

Family Business: The Hidden Gem. Egypt Today. Egypt Today. December 2019.

<https://www.egypttoday.com/Article/3/78581/Family-Business-The-Hidden-Gem>

CAIRO - 10 December 2019: Although family businesses varying in size are not uncommon in Egypt, little attention is given to understanding the factors ensuring the success and continuity of family business. Business Today Egypt attempted to learn more about that realm and get a closer look at the experience of family business owners and managers.

### **Family Business in a Nutshell**

“As a start, I want to clarify the difference between a family business and a start-up. A family business is one that has been going on for at least two generations. A start-up is the first phase of a family business. We are talking about someone who founded something, and then, when a second generation joins the business, we consider this more or less a family business, especially if they are in top management or managerial positions,” Assistant Professor for Entrepreneurship, Strategic Management and Innovation at The American University in Cairo Ashraf Sheta tells Business Today Egypt.

Sheta adds that family businesses operate in low-velocity and high-velocity sectors. Answering a question on the industries where family businesses usually work, Sheta says there are no statistics; however, he observes that family businesses mostly exist in low-velocity industries defined as “industries where changes are not very intense.” Examples include agriculture, grocery, and food processing. On the contrary, high-velocity industries are complex and experience intense changes, Sheta clarifies.

Although the majority of family businesses fall into the SMEs category, “There are family businesses that grow to become corporates in Egypt,” Sheta says, citing the examples of Nahdet Misr Publishing Group, Hassan Allam Properties, Orascom Group, and Mansour Group. In those companies, family members own either 100% of the shares or a majority of the shares.

Explaining the factors that influence the continuity of a family business, Professor Sheta names family dynamics, governance, succession, professionalism, and ownership.

“Family dynamics, the relationship between family members, are very important and can be a major challenge. The more generations we have, the more complex it is. We are talking about family as a social unit, and social units are all about relationships...Complex relationships can exist between siblings, cousins or distant relatives. These are all related to family dynamics. This is a qualitative issue and can be very challenging,” Sheta explains.

As for governance, the professor clarifies, “In Egypt, we do not have the idea of governance in our mindset. When we talk about governance, we talk about bodies that support governance such as boards of directors, family councils, family meetings, family assemblies, advisory boards.”

“Succession challenges include nepotism, altruism, and unfairness. We ask ourselves what is the criteria for successor selection, the methodology to choose a successor, and what challenges the successor may face. We ask ourselves how the other family members in the business will accept such succession. How will employees accept such a succession?” Sheta points out.

“As for professionalism, it’s also important how non-family members can be treated within family business,” Sheta says, adding that such a question is pertinent to other questions like if there will be a

separation between ownership and management, if non-family members will be on top management or not, and what employment mechanisms will be adopted.

Sheta highlights that ownership becomes more complex through generations and that its structure is often determined within “cultural boundaries” such as selecting the eldest son or family members who are part of the management for full or majority ownership.

Answering the question on the barriers women might face in starting a business that survives for at least two generations, Professor Sheta tells Business Today Egypt , “There are cultural barriers [women face], and the intensity of these barriers varies between Upper Egypt and Lower Egypt in terms of allowing females into the business.”

“Some people might think that women are not a good fit for businesses operating in tough industries like manufacturing, marble extraction. However, we have very successful examples of women starting family businesses such as Nahdet Misr, where the CEO is a woman. Gender inequality in family business is part of gender inequality existing in the work environment at large,” he explains.

Preparing young generations of the family to work in the business starts with intensive knowledge of the business. If a family member chooses to join the business, they will rotate jobs in the business, and they have to start from the bottom.

Sheta stipulates that 80-90% of businesses in the economy will shut down if they are not sufficiently institutionalized or if they fall short on governance, which affects continuity.