72% of the respondents intend to address this issue over the next two years.

Looking long-term

Creating sustainable value

The underlying challenges:

- 88% of senior family business executives plan to improve profitability over the next two years to remain competitive
- The economic environment is identified as the number one challenge with 78% are concerned about it
- Wider portfolio diversification: 50% operate a portfolio of businesses in multiple sectors and multiple countries compared to a quarter globally

Looking forward

Innovation and digitalisation

The underlying challenges:

- The need to innovate to keep ahead is ranked as a key challenge by 63% of Middle East respondents
- 66% plan to take significant steps in terms of enhancing digital capabilities
- 34% expect to significantly change their business models over the next two years

Looking outwards

A fostering ecosystem

The underlying challenges:

- Changing regulations are identified by 63% as one of the top five challenges
- The prices of energy and raw materials affect 44% of respondents
- Family business leaders also emphasise on their social responsibility to ensure the continuity of their business as a key economic contributor and workforce employer

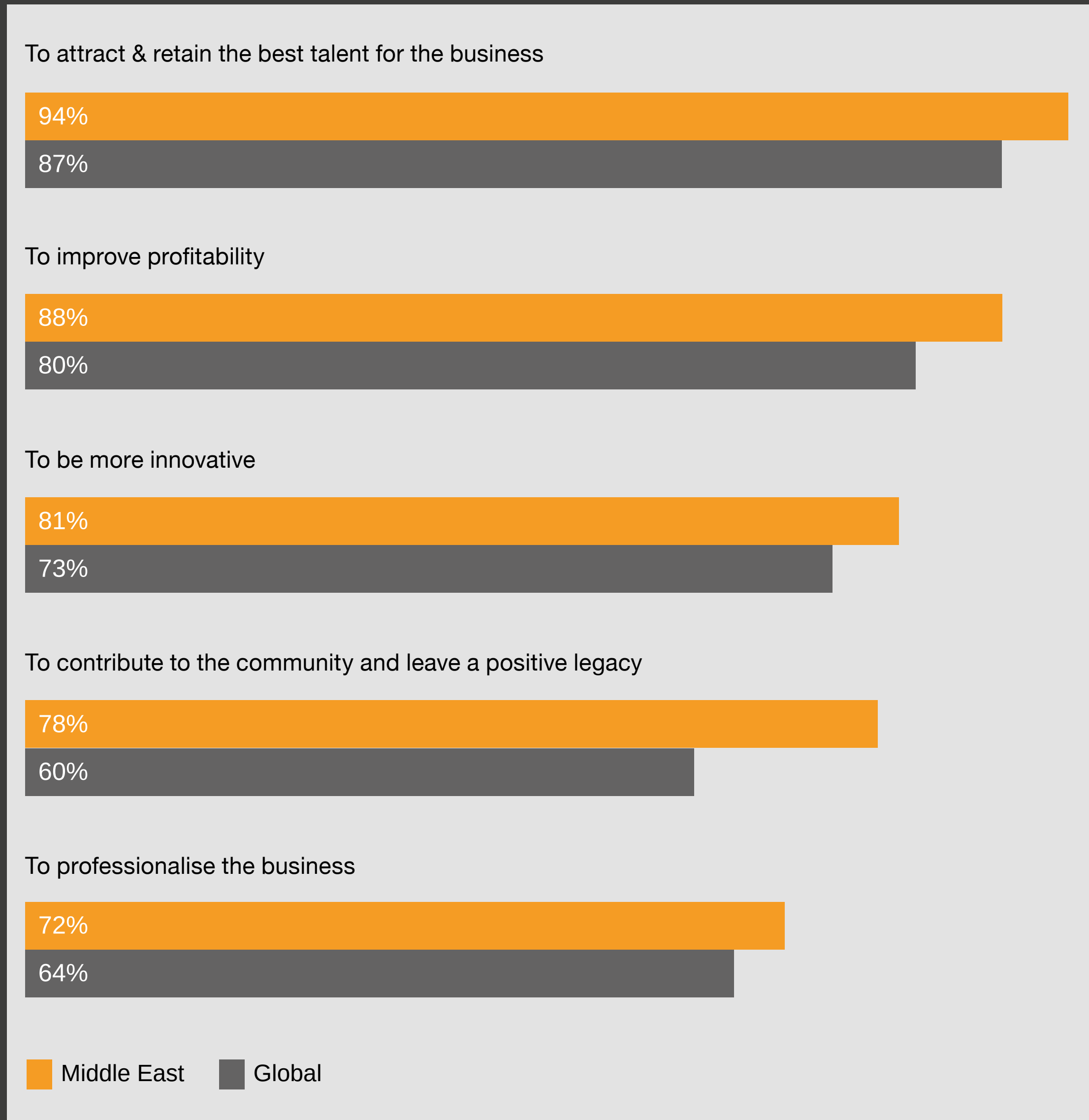
Growth pillars for family businesses

Key findings of the 2019 Middle East Family Business Survey

Top of mind for family businesses:

Our survey asked family business leaders to prioritise their key business goals for the next two years. Their answers will hardly surprise business leaders elsewhere.

Which issues are top of mind for family businesses?



Here is a look at how Middle East respondents addressed key issues in comparison to global respondents of our survey:

Business Issues

The overall economic environment is a bigger influencing factor for Middle East family businesses than for family businesses in other regions.

78% 56%

Finding talented, capable workers is challenging for all family businesses.

66% 60%

Middle East family businesses are planning to be involved in buying or merging with other companies.

On domestic level:

34% 24%

Outside their domestic market:

25% 18%

Coping with regulations is a significantly bigger issue for Middle East family businesses than for family businesses in other regions.

63% 43%

A high percentage of Middle Eastern family businesses expect to change their business model over the next two years.

34% 20%

Just over half say they have a formal mid-term strategic plan in place, while 28% have no plan at all. This is higher than the global average of 21%.

53% 21%

A large number of Middle East family businesses intend to bring in experienced professionals from outside the family to help run it.

85% 53%

Numbers refer to percentage of agreeing respondents

Planning, Governance & Succession

Middle Eastern family businesses have next generation family members already working in the business.

75% 65%

In the Middle East fewer family businesses allow spouses to work in the business.

47% 64%

More Middle Eastern Next Gens are already in leading positions of the family business than their global counterparts.

Next Gens on leadership team:

50% 43%

Next Gens on the Board of Directors:

63% 37%

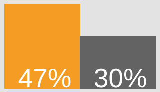
The number of Middle East businesses that have a robust, formalised and communicated succession plan in place increased*, however, a deep dive in the succession plan reveals that only few of them have actually been formally implemented).

31% 15%

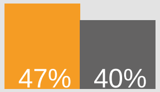
*much higher than the 9% recorded in 2016, and more than double the global average of 15%

Innovation and Digitalisation

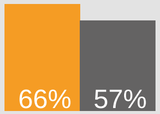
Middle East family businesses feel more vulnerable to digital disruption than their global counterparts.



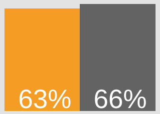
More feel also vulnerable to cyber-attack.



Stepping up digital capabilities in the next two years is viewed as an even higher goal than globally.

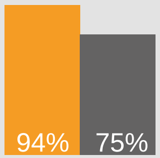


The ability to innovate to keep ahead worries everyone.

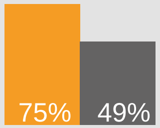


Values, Purpose & Legacy

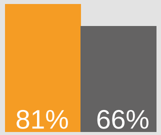
The family that owns the business has a clear set of family values.



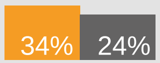
Middle East family businesses are more likely than their global counterparts to have their values and company mission written down.



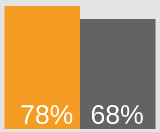
Middle East family businesses are more likely to have a defined code of conduct.

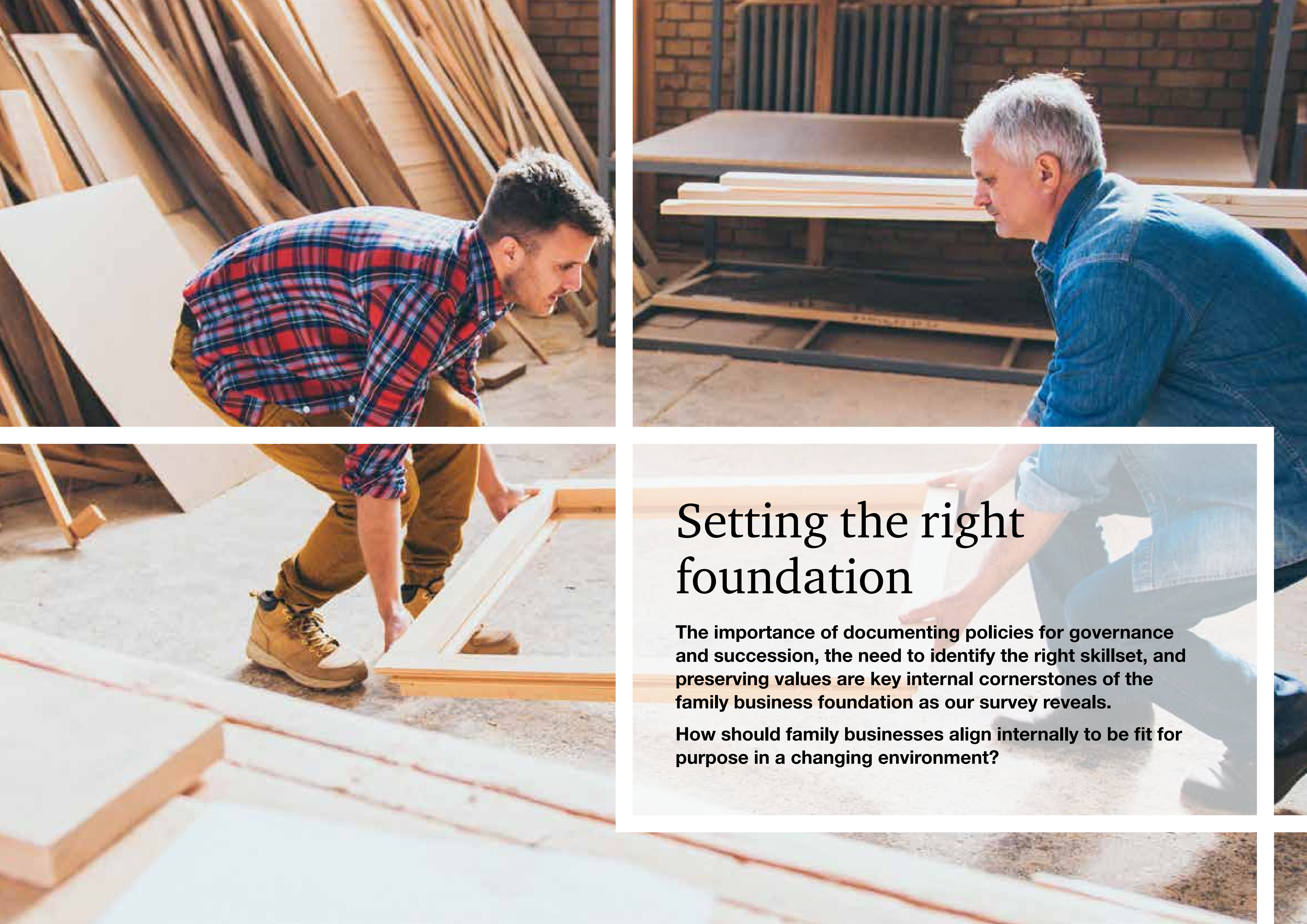


Next Gens are engaged in philanthropic activities.



Engaging in some form of philanthropic activity above giving money to good causes is reported as a high priority.





Setting the right foundation

The importance of documenting policies for governance and succession, the need to identify the right skillset, and preserving values are key internal cornerstones of the family business foundation as our survey reveals.

How should family businesses align internally to be fit for purpose in a changing environment?

Planning for continuity

A massive transfer of assets is underway in the Middle East, as relatively young businesses in the first or second generation undergo a generational change. An estimated $1 trillion in family business assets is expected to change hands over the next 10 years with wealth being mostly held by large families. In the GCC, it is estimated that more than half of family businesses are in the midst of transitioning from the second to third generation. Succession challenges are in some ways greater in the Middle East than in other regions because large families are more common, and inheritance laws don't necessarily ensure smooth transitions. The stakes are high. Businesses often stumble during transitions. We predict that family businesses need double-digit growth each year to preserve wealth from one generation to the next.

The transfer of ownership and managing the succession process is one of the most difficult challenges that family businesses encounter. Robust agreements and protocols for succession and conflict resolution are required for smooth transitions.

Without this clarity, next generations will be unprepared for the challenges ahead. We already see signs of talented Next Gens not joining family businesses due to a lack of guidance, proper financial incentives, and a general sense that family businesses are full of conflict.

The good news is that family business leaders indicated a strong willingness to professionalise succession procedures to secure long-term legacies according to our survey results. When succession is handled well, the continuity and passing of the business and wealth to the next generation promotes stability of the family and overall economic growth.

The percentage of Middle East family businesses that reported a formalised and communicated succession plan has increased to 31. Planning on paper of course is only the start. Mentorship, role-focused education, induction into the business at an appropriate point in time, and continuous development are key to ensure that the next generation is ready to take the reigns successfully.

Preserving family unity and values

Facing strategic decisions is a challenge for any business. In the case of family businesses where the family dynamics add to the complexity and a wider circle of stakeholders needs to be considered, diverging interests and inability to reach common decisions can lead to missed opportunities. Questions about shareholder exits, possibility of public listing, preferred investment sectors or investment vehicles can become divisive without a unifying purpose and trust for fairness.

As the business grows both in numbers and in family members throughout the generations, identifying common values helps develop a distinct culture and a strong sense of identity. Values can promote family harmony and influence behaviours but also play a role in strategic decisions about the direction of the business.

Beyond the commercial success, values reflect also in the family business' charitable work. Both are equally responsible to build and nurture the family legacy.

Established	1971
Current generation leading the business:	Second generation
Number of employees:	10,032
Sector:	Printing and packaging, oil and gas, logistics, heavy equipment, publishing, manufacturing, engineering services, trading and education

Built on common values, driven by agreed Family Protocols

Al Shirawi Group / Oasis Investment Company, United Arab Emirates

Mohammed Al Shirawi, Deputy Managing Director

Sumeet Valrani, Director

A great example of how common values and family unity can bind family members and enable a successful transition throughout generations is Al Shirawi Group, whose holding entity, the Oasis Investment Company, is one of the largest industrial conglomerates in the Middle East. The group is owned by the Emirati family Al Shirawi and the Indian family Valrani and represents a model of how two families from different countries and cultures can come together to build a successful business. Contrary to expectations, the collaboration is seamless not **in spite** of the two families but **because of** that very reason.

Al Shirawi Group was founded in 1971 by Abdullah Al Shirawi and Mohan Valrani. Both families had been involved in trade for generations. The group was built on friendship, trust and common values at a time when Dubai was transforming, and the two businessmen were complementing each other.

“We are a business between an Emirati family and an Indian family in partnership,” says Sumeet Valrani, Mohan Valrani’s son and CEO of two businesses under the holding group. “We have common values and operate within that model extremely successfully. I believe the underlying strength of the business is our two-family dynamic.”

The late 60s was the time of the first real boom in Dubai which started becoming more diversified from its initial trading, fishing and pearling routes and started building infrastructure. Shirawi and Valrani were at the right time in the right business. They launched their company in cement and construction, which was the best sector to be in at the time. The oil boom supported the company’s quick growth.

Throughout the years the business managed to adapt to the often changing environment. When the oil prices dropped in the mid 80s, construction was downsized. Everyone stuck together and Al Shirawi restructured and refocused successfully. “That process would have severely tested any relation between business owners, but the bond between Uncle Abdullah and my father strengthened,” says Sumeet Valrani.

The philosophy started emerging that the families would do business only in sectors they were willing to let go if needed, and to always manage to adapt and self-innovate. They used the experience from each economic climate change to learn how to react and did so successfully. When digital became the alternative to print, Al Shirawi refocused one of their businesses, Emirates Printing Press, towards packaging. Navigating towards such decisions that worked to the advantage of the business has always been a collaborative task. The unity between the families and harmonious collaboration were instilled top-down throughout the organization.

“The founders were father figures to all employees. Any differences in opinions throughout the years were only on commercial matters and they were mitigated. There were no egos,” says Mohammed Al Shirawi, son of Abdullah Al Shirawi, deputy Managing Director and CEO of Emirates Printing Press under Oasis Investment Company. “Collaboration and clear communication have always been important, so has positive attitude towards each other”.

“Each family keeps the other family united,” continues Sumeet Valrani. “Whenever there is a decision, one member of each family must be part of that decision. We are their regulators, and they are ours.”

In the mid 90s the founding fathers felt that they should invest in the next generation and they wanted the transition to happen in front of them. This led to the development of the regulating family business charter, the Family Protocols, which aimed to guide the next generations and which acts as a tried and true handbook for the business to date.

Identifying the right timing to develop such rules — namely early on in the journey of the family business and before the opportunity for conflicts arises – as well as having the involvement of the relevant stakeholders is important. In the case of Al Shirawi the first generation embraced the fact that the development of the family business rules should have the involvement of the second generation.

The two founders did not participate in the development of the protocols, instead choosing to stand back and allow the second generation a free hand to draw the plan. The motto was “These are your rules.”

Consequently, the second generation of both families – whose senior members are represented by brothers Mohammed Abdullah Al Shirawi, Sumeet Valrani, Hisham Al Shirawi and Navin Valrani – came together to formalise the family governance structure and how the family should interact with the business. Two members from the second generation of each family met to talk about how they should proceed. The process included a series of meetings with various stakeholders, individually and in confidence, which helped identify any underlying issues and develop solutions. In particular the second generation fully accepted and embraced the established governance.

“The right time to do this was during the reign of the first generation, so everything can be already properly set up and running when the second generation takes over. The legacy of the first generation is the ability to give up control in their lifetime,” says Sumeet Valrani. The ‘letting go’ by the founders is often one of the most challenging family governance issues faced by a business transitioning to the second generation. “The Family Protocols remain in place exactly how they were formulated. Through the protocols, everyone knows where they stand. So far, the protocols have stood the test of time, and they are a testament to the strength of the relationship between the two families.”

“Advice to the next generation on how to keep the business together: Seriousness and discipline, positive attitude, continued consultation. Keep the same system as it has been successfully taking us from one generation to the other,” says Mohammed Al Shirawi.

Developing good governance

Sustainable growth depends not just on strong family unity, values and detailed strategic plans, but also on clearly defined and agreed mechanisms which regulate ownership, roles, rights, and relationships between stakeholders, resolve conflicts, as well as manage succession.

Family Protocols, Shareholders' Agreements, Memorandums of Association act as governance tools that provide guidance in decision-making processes. The development of such agreements is not just a family charter as the end-product but also a process that reveals underlying motivations and expectations, possible disputes, personal goals.

Open and honest communication, as well as the reassurance that individual interests are being considered, ensure the buy-in of all stakeholders, and that the outcome will be respected and followed. Legalisation of such documents is highly recommended so their enforcement can be ensured.

> **Our aim is for our family business to continue into the next generations in the same spirit of our founding father that has been preserved until now."**
>
> - Executive Director of a Middle East family business (Lebanon), 2nd generation

Governing bodies

Separating family from business is key. Each of the three main systems involved in a family business, the family members, the shareholders, and the management must have clarity about their roles and respect the related boundaries. The most efficient businesses have suitable governing bodies which carry out their part according to their assigned roles and act in a checks and balances system:

- Several families opt to establish a **Family Council** which constitutes of family members regardless of whether they are involved in the business or not and deals with family issues. The development of the next generation, the decision on family succession, and family conflict resolution mechanisms are covered by the Family Council.
- On the other hand, the **Board of Directors** includes non-family members, drives the strategy of the business and is responsible for appointing the management team. Objectivity and transparency are high on their agenda.
- The **Shareholders' Council** protects the interests of share-owning individuals, whether family members or not. The appointment of Directors falls under the Shareholders' Council jurisdiction.
- The **Management** supports the strategy by running day-to-day business. It needs to provide transparency of activities to the Board but also be properly empowered to implement decisions.
- Additional or alternative governing bodies such as the Family Assembly, which involves all family members, the Family Foundation, which deals with philanthropic activities, the external Advisory Board (or in a simpler scenario, individual external advisors who are not involved in the business), similarly must engage according to their designated roles and respect boundaries.

> **"One of our third generation members decided to leave the business last year. Thanks to the family protocols we had established early when the founding father was involved in the business, it was a very smooth, quick and harmonious process. The departing member is on very good terms with the family."**
>
> - CEO of a Middle East family business (United Arab Emirates), 2nd generation

Investing in skills

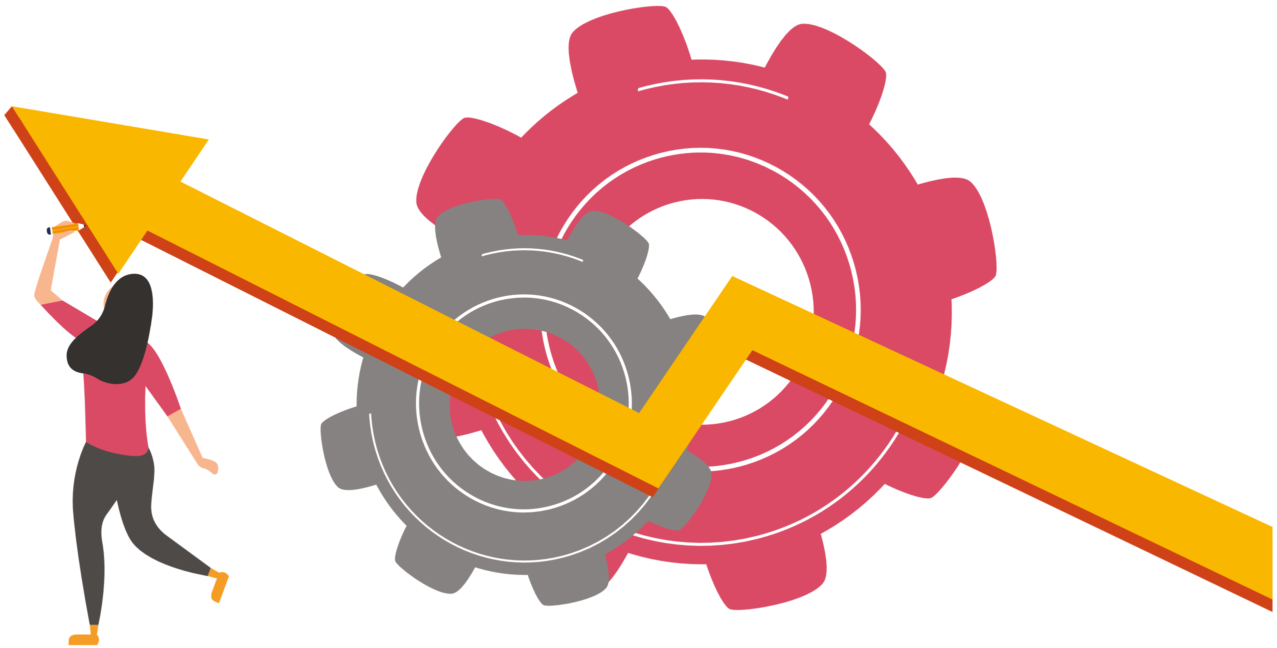
Time and again our survey has shown that attracting and retaining the right talent remains a highly ranked challenge for Middle East family businesses. This is a challenge faced by non-family businesses as well. The digital era demands not only a high degree of skill specialisation but also continuous learning and development in order to keep up with rapid progress. Collaboration with academic institutions and upskilling of the existing talent pool are becoming a priority for family businesses.

Aside from a technical fit, a cultural fit is also essential. Companies turn towards strategic recruitment where the candidate identification is linked with the business strategy and vision. Highly qualified candidates are quickly off the market, therefore the projection of the right image outwards with a strong set of values, a clear mission and an appealing brand can be a competitive advantage for a family business.

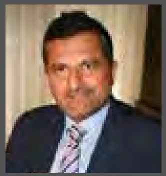
All of the above mentioned internal challenges like continuity planning, conflict management, need for proper governance, skillset development have remained the same throughout the years. What has been changing is the climate in which family businesses operate. A new economic, disruptive environment demands action and preparedness now.

“We wish for our lasting legacy to be honesty, integrity and respect.”

- Director of a Middle East family business (Kingdom of Saudi Arabia), 3rd generation



Five principles for setting the right foundation



Amin Nasser

Middle East Private Business Senior Advisor
PwC

1. Create good governance with well-defined and communicated rules that ensure the separation of family and business, regulate succession and address conflict resolution. Take into considerations the different motivations and expectations of stakeholders and ensure fairness. Document these rules by establishing the Family Constitution / Family Protocols that will serve as a guide for generations to come.
2. Educate the next generation about the philosophy, values and history of family and business. Instill a sense of pride and responsibility and build a common vision across the generations. Inform about rights and expectations. Invest in the development and education of the future leaders. Conduct a thorough preparation. Let go when the time is right.
3. Invest in capability building across the organisation. This is becoming even more crucial in a digital age where an elevation of skillset is a must. Family and non-family members need to equally prove that they are up to the task, and the roles within the business must be appointed because of capability and merit not lineage.
4. Provide the right type of empowerment for each governing body and function so authority of decision-making and execution of decisions are respected and followed through.
5. Define, communicate and celebrate your values as the identity of your family business and develop a strong brand based on them that appeals to employees and market alike and motivates the upcoming family generations to carry your legacy.

Creating sustainable value

Like for every other company, similarly for family businesses, growth strategies and operational performance are coming under pressure during times of economic constraint. Maximising value from investments, optimising performance and profitability, and cutting cost are top of mind for family business owners. The time to act in now in order to ensure sustainable future growth.

How can family business owners future-proof their businesses?

A changing business climate

Global and Middle East family businesses have traditionally been outperforming non-family private businesses[5]. Due to their presence throughout generations and their long-term outlook, they typically anticipate and manage market ups and downs with more levelheadedness than other companies. Their experience with economic cycles allows them to adapt and know how to react – or even not react at all if that is the wiser option.

Our survey, however, shows that growth amongst Middle Eastern family businesses over the last 12 months has decreased since the last time we surveyed leaders two years ago – and now lags behind the global average.

The liquidity drop in the market and the restrained consumption have had an evident impact on the private sector. Middle East family businesses reported that improving profitability was ranked as the 2nd key priority to respond to change (see Exhibit 5, page 13 and Exhibit 8 below). At the same time the need to diversify and even internationalise were also reported as key targets (see Exhibit 9 below). All of this is taking place in an environment of increased competition and market nervousness across most sectors. Family businesses are called to address both bottom-line profitability and top-line growth simultaneously.

High levels of portfolio diversification for Middle East family businesses

An additional dimension that impacts the performance of family businesses in our region is that the majority of them operate as large conglomerates. Our survey shows that 59% of family businesses work in multiple sectors (see Exhibit 10, page 32). Middle Eastern family businesses have historically utilised their brand name and wealth to find investment opportunities beyond their core assets and diversify their business portfolio. Founders who established their business initially in one sector often saw that developing a wide portfolio of assets served as a good way to balance risk and reward, thus ensuring the longevity of the family business. The portfolio acted sometimes as a wider funding pool to mobilise capital for underperforming assets. At the same time, diversification has frequently been a diplomatic solution for family businesses to provide opportunities to an increasing number of family members of proving themselves by each focusing on the growth of their own business segment. This has worked well whilst the macroeconomic climate has been favourable, however the days of easy growth belong to the past.

The most represented sectors by Middle East family business conglomerates are retail, real estate,

Exhibit 8: Performance goals of Middle East family businesses

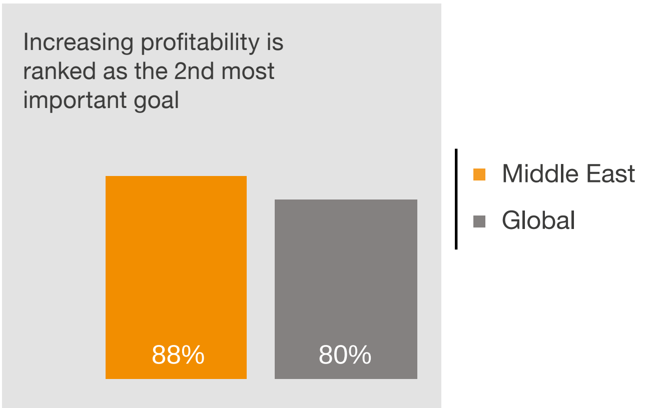
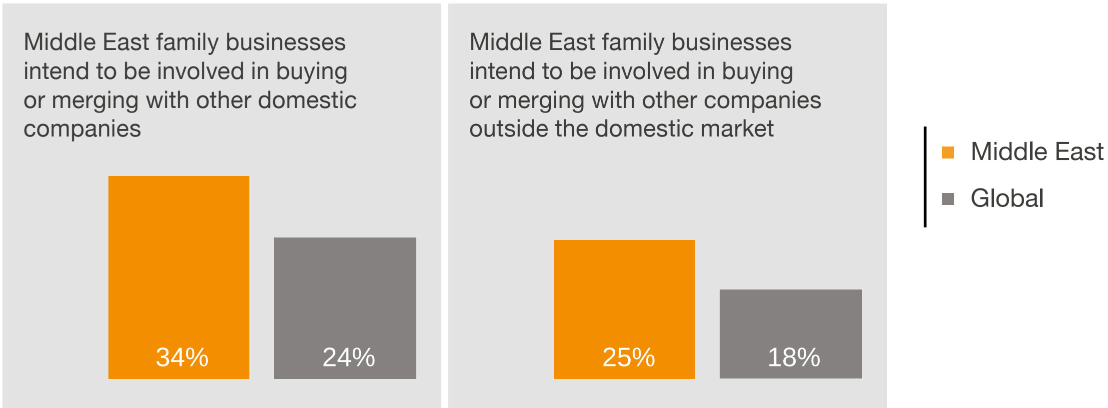


Exhibit 9: Growth goals of Middle East family businesses



[5] Credit Suisse, Standard & Poor's ratings

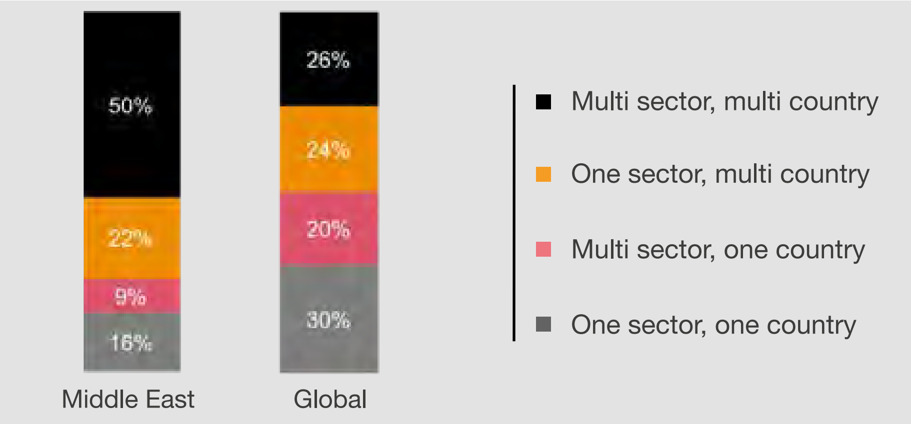
construction, manufacturing and logistics. Generally, diversification amongst family businesses tends to be savvier than amongst non-family counterparts, with expansions typically taking place in industries adjacent to the core offering so the right synergies can benefit the group.

Identifying the right investment mix requires thorough due diligence to ensure strategic alignment and long-term shareholder returns, something that was not always conducted, particularly when a family business had significant funding power. That luxury allowed even assets that didn't perform up to expectations to be maintained throughout the years. Ultimately, underperforming assets are increasing in Middle East family groups in response to market conditions.

During heady periods of growth in the region across most sectors, the impact of assets which are less profitable can be mitigated, however, in the economic conditions that we have been witnessing in the last few years, non-performing assets can be a serious drain. The fact is that portfolio strategy needs periodic re-evaluation to ensure that assets continue to be profitable and managed effectively.

In light of the changing business climate, business leaders are now asking for clarity on the overall family fund strategy, sector focus, and how to generate higher returns.

Exhibit 10: Family business portfolio diversification



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Given the challenges across a number of sectors due to the macroeconomic environment, family businesses have to react and adjust to the market conditions. Families are reevaluating their overall investment strategies as well as their portfolio performance and management to ensure that they maximise shareholder value over the long term and that the business is sustainable."

Karl Mackenzie
Partner - Middle East Value Creation Leader
PwC

"

We run our business as a conglomerate and are proud to say that we have many divisions. At the same time we are conscious of the importance of getting better and better in our core business, being at the top of that industry and not spreading ourselves too thin with too many divisions or with divisions that are not profitable. Having a healthy asset mix is good but specialisation is more important to us."

- Chairman of a Middle East family business (Kingdom of Saudi Arabia), 2nd generation

Maximising value from assets and optimising performance

The primary focus for a family business is to achieve continuity by passing on a valuable brand to future generations and preserving family wealth. Conducting a health check of the business's strategic direction and performance and making tough and pragmatic decisions require that the business is freed from emotional ties.

This is easier said than done. Often family business members are driven by loyalty to legacy assets that are synonymous to their brand – even when performance is dropping – or by the obligation to provide employment for community members and/or bring skills into the region. However, our survey shows clearly that the number one concern for family businesses is the economic environment (see Exhibit 3, page 9) with the implication that no business can afford to remain idle in a changing economy and increasing competition. When too many non-performing assets threaten the entire portfolio, family businesses have to take a tougher and more objective approach and assess which parts of the business are core, which non-core and which should be overhauled to meet industry standards.

Assessing whether a family business is delivering optimal value requires a multifaceted evaluation which includes the overall investment strategy, sector benchmarking, market positioning, financial returns, operational performance, fit of strategic partnerships, as well as legal and tax structures. Such a review can be summarised in three steps:

- The first step is to define the suitable overarching **fund strategy** including an assessment of the fund returns on current and targeted investments and of the intended time returns horizon based on the family business's goals and risk appetite. Measuring current core capabilities against the historic business focus, identifying the optimal geographic target, designing the right operating model and governance are key areas of focus.
- The appropriate **industry / sector strategy** is the next level of assessment. Innovation and digital capabilities are transforming many industries, so understanding the long-term sector outlook, impact from macroeconomic factors, changes in business models, and current sector disruptors helps enhance capabilities and also identify opportunities. Sectors that were once avoided are now considered investment opportunities, e.g. in KSA tourism, entertainment, healthcare and technology, however, ensuring the right fit between business and industry is key for enduring growth. New markets and opportunities always carry risk, therefore the core business needs to be strong and stable before delving into new ventures. Smart partnerships are also a good way to leverage sector expertise.
- The most emotionally tasking part of the assessment is the **portfolio asset strategy** as it asks the toughest questions. Evaluating the current performance of the assets, ensuring alignment with shareholders' expectations, benchmarking against competitors, and developing plans for performance improvement or – if necessary – making the decision to turnaround or exit certain underperforming assets need to be addressed by family businesses. Looking at working capital efficiency and optimising capital and tax structures are also part of a sound value creation plan.

In terms of industry and geography expansion, our family survey has shown that the appetite is there (see Exhibit 9, page 31). Returns and regulations are the deciding factors on whether it is beneficial to have part of the portfolio abroad.

In addition to the above steps, other parameters need to be factored in to guarantee sustainable value. Ensuring the right capabilities, technology and culture frame any performance improvement exercise. Another one is identifying the right funding vehicle, e.g. whether a family business should remain exclusively in family hands or whether it is open to external investors as a means to increase value, in which case a balance between benefit (additional capital) and requirements (increased governance and stakeholder diversity) needs to be calculated.

In summary, there are many parameters that influence the value of the organisation and there can only be tailored answers on how to maximise and sustain it. However, one thing is universally applicable: In our changing times, family businesses need to act now to identify how to drive value for the business and to ensure long-lasting legacy.

Established	1965	
Current generation leading the business:	Second generation	
Number of employees:	5,000	
Sector	Transport and logistics, food, automotive, real estate, manufacturing	

Driving growth through effective portfolio management

Almajdouie Group, Kingdom of Saudi Arabia

Abdullah Ali Al Majdouie, Group President, Vice Chairman of Almajdouie Holding Company

The story of Almajdouie Group is one of success based on a focused strategic vision, smart expansion choices, and continuous self-improvement. Having started more than 50 years ago as a land transport company by Sheikh Ali Ibrahim Almajdouie, the group has grown into a massive conglomerate that spans across several sectors and by far dominates the project logistics sector in the Kingdom of Saudi Arabia. A company of superlatives, Almajdouie Group always strives for excellence and it consistently receives awards for achievements in transport and logistics, even becoming the first company in the Kingdom to enter the Guinness Book of World Record for transporting the heaviest item by road freight.

Almajdouie continues on its growing path by addressing three key levers:

• industry expertise

• streamlining operations

• optimising investments

Abdullah Al Majdouie, Group President and Vice Chairman, who is leading his father's company into a new digital era, emphasises the importance of industry expertise and being at the forefront of developments to maintain competitiveness. "Businesses need to be more aware about the direction of their industries as it influences both bottom-down profit and top-line growth. We need to know where the sector is going in the next five to ten years, or we will fall behind. At Almajdouie we keep on top of developments and make plans of action. We are looking into the future, re-evaluate business models, and move ahead."

Possessing such a restless and agile attitude is essential to be able to adapt to an economic environment that has changed in the last years. Middle East family businesses can no longer rest on comfortably targeting and achieving double digit growth rates. "The business community grew up in a rather lavish way. Business plans were designed with the mindset that everything will continue growing.

When the drop happened, everybody was surprised," says Abdullah Al Majdouie. Assessing and streamlining performance was made a priority at Almajdouie. "Our three top priorities to ensure future profitability and growth are a) running a streamlined and tightly managed business, b) adopting digital transformation, and c) recruiting talent."

Abdullah Al Majdouie says: "Family businesses are starting to take tough decisions and cutting back on everything that is not conducive to the business. Every aspect needs to be evaluated. If we take employee performance for instance, in the past even low performers were kept in the company – particularly for family businesses being compassionate has always been an important value – but now that needs to be evaluated more carefully. There also isn't ample time anymore to develop and groom employees, so recruiting the right talent is crucial. People need to come into the business ready."

Operational efficiency is also critical. "We look at increasing machinery efficiencies and utilisation. We even look at reducing waste in industrial manufacturing," says Abdullah Al Majdouie. Turning to digital operations also drives efficiencies. "Digital means different things for each industry. The logistics sector is currently undergoing a massive transformation and we want to keep up with that – for instance we are developing our own online solution for last mile delivery."

For the development of its portfolio, the family business has managed to strike the right balance. While the company has expanded into several industries such as manufacturing, automotive and real estate by identifying the right opportunities, the transport and logistics sector has always been the core of the company since its inception. Therefore Almajdouie has ensured to maintain the core strong by continuously evolving its integrated logistics and supply chain solutions, upgrading its fleet, and striking the right partnerships. Beyond the core, diversification had to happen with sectors complementary to each other in order to achieving a harmonious portfolio. As Abdullah Al Majdouie points out, "Blind growth could mean trouble. If a company sees an opportunity to grow but does so at the expense of the rest of the business, it is choosing the wrong way. What is important is the proper due diligence. Even in more reserved times, growth is possible – if your business line needs to grow, don't be scared by what is happening around you. Research and prepare instead."

Family businesses have been traditionally reluctant to close down sectors of underperforming assets that have existed for sentimental reasons. Almajdouie has recognised that objectivity is required to ensure future success and continuity. "We used to be very loyal to our assets regardless of what the return is. In the early days we had limited visibility to cash flow. However, we realised that we can't be loyal to underperforming assets and needed to evaluate correctly. We decided to close down a few businesses based on that philosophy - even assets that our customers expected us to retain due to recognisability and prestige," says Abdullah Al Majdouie. "It is important to remember that we are after all a business."

While maintaining a sharp focus on business strategy and performance, Almadjouie also celebrates its family business roots. "We make sure to preserve and protect our values - care, accountability, transparency, commitment, harmony. We have special sessions for family members to pass on to them stories of the founders and have committees in the group where various family generations participate. The earlier the family members are connected with the business, the more they get an idea on how to live the values," says Abdullah Al Majdouie.

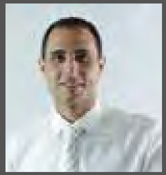
Equipped with vision and values, Almajdouie does not rest on the success but is always planning for the future. Abdullah Al Majdouie's advice is to have a sound value creation plan and a clear roadmap for the business. "Extract the best of what your business is currently offering and always look for potential to grow. Try to be efficient, excel in your industry, and be a point of reference and role model in that sector for others. At Almajdouie we always keep the risks in our minds, but feel that our capabilities have a lot to offer and can be further maximised. We are optimistic about the future of the company and our country."

“

Over the last thirty years our business has grown a lot. We have been very successful and accumulated a lot of assets. Our ultimate goal is to handover a strong business to the next generations. We recognise that the environment around us has been changing and so must we. It is necessary to streamline the business, look at governance and tax, and optimise output.”

- Chairman of a Middle East family business (Kingdom of Saudi Arabia), 2nd generation

Five principles for creating sustainable value



Antoine AbouMansour

Partner - Middle East
Deals Leader
PwC

1. Define a clear strategy that serves the long-term objectives of your family and your business and stay true to the strategic intent and vision of your company. Develop deep expertise of your sector(s), in particularly boost your core sector – if this is aligned with your strategy – and benchmark performance against your peers. Ensure that your strategic, financial and operational targets are aligned and carry the identity of your family business.
2. Develop a comprehensive value creation plan that is unique and tailored to your business and ensure its implementation. Assess your business with an objective eye, review your portfolio and choose investments wisely. Cut the tail wherever needed.
3. Conduct a thorough due diligence for any new investments and – if you are operating in multiple sectors – identify sectors that work well with your core business to build a cohesive portfolio rather than follow opportunistic leads. Ensure your M&A strategy is aligned with your overall business strategy.
4. It is time to address cost. Assess all business aspects (business model, operating model, technology, human capital, synergies etc) and identify opportunities to streamline your business and sharpen performance. Drive business initiatives that address cost reduction, working capital optimisation, tax efficiency, capital structure optimisation.
5. Identify and build the right partnerships and synergies that will bring you to the top of your sector and/or allow you to be at the forefront of innovation. Whether strategic alliances for new markets, financial vehicles, technological providers or suppliers, ensure that your business partners share the same values, vision and quality standards as your family business.

Innovation and digitalisation

Family businesses tend to be conservative and risk-averse and are therefore often perceived as inert when it comes to innovation and change. That perception does not necessarily hold true - after all entrepreneurialism runs in their DNA.

How should family businesses address innovation and what must they do to secure long-term competitiveness in a digital era?

The family business innovation paradox

The family business mindset is focused on preserving the name, the brand and the wealth throughout the years, and achieving that requires running a tight ship. This means that effort and investments must be wisely chosen in order not to waste capital, resources and time. Indeed, studies suggest that while family businesses tend to spend less on R&D, their investments yield higher returns. Central control and decision-making, a particular type of institutional memory and the importance of non-financial goals lead to being highly selective and aiming for maximised efficiency and output.

That applies also to how family businesses typically approach innovation. Forward-looking leaders are aware of the power and necessity of innovation in order to maintain the competitive edge in their industries. However, they will be more prudent and cautious in their innovation capability expenditures, minimising risk and ensuring a high return on investment. The common perception that family businesses are traditional and therefore resistant to adopt innovation does not necessarily apply.

Innovation and digital transformation as catalysts for growth

Two key parameters influence how family businesses tackle innovation and new technologies. The first one is the role of generational change and how it affects the innovation culture within the company. Whether an innovation mindset is adopted early on by the founder or later by the next generation, there comes a point of realisation that innovation is a key business growth enabler and that it needs to be institutionalised and incorporated in the family values.

The second parameter is the industry / industries in which family businesses operate, as sector development greatly influences the necessity and level of innovation. Some industries dictate a rapid adoption of new technologies and processes, and favour the development of new business models and products more than others. For example e-commerce is increasing by huge percentages every year and Middle East companies are already responding to such changes. Digital transformation is driving the development of many industries. Business processes are being overhauled and streamlined, and data-driven customer expectations are being put at the heart of the business strategy. Failing to acknowledge the signs of the times translates into growth stagnation for a business.

Over the years we have seen that innovation is being increasingly recognised as a key challenge by Middle East family businesses. A comparison shows that in 2014 the percentage of family businesses that reported innovation as a challenge was 41%; this increased to 48% in 2016 and last year it rose yet again to 63% (see Exhibit 11, page 40).

It should be noted that the level of innovation adoption is individual for each family business. Some firms are able to remain successful for years by following the old ways – typically those might operate in a single sector where they have a stronghold, or they might service a very specific and dedicated customer segment. Others choose to innovate mainly in their core expertise and to a lesser degree in secondary sectors if they operate in more than one. We increasingly see however that all family businesses feel the need to turn towards innovation - each business needs to identify its own innovation needs and adopt a systematic approach for implementation.

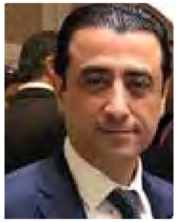
> **“The two most important assets for a family business to preserve are the wealth and the entrepreneurial spirit so they can self-innovate.”**
>
> - CEO of a Middle East family business (United Arab Emirates), 2nd generation

Building innovation capabilities and the role of the next generation

Historically, Middle East family businesses have underinvested in R&D and innovation capability development which are two key enablers for innovation. Their absense explains why innovation and digitalisation have been on everybody's mind but less so in practice – there is evangelising but less implementing.

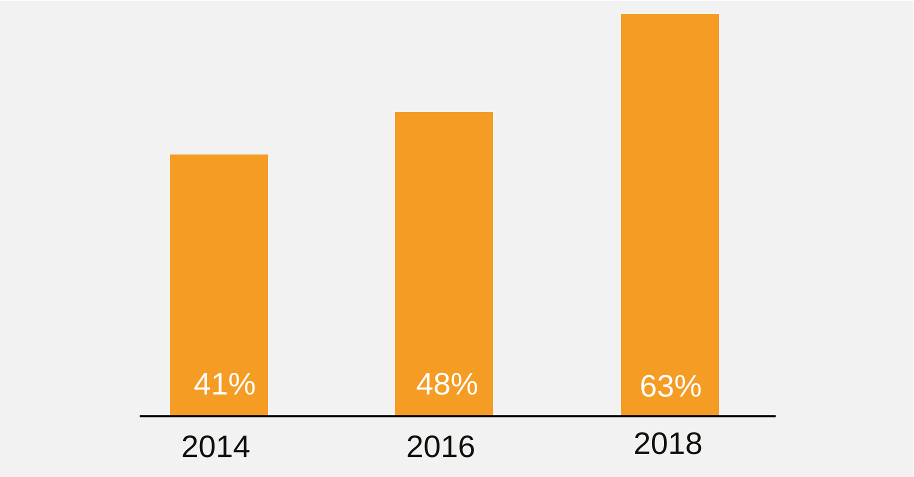
Particularly the issue of capability development has always been an important one for family businesses. Part of their legacy will be determined by the way in which family businesses encourage the next generation to be involved. Families need to recognise the value of the next generation in these transformative times and empower them to take the initiative on digital technology. Particularly millenials can play an important role in this. This best-educated generation in history tends to be tech-savvy as well. They are more inclined to adopt digitalisation and represent a rich source of solutions to the skills gap, given their experience, education and global outlook.

“Family businesses are called to develop a digital strategy that will carry them into the future. This includes understanding the value of customer-driven data and building a bridge between business and IT. Four key ingredients that foster enduring digital transformation are ensuring the commitment of senior leadership, implementing the right technologies for the right purpose, attracting suitable skillset, and developing the right culture across the organisation.”



Imad Abuizz
Partner, Middle East Technology Leader, PwC

Exhibit 11: The awareness for innovation as a challenge is rising amongst Middle East family businesses



Securing legacy in a digital age

Our survey shows that family businesses are starting to recognise the need for action in order to remain competitive in a digital future. Sixty-six percent of those surveyed in the Middle East said they are taking significant steps to improve digital capabilities in the next two years – a bit higher than the 57% globally. More than a third of Middle Eastern family businesses expect to change their business models over the next two years – 34% compared to 20% who expect this globally (see Exhibit 4, page 12).

Digital technology is a critical priority also when seeking potential employees. The ability to find the right people with the skills that can support a digital transformation is a chief concern amongst Middle East family businesses. Innovation and skills gaps were two of the biggest challenges mentioned, while business leaders cited hiring, keeping and rewarding employees as top priorities.

Middle East family businesses need to swiftly move from the awareness and planning stage to concrete action if they want to remain competitive for generations to come. The digital future is already here.

Rising digital awareness

Family business leaders are waking up to the disruptive reality of artificial intelligence (AI), the Internet of Things, 3D printing and robotics. Thirty percent of our global respondents said they feel vulnerable to digital disruption, a significantly higher number than those who said so in our 2016 survey (25%). Family business leaders in the Middle East appear more concerned with nearly half (47%) saying they feel vulnerable to digital threats – compared to 32% previously (see Exhibit 12 below).

A sizeable proportion surveyed in the Middle East interprets digital disruption to be a critical security threat. Forty-seven percent of Middle East family business leaders said they felt vulnerable to cyber-attack – a higher percentage than the 40% globally (see Exhibit 13 below). Particular areas of concern mentioned included cyber security, vulnerability to cyber crime, and threats to reputation from social media, banking fraud and system outages. The most likely respondents to say they felt vulnerable to digital disruption globally were in these sectors: retail (53%), financial services (52%) and media and entertainment (65%).

Exhibit 12: Business vulnerability to digital disruption

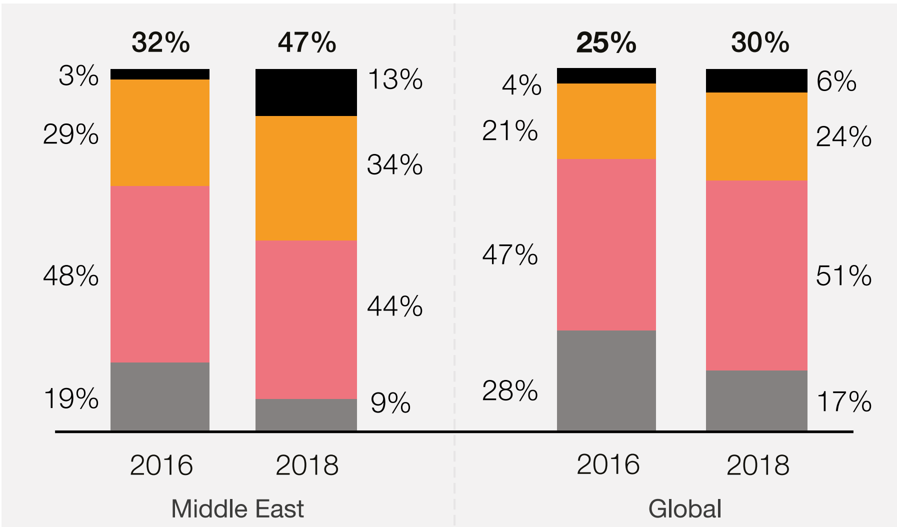
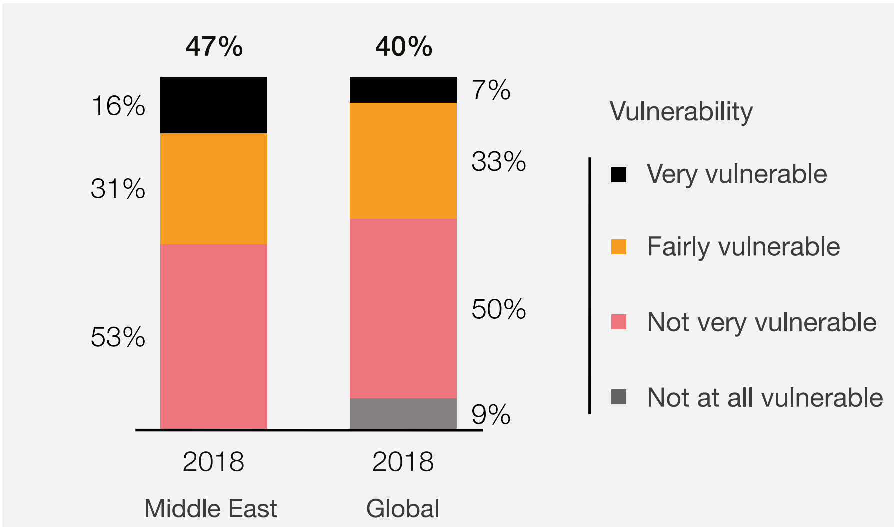


Exhibit 13: Business vulnerability to a cyber-attack



Established	1978	
Current generation leading the business:	Second generation	
Number of employees:	6,000	
Sector:	Sports, consumer products, healthcare, education, lifestyle, real estate, logistics, services	

Innovation as the key differentiator for success

Gulf Marketing Group, United Arab Emirates

Mohammad Baker, Deputy Chairman & CEO

For Gulf Marketing Group (GMG), a leading family-owned businesses in the GCC overseeing a diverse portfolio of international brands and homegrown concepts, innovation is an imperative to maintain competitiveness. It is even prevalent in the company's documented vision: "Innovate, Differentiate and Elevate to Be the Marketplace Leader". When Mohammad A. Baker, Deputy Chairman and CEO of GMG, decided to follow the footsteps of his father and company founder, Abdul Aziz, he made a point of getting to know the business inside-out. That journey included not only understanding all business aspects, but also adopting the family values and carrying them into the 21st century. Embracing innovation as a core family business value has become part of the company's culture.

"A lot of our values adapt to the current business situation," says Mohammad A. Baker. "The group was founded in the mid 70s by my father and the spirit of the family is necessary to be preserved. In fact, being a family business is the strongest asset we have. We believe in honesty, quality, our family members, and education. Also, hard work, loyalty, and going the extra mile have always been part of our values. However, the world is evolving and so must our values. We are almost in 2020 and a lot of things have changed, so we endorse new values in addition to the old ones such as innovation and working as a team."

The Middle East society has deep roots in retail, and trading goods has always been a vital source of income to Arab tribes and families. Even today in the Middle East the retail sector is well in family business hands, which typically stand for trust and reliability. Does a higher sense of trust equal higher sales? "As a family business, we live our values and promote them openly," says Mohammad A. Baker. "We share them with our employees and trust them to help us brand our journey into the future. We have done this successfully for many years, and by being honest and reliable, we have been able to grow."

GMG distinguishes between two different ways of operation. On one hand, GMG works with global, reputable companies as the local distributor - a business model that requires a certain conformity with the brand to maintain the same image globally. On the other hand, it also runs a true retail model with homegrown brands such as Sun & Sand Sports, where all decision-making is done in-house. “A lot of the retailers in the Middle East are distribution channels - they are operators rather than pure retailers. For example, in our business as distributors of Nike, we manage the people and the business flow, so our say is limited,” points out Mohammad A. Baker. “However, our business in Sun & Sand Sports is a true retail model and we have been running this equally successfully.”

While franchising is still one of the most prevalent retail business models in the Middle East, digitalisation and e-commerce allow global brands to have direct access into a market. Business models and distribution systems will require reconsidering in this new reality. “Franchisees need to look into new ways of doing business. In the wider GCC it will still take some time, but here in Dubai the model is already changing. The costs are rising, ubiquitous internet makes physical boundaries disappear, retailers want to offer the same as the ‘mother companies’, and so we need to change the model. We need to look at the cost primarily,” says Mohammad A. Baker. “Retailers need to make a lot of changes.”

Customer expectations are also changing. In today’s retail landscape, the customers are more in control compared to the past where there was a specific supply of retail products and the customers were tied to when and what they were provided with. Nowadays, in a globalised market with intensified competition, customer expectations shape not only the offering of products themselves, but also the timing and pricing of the offering (e.g. sales inventories), how a product is offered (e.g. customer service, packaging), and the speed of the delivery (e.g. preferred delivery service option). “Every day our customers are expecting to have what they see in the US or in Hong Kong, for example, here in Dubai. This creates challenges for the manufacturer and we need to keep up with that. If we don’t have the product as the customer is expecting, we lose out.” Mohammad A. Baker sees collaboration with all relevant stakeholders as an important factor to create success for the industry. “We work with the government to meet customer expectations. We meet on a quarterly basis to review upcoming events like Black Friday, Christmas sales, and so on. Then we prepare accordingly to create truly engaging consumer experiences.”

Utilising customer data to define the retail and marketing strategy is common practice nowadays, and companies go to great lengths and investments to identify customer needs. This is highly important for GMG as well. “All of our stores are equipped with the latest technologies. From foot trackers to heatmaps, we can measure trends and customer movements on a daily basis. Our targets shift based on the outcomes we notice every day. If the heatmap shows that a corner is not frequented, we react. Previously we would have opened the store and waited for the customer, today with the internet and social media, we can better predict and cater to customers’ needs.”

Technological innovations don’t stop at the front office though. “A lot of technologies are also being utilised in the back office at GMG. We can estimate and predict what product goes into which store. This can improve further once we have a true omnichannel strategy in this region. That again will depend on a lot of third parties, so there will need to be increased collaboration. Our partners will have to have the same standards as we do, or the franchisors will need to invest and become a logistics company,” says Mohammad A. Baker. This type of business model innovation is a natural evolution in the retail sector where industry convergence sees logistics companies become retailers and retailers set up logistics hubs.

Innovation, evolution and market success clearly go hand in hand. Mohammad A. Baker sees this success not only as a family business matter: “Family businesses have a commitment to the future of the Middle East region. In our case, one of the industries we are very passionate about is sports. We believe that we are both part of and responsible for this industry, and do our level best to sit with the government to talk about the importance of sports and health. We feel obliged to do that, not only for our company, but for the country, for our people, and for our region. Having such a vision is extremely important and every company that shows such a focus will do extremely well.”

Established	1982
Current generation leading the business:	Second generation
Number of employees:	4,000
Sector	Industrial manufacturing, paper and packaging, printing, distribution, real estate, education

Digital pioneers

Obeikan Investment Group, Kingdom of Saudi Arabia

Eng. Abdallah Obeikan, CEO

Obeikan's vision is to drive the future of manufacturing in the Kingdom of Saudi Arabia and beyond - and the company is on a good course to do just that. In the last two years Obeikan has undergone a massive digital transformation journey towards smart manufacturing driven by the emergence of Industry 4.0. The fourth industrial revolution is changing the face of industrial production with the help of technological innovations and big data.

As a testament to that transformation effort, the manufacturing shop floor at the Obeikan packaging factory in Riyadh has nothing to envy from top notch western counterparts. Digital technologies provide end-to-end connectivity across the entire facility enabling full transparency, and data analytics are driving continuous improvement of efficiency. All production KPIs are shown in customised dashboards in real-time and at once – information anytime anywhere. Machines and production are scheduled at optimal capacity. A control tower equipped with monitors provides full visibility over the complete manufacturing process and status. Smart equipment raises maintenance tickets automatically and issues are pointed out without need for manual check. There is real-time machine health check reporting and production target tracking.

Obeikan was established in 1982 as a printing company and soon moved into higher value-added production and increasingly complex forms of food and beverage packaging. Today Obeikan is a leading supplier of packaging to the Middle East, Europe and Africa. The family business's journey so far shows that it understands well to move with the sign of the times and self-innovate. New business models, smart partnerships, and strategic investments that allow the business to move to the next development level have always been part of the strategy. Obeikan nowadays doesn't want to be viewed as a mere product provider but a solution provider. The group has established a new entity, Obeikan Digital Solutions, which helps manufacturers develop digital operations.

Abdullah Obeikan, CEO of Obeikan Investment Group, sees two key challenges as drivers to turn towards digital transformation. "Firstly, the world is changing faster than ever and businesses need to keep up. Secondly, cost and competition are getting tougher," he says. He sees digitilisation as a competitive advantage rather than a tool – an advantage that needs to be fully integrated in a company's strategy.

For Obeikan, the effort has been paying off. Since turning to digital solutions, Obeikan has managed to achieve benefits such as higher productivity and quality control, reduction in unplanned downtime, reduction in raw materials and inventory, reduction in maintenance costs, more agile production lines that can quickly respond to changing customer preferences and demand fluctuations, real-time monitoring of targets and audit controls.

Obeikan operates in an industry where digital technologies are prevalent and are driving change at a fast pace. Yet, as Abdallah Obeikan points out, applying technologies for the sake of doing so is not the right answer, instead having a digital mindset to solve existing problems is the way to approach digital transformation step by step. “Start with a specific problem that needs solving, a clear use case to identify the required data, and then deploy the right digital solutions to help solve it. Data scientists must work hand in hand with subject matter experts.”

“Adopting a digital mindset is a non-stop learning process and being digital means being agile and customer-driven,” Abdallah Obeikan says. Failures and set-backs are also part of the journey: “Start small, fail fast and scale fast. Also keep in mind that nobody has all the answers, so opt for an open mindset and a collaborative ecosystem instead.”

Typical challenges during such a transformation are resistance to change, capability building, full ownership and engagement, overlapping responsibilities. Digitilisation is therefore not just a change in operations but also a cross-organisational change in culture and capabilities. Achieving a successful outcome is a collective effort and responsibility. “Everyone in the organisation is a chief digital officer,” advocates Abdallah Obeikan. “Empowering the people, making everyone accountable as a digital champion, providing continuous training are important to truly and successfully adopt digitilisation.”

As a family business Obeikan promotes their values – respect, integrity, fairness. Abdallah Obeikan’s expectation is that these values are lived in the company as well: “We can forgive mistakes, even expensive mistakes that were done in honesty, but we can’t forgive lack of integrity in our company.”

Abdallah Obeikan also sees in digitilisation a great opportunity to support other family businesses. He is a frequent speaker at family business forums where he takes the opportunity to evangelise about the power of digital transformation and is a proponent of sharing lessons learnt so others can speed up their journey towards digital maturity. “What has taken x amount of time for us doesn’t mean it has to be the same for you. You can learn from our mistakes and shorten your journey time,” he says. He sees the Obeikan transformation as an opportunity to build a manufacturing community of like-minded peers in Saudi Arabia and beyond that focuses on digital operations.

“Digital is creating opportunity for innovation – not just innovation of our operations, but of our value propositions, our business models, our workforce capabilities,” says Abdallah Obeikan. Going digital is no longer a choice but a necessity for businesses in order to maintain competitiveness, and Obeikan are amongst the first to acknowledge, adapt and drive change.

"Competition has changed. We are now competing against a wider pool of start-ups rather than just big players in the market. We are not yet involved in digital applications relevant for our industry. There is a variety of digital products that are utilised by millennials which we should look into."

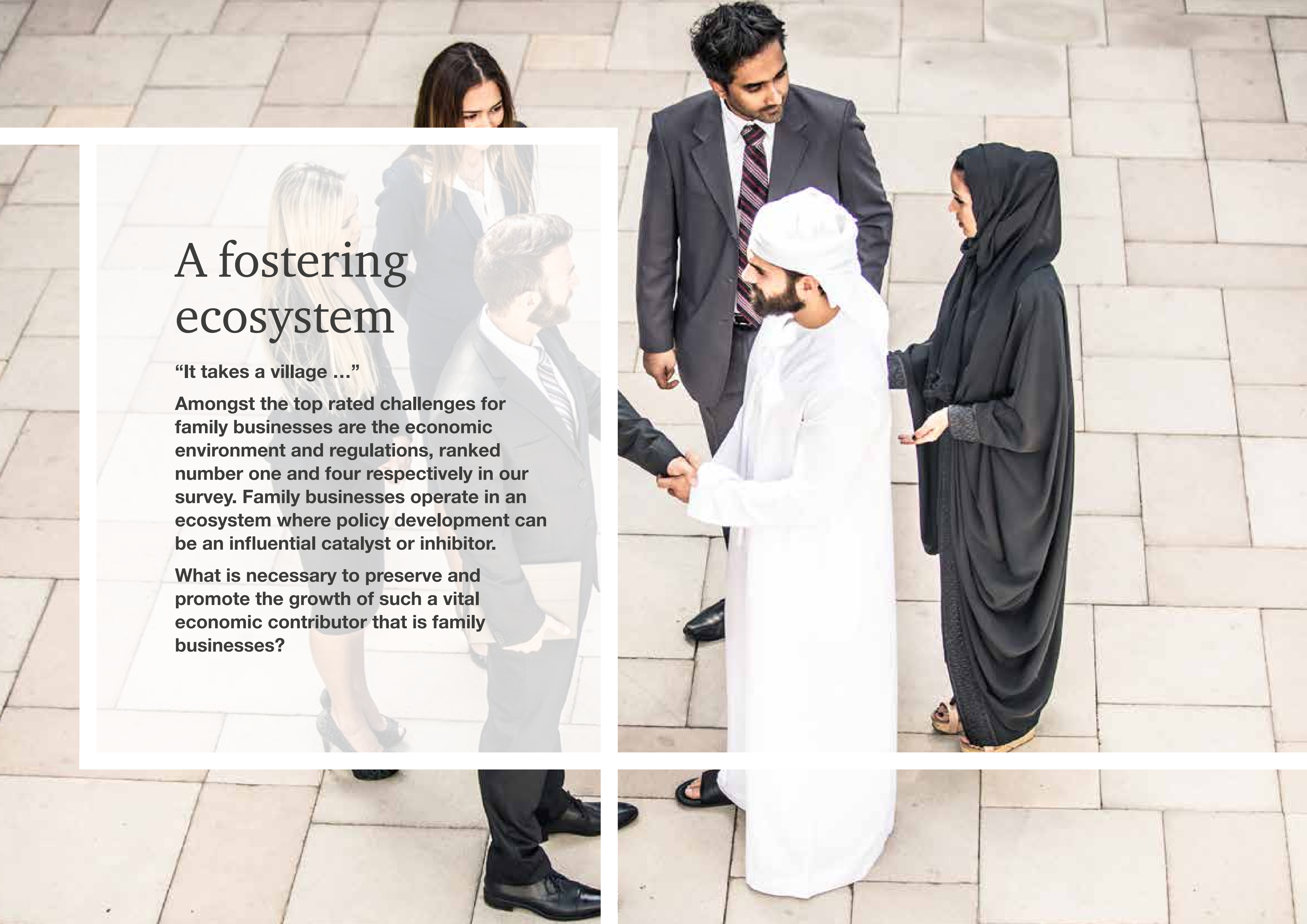
- CEO of a Middle East family business (Lebanon), 2nd generation

Five principles for successfully instilling innovation in the business

Dr. Anil Khurana

Partner for Strategy & Innovation and Global Industrial Products Leader
PwC

1. Assess the need to re-invent your company while maintaining your family business identity, and invest in future innovation capabilities. Stay on top of developments in your core competency, preserve your entrepreneurial spirit and continuously evaluate new business models and technologies that will help you maintain competitiveness and ensure the longevity of your family business.
2. Organise your innovation to make it an outcome of systematised effort rather than chance. Find the right innovation formula that works for your business, such as defining the mix for existing (say 70%) vs. adjacent / incremental (say 20%) vs. radical and transformational (say 10%). Invest in R&D on an ongoing basis even if it is a small investment beyond your normal innovation and new product development budgets – for researching new products or processes, or scanning for new ideas, or working with a university or a lab. Consider the role of external partnerships and venture investments you may decide to make. Keep in mind that the need and level of innovation required is unique to your business and sector.
3. Build the right synergies and partnerships that will complement your business, e.g. academia, suppliers or businesses from adjacent industries, or even the way you use your private office venture investments. Identify gaps within your organisation and fill with skillsets and opportunities outside of it where applicable and valuable. Innovation is a cross-sector game – embracing the wider ecosystem and industry convergence can greatly enhance your family business brand.
4. Embrace digital transformation and invest in it. Define distinct problems that could be best solved with the help of digitalisation rather than attempt to digitise for the sake of doing so and then scale up methodically. At the same time be ambitious about your goals for a cross-organisational change. Ensure buy-in of all stakeholders and make digital adoption a responsibility for everyone in your organisation.
5. Build the right innovation and digitalisation culture. Pay attention to innovation right from the top. Don't let it become a routine and check the box bureaucratic structure. Develop a work environment that encourages thinking outside the box. Hire for change and embrace millennials and new ways of working. Ensure continuous upskilling of the workforce to keep up with developments. Choose the right metrics and KPIs to track your own innovation journey and reward progress. Accept temporary failure as part of progress, but move on quickly away from it and learn from mistakes.



A fostering ecosystem

“It takes a village …”

Amongst the top rated challenges for family businesses are the economic environment and regulations, ranked number one and four respectively in our survey. Family businesses operate in an ecosystem where policy development can be an influential catalyst or inhibitor.

What is necessary to preserve and promote the growth of such a vital economic contributor that is family businesses?

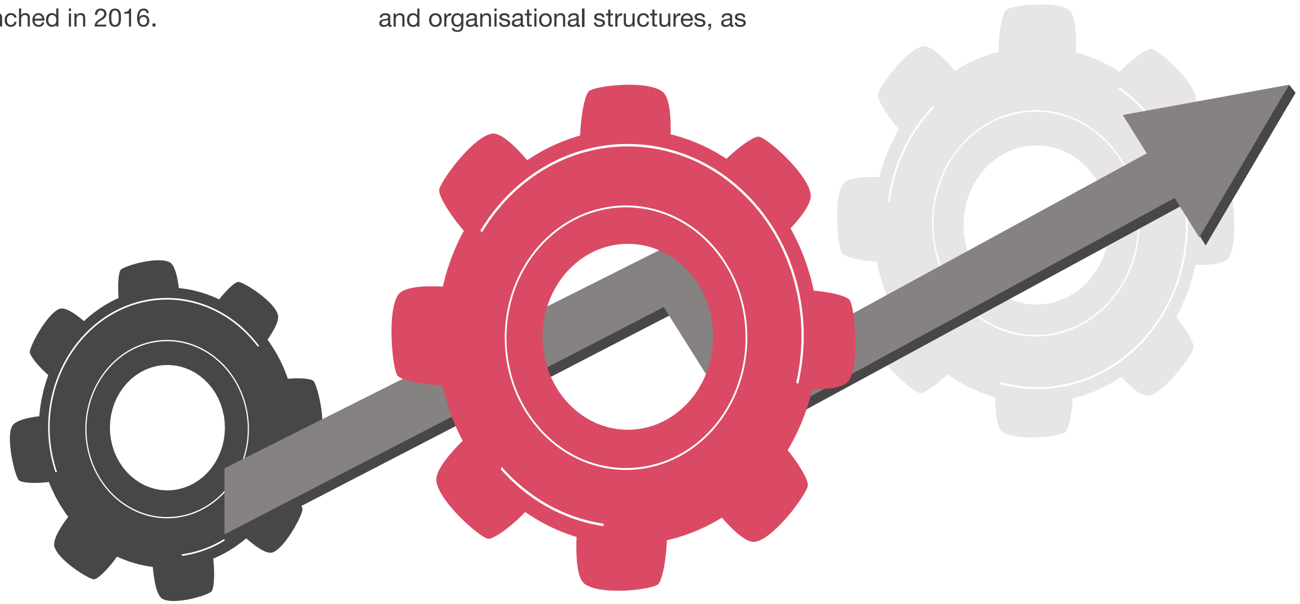
Government as an enabler

Family businesses in the Middle East are spearheading economic growth with significant GDP and employment contributions. Considering that impact, governments simply can't afford to let family businesses fail. In recognition of the fact that family businesses are an engine of economic growth, new governmental regulations and recommendations are being formed in several markets to strengthen this segment. Having the right business climate is crucial for growth. It is notable that 63% of Middle Eastern family business leaders said regulations were a key challenge versus 43% of family business leaders elsewhere (See Exhibit 3 page 11).

In recent years, government and quasi government organisations – as well as independent initiatives – have stepped up efforts in the region to support family businesses by easing investment restrictions, providing guidance to improve governance, transparency, accountability, as well as highlighting issues that obstruct growth and identify ways to resolve them. Across the region, there is a general trend towards tackling red tape, service fees, and other kinds of frictions that make it hard to do business.

The United Arab Emirates government has shown active support to family businesses by providing them a friendly business environment to operate in. In 2015 the New Commercial Companies Law increased the attractiveness for family businesses that wished to list on the stock market by reducing the free float requirement from 55% to 30%, thus enabling them to maintain control as majority shareholders. Training is also high on the government's agenda – The Dubai Chamber of Commerce and Industry has hosted several workshops for the next generation of family business leaders, as well as SMEs, through its Dubai Startup Hub which was launched in 2016.

As another example, the Saudi government has established dedicated non-profit entities such as the National Center for Family Business and the Saudi Governance Centre, which promote better governance and organisational structures, and draw attention to the vital economic and social impact of family businesses. In 2013, the country's Ministry of Commerce and Investment (MOCI) introduced the "Corporate Governance Guide for Saudi Arabian Family Companies and Model Rules", a handbook to help family businesses improve corporate governance. The goal is for family businesses to be more transparent about ownership and organisational structures, as well as have clear mechanisms for resolving disputes and selling shares. In 2018, the MOCI also issued the "Guiding Charter for Saudi Family Companies" which, albeit non-binding, promotes operating principles for family businesses according to international best standards to ensure their longevity and success. As family businesses expand, the need for more robust business models is essential – particularly for those looking for external financing in the form of private equity or public offerings.



Public-private partnerships on the rise

In recent years we have seen the phenomenon in the GCC that some sectors that have been traditionally dominated by family businesses previously, such as retail and real estate, are being entered by government entities. At the same time, other areas that had been predominantly a government affair, such as healthcare or education, are being looked at as interesting investment options for a public-private partnership by family businesses.

Both scenarios see an increased competition in an already competitive environment but also possibility for innovative collaboration models. For example, the 2015 Dubai PPP Law encourages private sector participation in the development of projects which serve the social and economic development of Dubai. Business model innovation is looked at favourably. What remains important in any such partnership is that each party plays to its own strengths and chooses such investment options wisely rather than wade in unknown waters.

Peer-to-peer collaboration

Beyond government enabling initiatives, having an open and collaborative environment between family businesses who can learn from each other is very powerful. Several dedicated non-profit organisations are providing a valuable contribution to the sustainable development of Middle East family businesses. The Family Business Council Gulf (FBCG), Tharawat, the GCC Board of Directors Institute, the Hawkamah Institute for Corporate Governance are notable organisations which actively support family businesses in the region. Their mission is to support capability development, enable peer-to-peer networking, promote educational activities and training programs on a variety of topics impacting family businesses.

"Our goal is to maintain our father's legacy and to always give back to the community."

- Director of a Middle East family business (Jordan), 2nd generation

"It is important for us to make a difference in family, company, country."

- Vice Chairman of a Middle East family business (Lebanon), 2nd generation

Established	1870	
Current generation leading the business:	Fifth generation	
Number of employees:	5,000	
Sector:	Retail, consumer products, construction, building materials, engineering products, logistics, insurance services, travel, IT solutions	

Enabling sustainability for family businesses

Khimji Ramdas Group, Oman

Pankaj Khimji, Director

The Khimji Ramdas Group has a long-standing history in the Sultanate of Oman. After the move of the founder, Ramdas Thackersey, from India to Oman in 1870 to establish a trading business, the groundwork was laid to build what would become one of the most powerful conglomerates in the Middle East region. Since then, the growth of country and family have been interwoven: When Oman started a number of large infrastructure projects in the 70s as a response to the oil boom, the Khimji family spearheaded the country's growth. When the Middle East addressed the importance of nationalisation of the workforce, again the Khimji family were amongst the first to respond with job creation and skill development for Omanis.

Next year the company is marking 150 years of existence. With such a multigenerational presence and significant contribution to Oman, the Khimji family is an inextricable part of the country's development and community, and knows well what it means to live for generations in an ecosystem that influences and is influenced by the family business's journey.

Pankaj Kanaksi Khimji, great-grandson of Ramdas Thackersey and Director of Khimji Ramdas, recognises the imperative of working even closer together in disruptive times: "One of the top challenges for family businesses is digital disruption, as well as changing business dynamics and demographics. We must address issues like moving from B2B to B2C which means owning not just the last mile but the last centimetre. We must adapt and change the way we do business." he says.

Preparing adequately for this new norm is a collective effort on the part of the family businesses themselves and to an extent, the government. "When a business has grown to such a scale, providing a fostering environment with equal opportunities and facilitating good governance to preserve continuity must be viewed as a priority. Whilst, on the one hand, the government can play a supportive role, on the other hand, family businesses themselves need to focus on having a clear vision and strategy to ensure their future growth," says Pankaj Khimji.

In other words, family businesses in our region are too important to be ignored. “Ensuring a robust governance framework is an essential requirement. The government could come up with a supportive sustainability plan such as a governance audit process. Family businesses need to conform to certain norms and standards. This can work successfully as a supportive system of checks and balances rather than an intervention. Independent Directors on the board are also important,” says Pankaj Khimji.”

Such transparency is a collaborative two-way street that can protect the interests of parties working with family businesses: “Banks could request visibility of the business’s governance if lending above a specific amount is sought,” says Pankaj Khimji.

In the past the economic environment had been conducive to family businesses, particularly in the Middle East, however, times have changed. Subsidies on utilities have been lifted in recent years. In Oman, corporate income tax has gone up from 12% to 15%. Family businesses need to be able to adapt to the changing scenario. Pankaj Khimji stresses that an over-protective government could stifle growth. “Protective regulations regarding ownership and import tariffs can become a double-edged sword. If large foreign entities were subject to restrictions, this would prohibit them from investing in our region and delivering In-Country Value. At the same time, family-owned businesses have a tremendous ability to respond to rapidly changing market dynamics and are able to adapt positively to change, therefore don’t require an overly protective environment, rather a level playing field. We must embrace the foreign institutions but at the same time increase our own competitiveness by adapting our current business models and ways of working to ensure future growth.”

Collaboration between government and family businesses to boost specific sectors is also seen as important by Pankaj Khimji. He sees public-private partnerships (PPP) as a vehicle for growth that has great potential: “The government should encourage PPP in various areas. Oman was one of the pioneers in the privatisation of the water sector. Now we are looking at transmission and utility companies, but we are not there yet. PPP can be a way to enhance some sectors successfully; that opportunity should be offered and if it doesn’t work out then government can always take over. The key is ensuring In-Country Value.” Finding the right synergies to develop priority sectors can go beyond collaboration with government for Pankaj Khimji. “We see sovereign wealth funds enter areas that are not government prone, such as tourism which is a growth pillar for Oman.”

Pankaj Khimji believes that at the heart of driving collaboration in a well-functioning ecosystem lies responsibility – that is responsibility to perform well, to work together, to give back to society. “Family businesses are the largest contributor to Corporate Social Responsibility initiatives in the country. Ensuring sustainability for such a vibrant part of society is therefore in everyone’s best interests. Family businesses of a certain size should self-regulate but also be encouraged to adopt a governance model that supports continuity. A single patriarch cannot rule a multibillion dollar company forever. We should take it upon ourselves to enforce certain best practices and need to come together in order to do so.”

Five principles for enabling a fostering ecosystem

Harenda Kailath

Director - Governance & Compliance
PwC

What can family businesses do?

1. Be part of your government's vision for socioeconomic development. Emphasise the value of learning from each other and building a forum that has a strong voice in the community – strong enough to drive change.
2. Carry the responsibility of preserving the business so your impact can continue through generations by incorporating good governance and planning early for succession.
3. Participate in collective action. Develop peer-to-peer knowledge-sharing platforms and partner with like-minded organisations that have the sustainability of family businesses on their agenda.
4. Invest in training and development in-house. The upskilling of capabilities of your next generation and your employees translates into a stronger workforce for your community and country.
5. Recognise and celebrate your impact on the wider community. As a family business you are not only a vital economic contributor to the region but also a job creator, a society builder, a next generation promoter, an industry shaper, a philanthropy benefactor.

Five principles for enabling a fostering ecosystem

Mona Abou Hana

Partner – Government and Public Sector
PwC

What can governments do?

1. Develop business-friendly regulatory policies. Allow for self-regulation and a competitive, level playing field. Develop supportive policies for family businesses that intend to grow outside the local border. Encourage Research & Development and knowledge economies or look into other value-adding initiatives where family businesses can play a driving role.
2. Encourage and enable incubators and innovation hubs that enable family businesses to look into new business models and digital technologies that help them reinvent and future-proof themselves.
3. Consider family businesses as a valuable co-investor for public-private partnerships that can bring value to specific sectors. Identify synergies and build mutually beneficial alliances with family businesses rather than compete.
4. Build the right environment that supports economic growth and competitiveness. Establish government or semi-government bodies that focus on preserving the interests and sustainability of family businesses. Support non-governmental organisations that do the same.
5. Set expectations for the professionalisation and succession of family businesses. A supportive ecosystem is based on the balance of give and take therefore defining guidelines and provisions for family businesses are part of the deal. Set succession and governance guidelines, offer trainings, and measure against expectations.

Final thoughts

Middle East family business leaders face an increasingly complex business environment. Their ability to achieve sustainable growth during disruptive times is vital, not just to ensure continuity as a family business but also in the interest of the region.

There is an opportunity for family business leaders to face these turbulent times head on by looking at four key areas that can facilitate growth:

- Firstly and from an internal perspective, they need to professionalise the business, establish better corporate governance, and organise a succession plan for a smooth transition from one generation to the next.
- Secondly, from a business perspective, it is important to objectively assess the efficiency and profitability of their business segments, optimise performance and define a solid growth agenda for their future.
- The third factor is the impact of innovation and digitalisation which are undeniable competitive tools – a digital mindset and embracing innovation are a necessity nowadays.
- And lastly, we see that collaboration is essential to enable growth: Peer-to-peer and public-private collaboration as well as policies that support growth can help to ensure sustainability for family businesses.

A vibrant and sustainable family business sector is a vibrant and sustainable Middle East.

The global importance of Family Businesses

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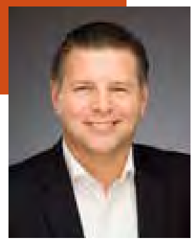
As one of the oldest forms of business organisation, family businesses are prevalent in every country. Entrepreneurial spirit, a long-term growth perspective, deep roots in their communities, strong core values are characteristics of family businesses globally. Their valuable impact to the global economy and to workforce employment is undisputed - and that is in spite of statistics of poor survival rate through generations.

Preserving the family business legacy means navigating a complex set of challenges affecting ownership and management. Mastering internal challenges which stem from family and ownership dynamics is as important as mastering the business - both have the ultimate goal of ensuring a sustainable business for generations to come.

Family businesses are thinking globally and so are we. We stand by their side by supporting their goals of business growth, continuity planning, next generation development. Our mission is to help family businesses grow, prosper, professionalise and achieve sustainable growth. Stronger family businesses translate into stronger communities and a stronger global economy."

Imagine the power of family businesses as they achieve their goals!



Peter Englisch

Global Family Business Leader, EMEA Entrepreneurial & Private Business Leader

Contacts

To have a deeper conversation on how we can serve your family business or on any of the featured topics, please contact:

Private and Family Business leader:

Adnan Zaidi

PwC Middle East Entrepreneurial & Private Business Leader
E: adnan.zaidi@pwc.com

Report contributors:

Amin Nasser

PwC Middle East Private Business Senior Advisor
E: amin.n@pwc.com

Dr. Anil Khurana

PwC Partner for Strategy & Innovation and Global Industrial Products Leader
E: anil.khurana@pwc.com

Imad Abuizz

PwC Middle East Technology Leader
E: imad.abuizz@pwc.com

Mona Abou Hana

PwC Partner, Government and Public Sector
E: mona.abouhana@pwc.com

Antoine AbouMansour

PwC Middle East Deals Leader
E: antoine.aboumansour@pwc.com

Harendra Kailath

PwC Director, Governance & Compliance
E: harendra.kailath@pwc.com

Karl Mackenzie

PwC Middle East Value Creation Leader
E: karl.mackenzie@pwc.com

Authors:

Evniki Antoniadou

PwC Middle East Entrepreneurial & Private Business
E: evniki.antoniadou@pwc.com

Stephanie Gruner-Buckley

Research methodology

Our 2019 Middle East Family Business Survey refers to data collected throughout 2018. For the global edition of the Family Business Survey 2,953 interviews took place with senior executives from family businesses in 53 territories worldwide. The turnover of participating companies ranged from US$5m to more than US$1bn. All results were analysed by Jigsaw Research, an independent market research firm. 38 interviews were conducted with Middle East family businesses.

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