



# Transform to build trust

**Family businesses in the Middle East  
should adopt new priorities to secure  
their legacy.**

[www.pwc.com/me/familybusinesssurvey](http://www.pwc.com/me/familybusinesssurvey)



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# Foreword

Our 2023 Family Business Survey was carried out at a time of significant change for family businesses worldwide, especially in the Middle East. The COVID-19 pandemic, which hit at a time of falling oil prices, tested family businesses in our region to their limits but they proved resilient and agile, adapting quickly and effectively to the pandemic and its legacy changes in customer and employee behaviour.

But there are more challenges ahead. The world is in geopolitical turmoil and supply chains remain disrupted by the war in Ukraine. Our region is evolving rapidly and radical changes are underway as nations explore new opportunities for their economic future. If family businesses in the Middle East are to maintain double-digit growth rates, they will need to navigate this uncertain and challenging world.

The trust that family businesses inspire, the foundation upon which much of their success is based, has the potential to give them a head start – and this is why this year’s survey focuses on this

competitive advantage. But the nature of trust is changing; family businesses need to earn the trust of a wider group of stakeholders and in ways that go well beyond what they have done in the past. The good news is that trust can be built systematically.

This report outlines the new formula for trust and the results of the survey. Later this year, we will build on these results to look closely at the trust-based relationship between family businesses in the Middle East and their customers, employees, and family members. We will explain how to bridge the trust gaps that respondents to our survey have identified by prioritising what matters most to each group of stakeholders. Family businesses need to protect the trust they have earned as the world around them changes, and we will explore how.

We would like to thank everyone who contributed to this survey and report.



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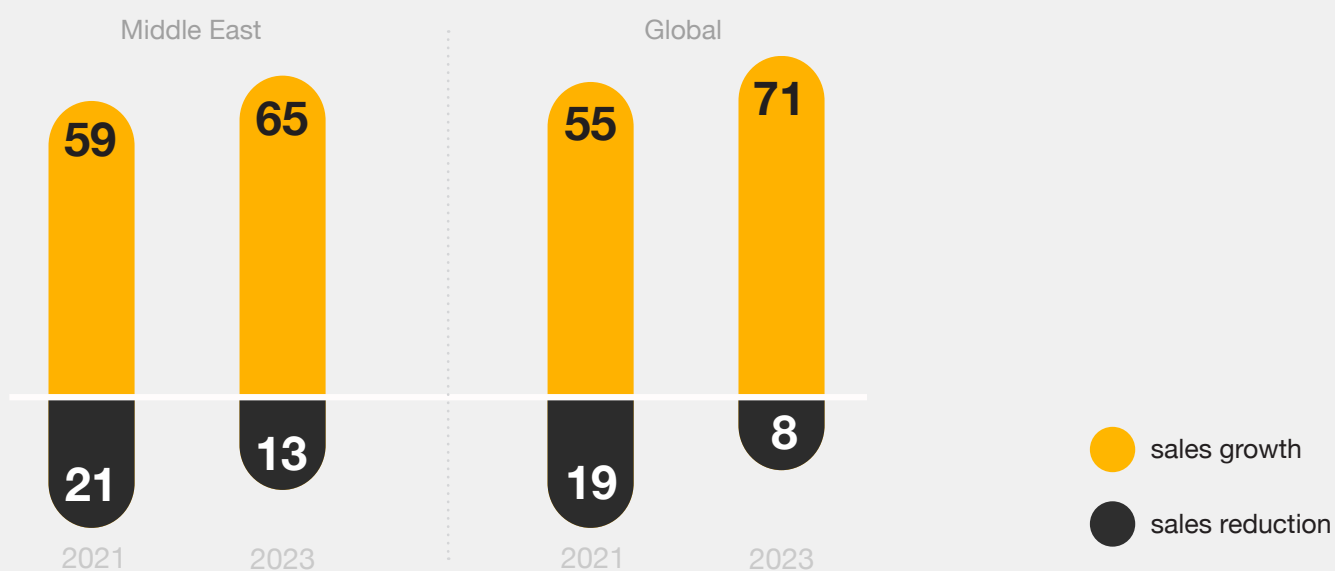


# Trust: The source of growth

Family businesses have ambitious long-term goals as they emerge from the economic turmoil of the pandemic. Businesses in the Middle East were hit particularly hard but even so, 65% say that they grew in their most recent financial year and 26% reported double-digit growth. And while growth has fallen behind the global trend for Middle East family businesses, they remain optimistic for the future (figure 1).

## Growth in the last financial year

Figure 01



○ ○ ○ ○ ○

○ ○ ○ **74%**

of Middle East family businesses expect to grow in the next two years.

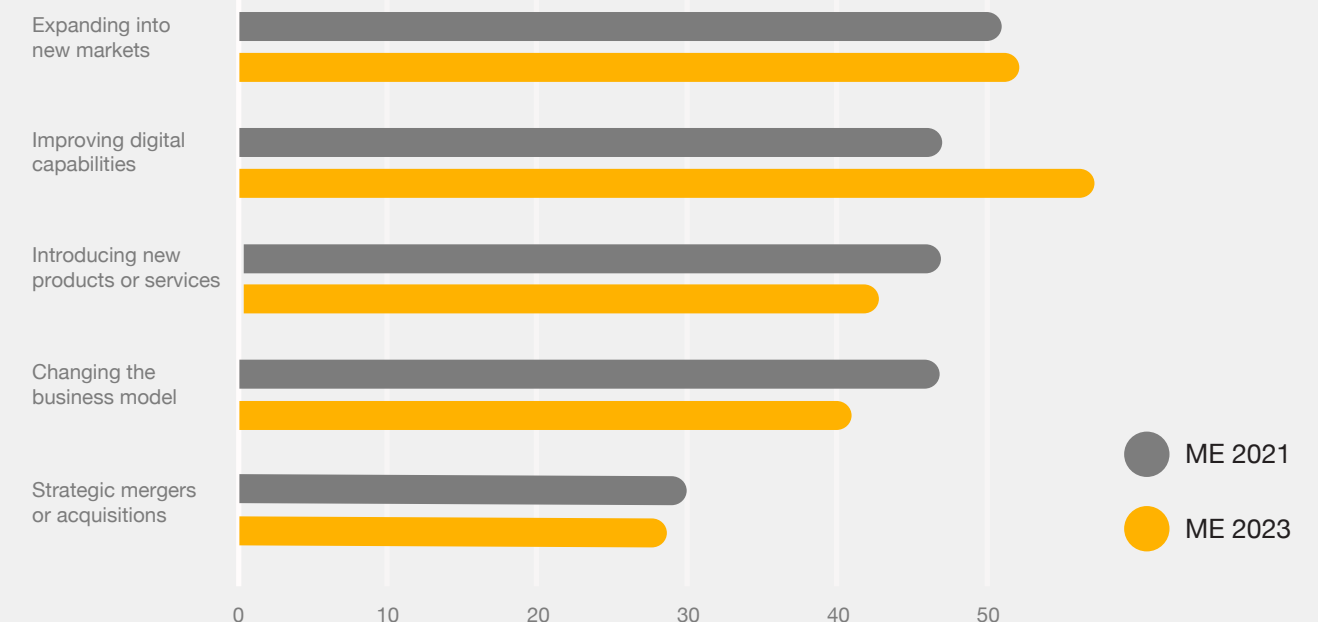
## Family business priorities

In 2021, family businesses in the Middle East saw diversification as the key to success in the coming years. Many were planning to explore new markets, products and services, funded by bank lending cash flow and family capital.

After a tumultuous couple of years, the plans of family businesses in the Middle East have shifted to some extent. The results of our survey show that the priority for most – 57% of respondents in the region – is to improve their digital capabilities. By comparison, just 44% of family businesses globally named this as a priority. Expanding into new markets and launching new products or services are still high on the agenda (figure 2) – and 41%, compared with 34% globally, say that their attention is focused on rethinking or adapting their business model.

## Key priorities over the next two years

Figure 02



This focus on rethinking or adapting business models is a strong sign that family businesses in the region recognise the pressing need to adapt and transform as the world around them changes. This resonates with the views of CEOs in our region – according to our latest CEO survey<sup>1</sup>, business leaders are moving to ‘future proof’ their companies, building long-term resilience and investing in technology. And 58% of Middle East CEOs said they had no plans to hold back on investment in the coming year, compared with just 44% of global CEOs.

<sup>1</sup> 26th CEO Survey - Middle East findings- PwC in the Middle East



The growth that family businesses in the Middle East achieve in the coming years will be built on trust. Family businesses are more trusted than other businesses – this is confirmed by the Edelman Trust Barometer<sup>2</sup>, which shows that the trust score of family businesses is 12 percentage points higher than that of businesses in general. This trust translates into a competitive advantage – higher levels of trust can result in better performance, as demonstrated by recent PwC research<sup>3</sup> showing a strong correlation between trust and profitability.

However, The notion of building trust in business is fundamentally changing. Due to powerful demographic shifts, most of today’s customers and employees hail from generations – millennials and Gen Z – with different values from before. Issues such as environmental, social and governance (ESG) and diversity, equity, and inclusion (DEI) have become litmus tests for trustworthiness. Family businesses, which, for years, have relied on a trust premium, built up over generations, have been slow to get the message.

At a basic level, the formula for building trust is expanding. Businesses will need to consider new groups of stakeholders who have different expectations around what builds trust, and who consume information in entirely different ways. When it comes to these new measures for earning trust, family businesses will need to do a much better job of showing and telling. They will need to increase the visibility of their efforts and communicate them consistently to stakeholders.

These are among the key findings of our 2023 Family Business survey, which uses a model developed by Sandra J. Sucher, a Harvard Business School professor of management and the author, with

Shalene Gupta, of **The Power of Trust: How Companies Build It, Lose It, Regain It**<sup>4</sup>, to assess whether family businesses are doing the right things in today’s world to build trust.

Professor Sucher’s model emphasises that trust develops as part of a dynamic relationship between a trusting party and a trusted party. The party becomes trusted based on its actions, which are seen through four filters:

- Competence**  
is the company good at what it does?
- Motive**  
whose interests is the company serving?
- Means**  
is the company using fair means to achieve its goals?
- Impact**  
what is the tangible impact the company has (as opposed to the impact it claims to have)?

The way respondents to the Sandra J. Sucher trust model answered questions based on these four pillars of trust, reveal a disconnect between traditional views on trust and their impact on how family businesses operate today. They also highlight where and how family businesses will need to transform to protect their legacy.

<sup>2</sup> 2023 Edelman Trust Barometer | Edelman  
<sup>3</sup> Trust & performance: Translating trust into business reality (pwc.com)  
<sup>4</sup> The Power of Trust: How Companies Build It, Lose It, Regain It - Book - Faculty & Research - Harvard Business School (hbs.edu)

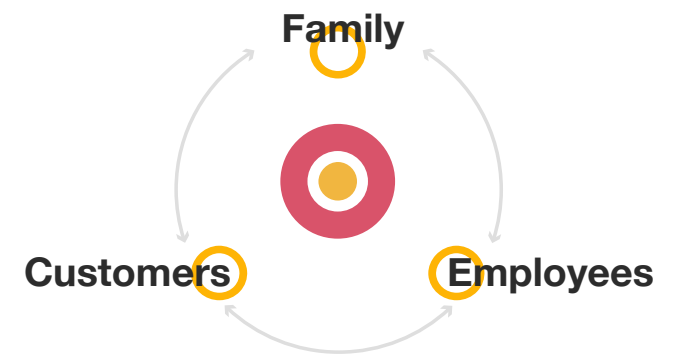
# The expectation that business has societal and political responsibilities is now a consensus view.

Sandra J. Sucher, Professor of Management Practice, Harvard Business School

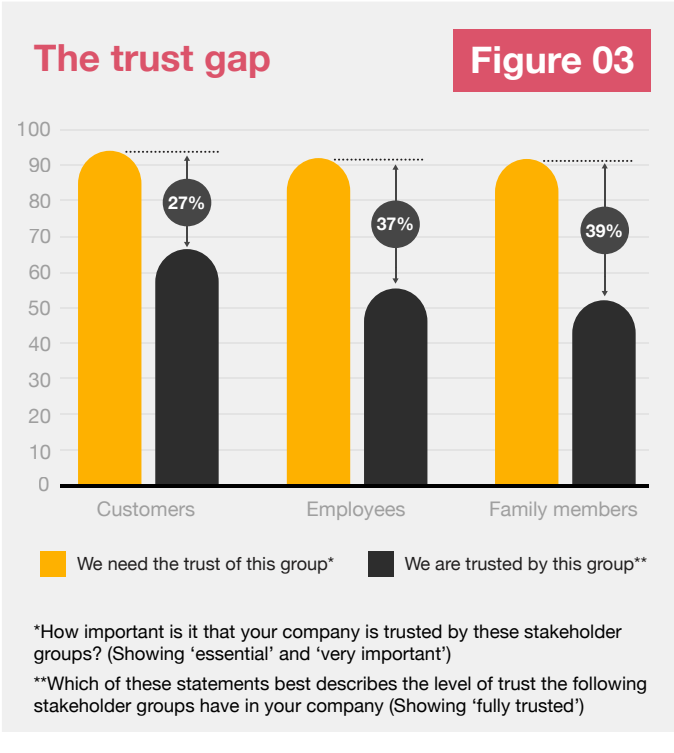
# Assessing the trust gap



Most Middle Eastern family businesses believe that the trust of customers, employees, and family members is essential to their success. The trust-based relationship between these three groups is highly interconnected.

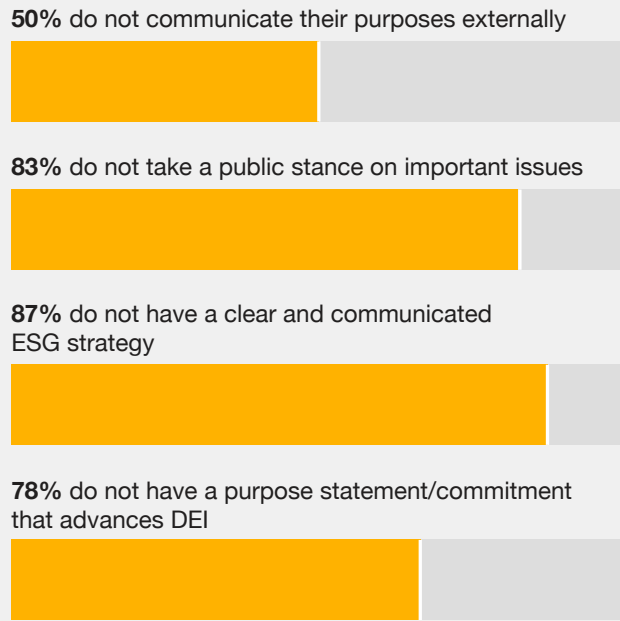


Trust levels in the Middle East among these stakeholder groups are higher than globally – two thirds, for example, say they believe they are fully trusted by customers compared with just over half of the global sample – but even so, there remain significant gaps in trust levels, particularly when it comes to customers and employees (figure 3).



## But many family businesses in the Middle East are not taking the actions needed to build that trust

Figure 04



\*Q: How important is it that your company is trusted by these stakeholder groups? (Showing 'essential' and 'very important')  
\*\*Q: Which of these statements do you believe best describes the level of trust the following stakeholder groups have in your company? (Showing 'fully trusted'.)  
Source: PwC's 2023 Family Business Survey/PwC analysis

The good news is that trust is tangible and can be systematically built. But if family businesses in the region are to protect their trust premium, they need to transform – as business leaders in the Middle East already acknowledge. PwC's 26th Annual CEO Survey<sup>5</sup> showed that CEOs in our region are actively preparing for change to strengthen their long-term resilience.

<sup>5</sup> pwc-26th-ceo-survey-middle-east-findings.pdf

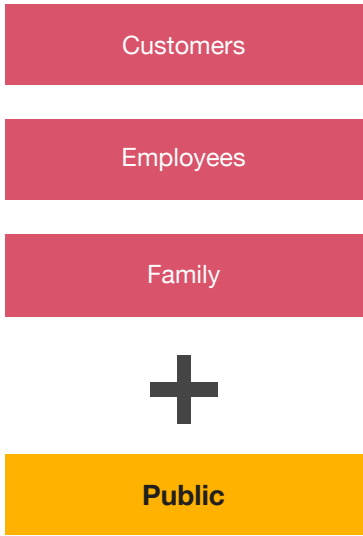


# The new formula for trust



### Whose trust do we need?

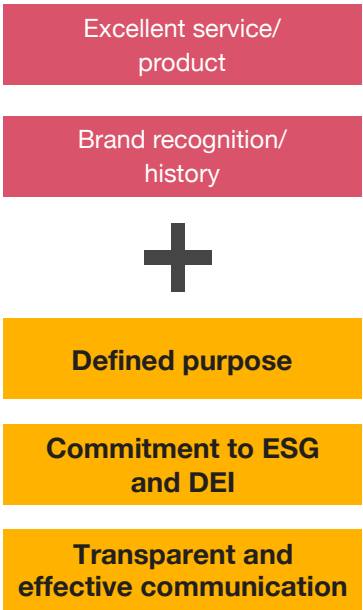
The stakeholder groups have expanded:



Source: PwC analysis

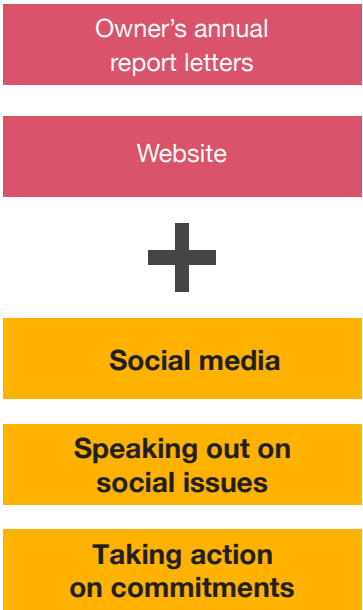
### What do these constituents require to earn trust?

Expectations have grown:



### What are we using to gain trust?

The toolkit has changed:



If family businesses are to protect their trust premium under this new formula, they will need to change policies and practices, revisit their priorities, and communicate those changes to every stakeholder group and across generations. Our Middle East Next Gen Survey 2022<sup>6</sup>, of family business leaders-in-waiting showed that they understand the growing importance of ESG to investors, shareholders, customers, and business partners; 64% said the business has a responsibility to fight climate change, and 69% said it needed to do more on sustainability. These good intentions will need to become a reality.

Let's look more closely at what needs to be done to build trust with the three most important stakeholder groups for family businesses: customers, employees, and family members.

<sup>6</sup> Middle East Nextgen Survey 2022 - PwC Middle East

## Transform to build trust with your customers

According to research carried out as part of PwC's Global CEO Survey<sup>7</sup>, levels of consumer trust are one of the next biggest determinants of performance variance – and under the new trust formula, strong ESG credentials are an essential ingredient. According to our Middle East Consumer Insights Pulse Survey 2023<sup>8</sup>, around 40% of consumers are willing to pay above-average prices for locally-produced luxury goods and products from companies that use ethical practices. The 2022 edition of the survey<sup>9</sup> found that shoppers were increasingly influenced by sustainability issues – 60% considered themselves more eco-friendly than before and the same proportion said they consider sustainability factors when deciding what to buy.

While most Middle East governments and businesses are advancing on their ESG goals, family businesses still have a long way to go and have reported slower progress when it comes to incorporating ESG policies. This gap was observed in our 2023 Family Business Survey where respondents did not identify ESG issues as a top priority:

**Only 13% consider themselves to be 'very advanced' in articulating a clear ESG strategy**

(vs 15% globally)

**Only 20% have a team or person in charge of ESG**

(vs 43% globally)

**65% say that little or no focus, investment or resource is currently put into ESG**

(vs 69% globally)

**9% say reducing the organisation's carbon footprint is a priority for the next two years**

(vs 20% globally)

We have observed that despite a long history of giving back to the communities, 93% of family businesses engage in some form of socially responsible activity – they are less effective in communicating this commitment to stakeholders. This begins with measurement of performance through non-financial as well as financial targets, but while family businesses routinely measure growth and customer satisfaction, only 4% set targets for DEI, and only a fifth do so for social impact.

For family businesses, embracing ESG in their operations and business strategies will ensure success and continuity. The long-term visions of family businesses and their close ties with communities put them in a prime position to benefit from ESG practices. The next generation of family business leaders must accelerate the ESG agenda with a clear ESG narrative and two-way communication, including channels for customer feedback.

<sup>7</sup> Trust & performance: Translating trust into business reality (pwc.com)

<sup>8</sup> Global Consumer Insights Survey 2023 – Pulse 5 Middle East findings - PwC Middle East

<sup>9</sup> Middle East consumers are now healthier, more digital and prioritise sustainability while shopping, new PwC report finds



# Transform to build trust with your employees

Trust is built from the inside out; a company is less likely to be trusted by its customers if it's not trusted by its employees. According to our survey, Family businesses in the Middle East are faced with a trust gap; only 55% say they are fully trusted by their employees.

We believe there are key areas to tackle and steps family businesses can take to eliminate and minimise this gap and build employee trust:

### Purpose and values.

This is traditionally where family businesses excel - 74% say they have a clear purpose. Half of the family businesses in the region build purpose into their appraisal and reward processes. However, there is still more to be done in communicating purpose and values internally – only 56% say they actively and regularly communicate their purpose to their employees and the same proportion (compared with 68% globally) take action to ensure employees understand what their purpose and values mean.

### Commitment to ESG.

In the Middle East, as key economies drive forward with their sustainability goals, we have seen employers being transparent about ESG commitments. Data from our Middle East Workforce Hopes and Fears Survey 2022<sup>10</sup> highlighted that 61% of regional respondents believed their employers were transparent about diversity and inclusion, while 62% observed employer transparency on economic and environmental impacts. Respondents of the 2023 survey have also displayed a strong recognition of the region's emphasis on net zero and the growing demand for environmentally conscious expertise. Given this heightened awareness in the region, family businesses must create a strategic roadmap defining their commitment to ESG, with the next generation of family business leaders taking the lead in this growing movement.

Currently only 11% of family businesses have set targets around their environmental impact and only 38% regularly communicate how they are performing against non-financial indicators.

### Accountability.

Overall, 33% of Middle East family businesses describe themselves as 'very advanced' in their leadership, encouraging a culture of accountability, compared with 43% globally. An important element of a culture of accountability is a structure that allows employees to speak up about their concerns. 26% of family business owners in our region say they are already 'very advanced' in creating the internal processes for employees to appeal or question management decisions – this is more than the global average of 22% but there is significant room for improvement.

In addition to the above, to maintain trust, it is important for family businesses to empower their employees to be innovative, collaborative and results oriented. According to PwC research<sup>11</sup>, companies that actively create opportunities for their employees to build skills demonstrate a superior ability to attract and retain talent and have greater earnings resilience.

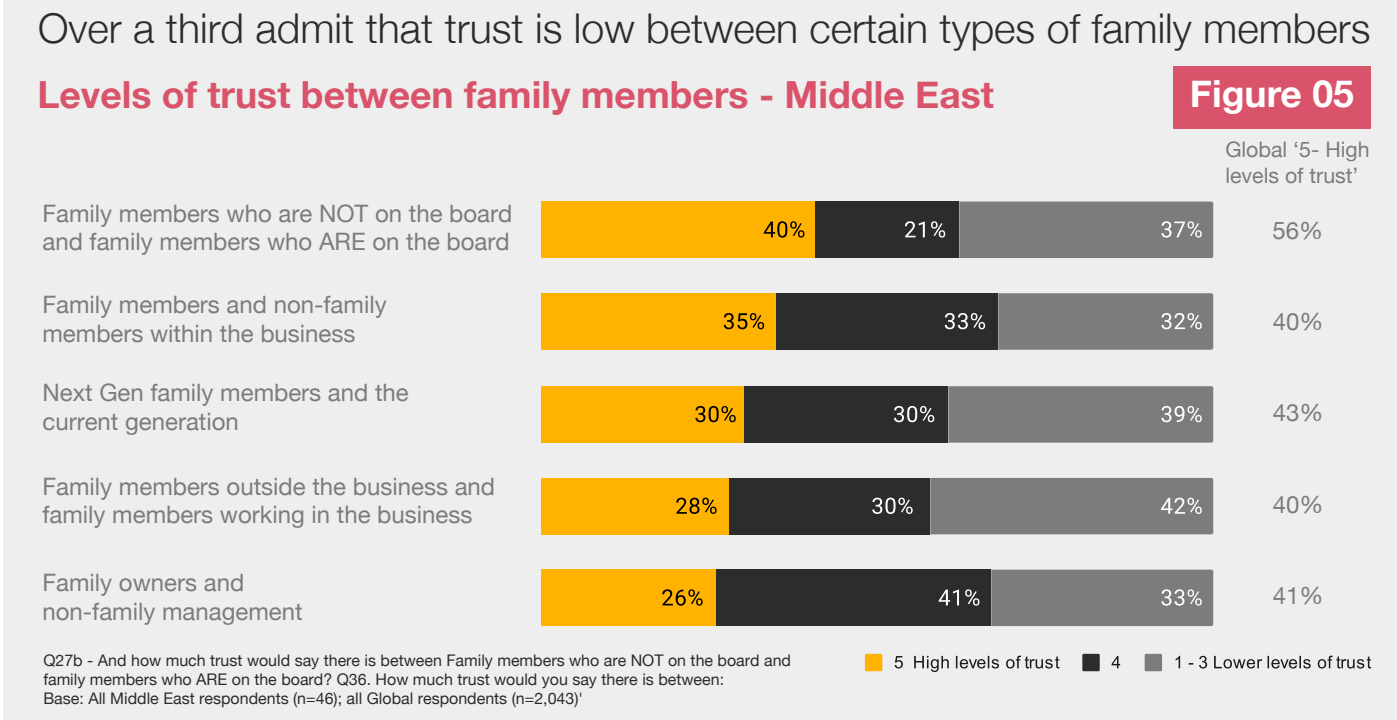
This is a generation that is aware of the skill sets needed to unlock the future of work and is not afraid to seek new employment opportunities that offer higher salaries, more job fulfilment, and increased autonomy in the workplace. Family businesses in our region acknowledge this and are rising to meet expectations: around 46% of family businesses in the Middle East say they are 'very advanced' in offering staff incentives at all levels, compared with 33% globally.

However, while there's a clear link between employees' trust, the investment made by employers to upskill and retain talent, and the profitability of the business, it's alarming that only 11% say increasing employee trust is a priority for the next two years (compared with 32% globally).

# Transform to build trust with your family

Family businesses in our region have a strong understanding of the role that purpose and family values play in their success. 80% say they have a clear set of values – compared with 70% globally – and more than half (59% compared with 45% globally) have a documented purpose and vision statement in place.

Family conflict is often inevitable and incidences in the region have risen in recent years – 42% of family businesses in the Middle East say conflict occurs from time to time, compared with 33% globally. This is contributing, in part, to trust levels that are lower than the global average (figure 5).



Strong governance, which reflects the business's purpose and values, is vital to building trust within the family and throughout the business. One outward expression of how family businesses are falling behind in demonstrating their values is the composition of their boards. A diverse board – which we define as including two or more women, one board member under the age of 40, one non-family member and one from a different sector background – will help to display strong governance and a commitment to diversity and inclusion, as well as bringing a range of ideas as businesses plan for the future.

In the Middle East, the story is mixed. On the positive side, **only:**

**28%** have only family members on the board against 36% globally

**45%** have no-one under the age of 40 on the board compared to 57% globally

**19%** have no-one from a different industry background on the board compared to 26% globally

But...

**59%** have no women on the board against 31% globally

<sup>10</sup> <https://www.pwc.com/m1/en/media-centre/2022/pwc-middle-east-workforce-hopes-and-fears-survey-2022.html>  
<sup>11</sup> <https://www.pwc.com/gx/en/issues/workforce/future-of-work-and-skills.html>



# Next Steps

## Actions that will help family businesses build trust

Today's formula for building trust requires a transformative approach that may seem unfamiliar to many. The long-held commitment to "giving back" to society through philanthropy must be refashioned into well-articulated, strategic actions centred around what matters most to a broader stakeholder group. First and foremost among those actions, family businesses should:

### 01 Establish two-way communication with stakeholders.

It's not enough for family businesses to say they have strong ideals. They must model those ideals in their relationships with internal and external stakeholders, starting with a fair internal system for reporting misbehaviour and a clear feedback mechanism for customers. These are visible solutions that will help to build trust.

### 02 Build trust through transparency.

Family businesses have become used to keeping a low profile and are often reluctant to share details about their business publicly. But transparency is essential to trust. This means regular public reporting of the company's ESG and DEI targets, and its performance against those targets.

### 03 Speak out on social issues.

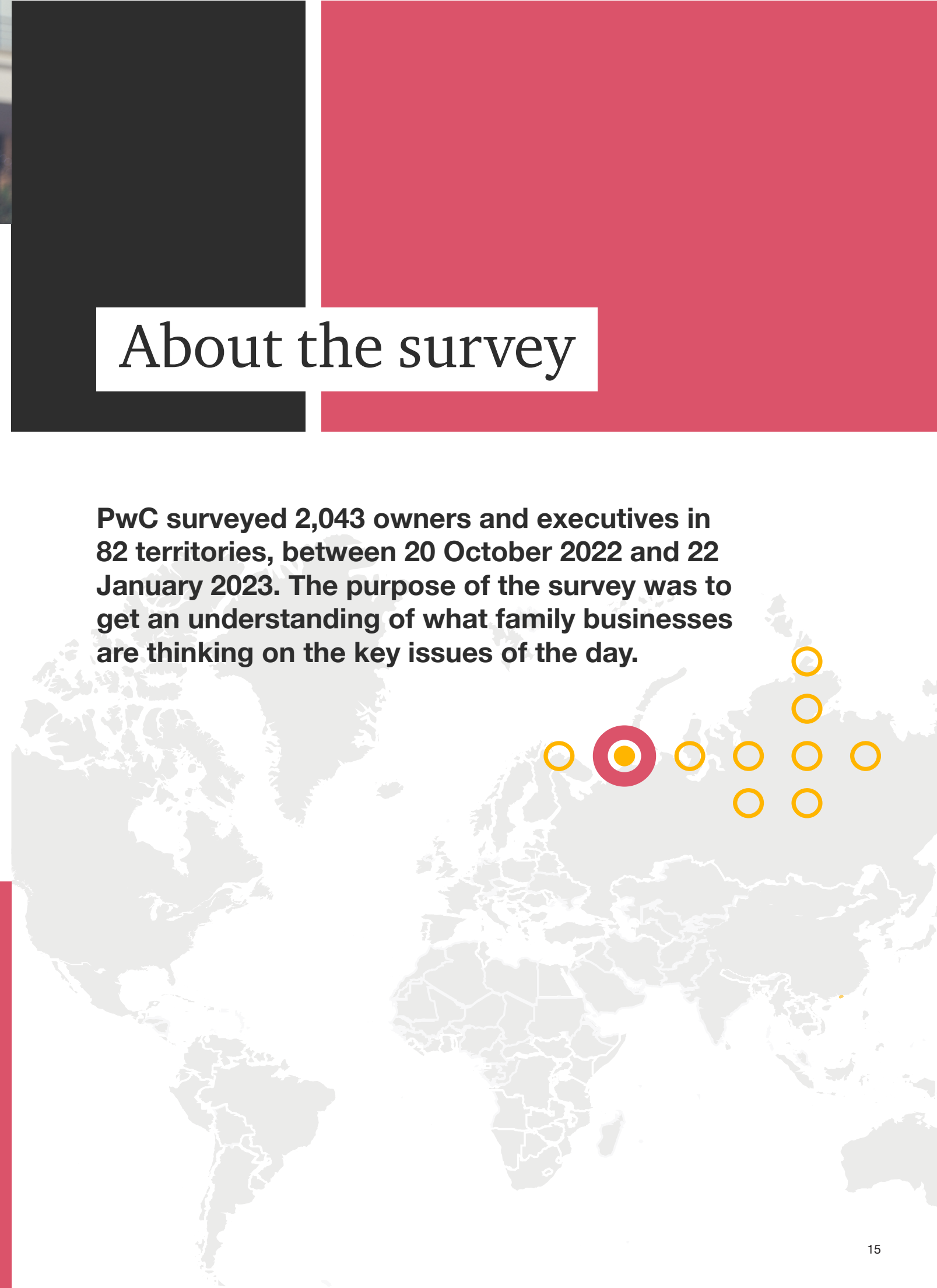
Family businesses are expected to be more vocal, visible and active than before. Public trust matters, and that means showing that you care about what's going on in the world.

## About the survey

PwC surveyed 2,043 owners and executives in 82 territories, between 20 October 2022 and 22 January 2023. The purpose of the survey was to get an understanding of what family businesses are thinking on the key issues of the day.



**The message from this year's survey is clear:** family businesses not only need to make transformative changes to build trust, they also must show and tell—by making their efforts visible and communicating them clearly to their stakeholders. In today's world, that means not just their customers, employees, and family members, but also the public at large.





# PwC's Middle East Family Business Survey

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