

WEBINAR 



EXPORT INCUBATOR PROGRAM

Family Business within the Egyptian Context: Challenges & Opportunities

Speaker

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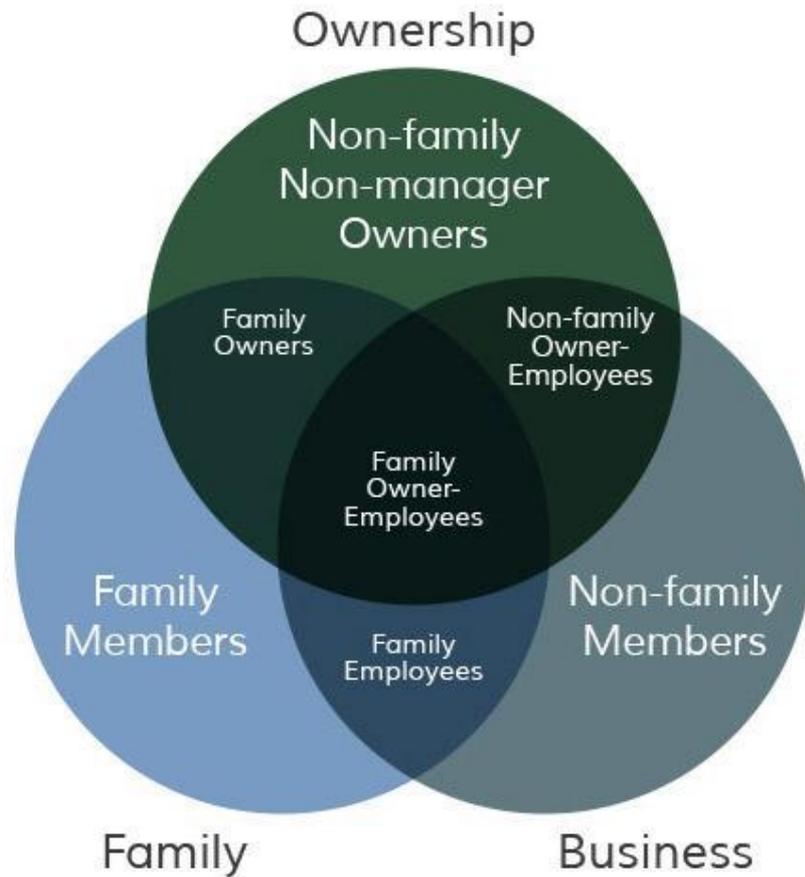
Monday, 23rd November, 2020
Time: 6 p.m. – 7:30 p.m.





A **family business** is a commercial organization in which decision-making is influenced by multiple generations of a family—related by blood or marriage. They are closely identified with the firm through leadership or ownership.





WHY?

Family
Business

The logo consists of the words "Family" and "Business" stacked vertically in a grey, sans-serif font. To the right of the word "Family" is a circular arrangement of five stylized hands in different colors: orange, green, yellow, pink, and blue. The hands are positioned as if they are holding each other together in a circle.

According to the Egyptian Centre for Economic Studies ('**ECES**'), at least 50 – 60 percent of Egyptian companies are family owned. These companies contribute around 80 percent to the national income, constitute about 75 percent of the private sector's activity, and employ approximately 70 percent of the labor force





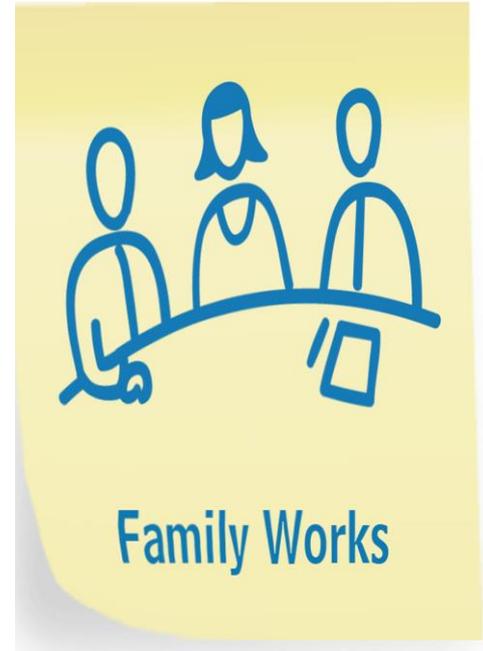




Family Firms Outperform

- Family-controlled firms in the S&P 500 achieved 53% greater economic value added than their management-controlled counterparts
- Family-controlled firms had a 6.65% greater return on assets (in EBITDA terms)
- Family firms created an additional 10% in market value during the 1992–1999 period

Source: Anderson, R., and Deeb, D., *Journal of Finance*, July 2003.



The Three Generation Rule

In America: “Shirtsleeves to shirtsleeves in three generations.”

In China: (Wealth never survives three generations or “From peasant shoes to peasant shoes in three generations.”)

In Mexico: (Father-merchant, son-gentleman, grandson-beggar.)

In Brazil: (Rich father, noble son, poor grandson.)

In Italy: (From the stables to the stars and back to the stables in three generations.)

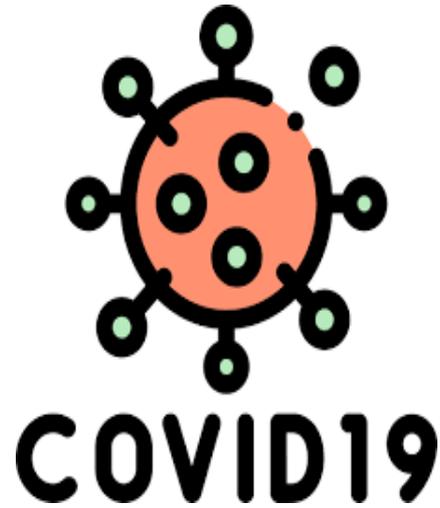


- Most family businesses (**67** percent) do not survive beyond the founding generation under the control of the same owning family, and only about **12** percent make it to the third generation.

*Failing to
plan is
planning to
fail*

-Alan Lakein

Context

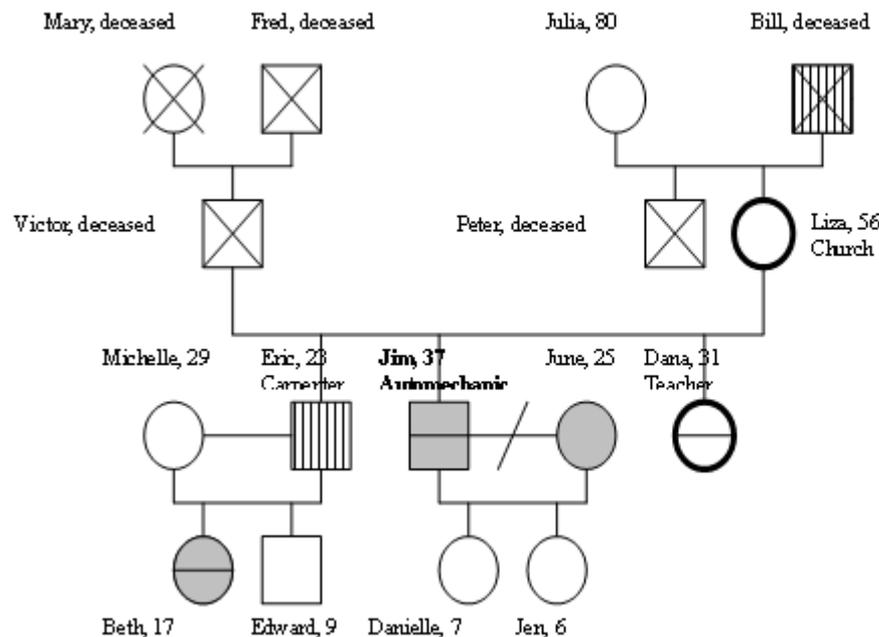






Enhancing Family relations





-  = Female
-  = Male
-  = Person Suffering from a Mental Illness
-  = Person involved in the criminal justice system
-  = Victim
-  = Divorced
-  = Deceased
-  = Substance or Drug Abuse Problem
-  = Substance or Drug Abuse Problem

Family Participation

Organizations that encourage appropriate participation make better decisions and the decisions receive greater support.



Engagement



Explanation



explanation

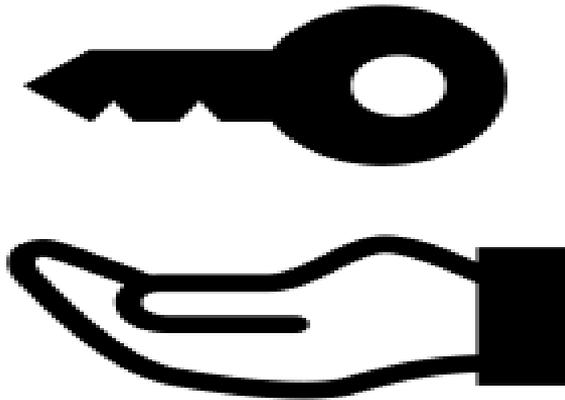
Expectations



Commitment



Ownership challenge



Owners From the Family are Dependent on the Income
Coming From the Business



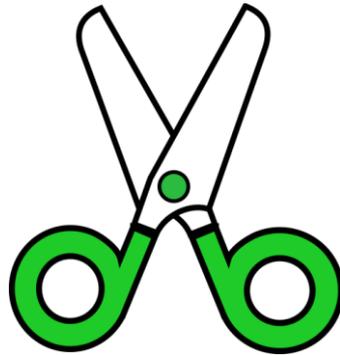
Family owners working in business prefer patient capital vs non patient capital preferred by management and family members not working in the business



Different point of views between old and new generations leading to changes in ownership structure



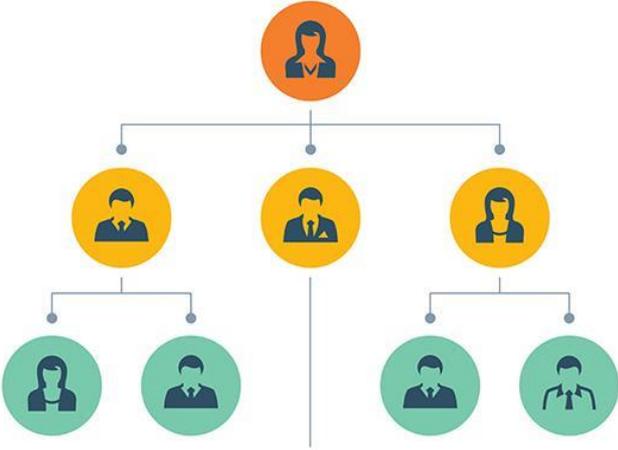
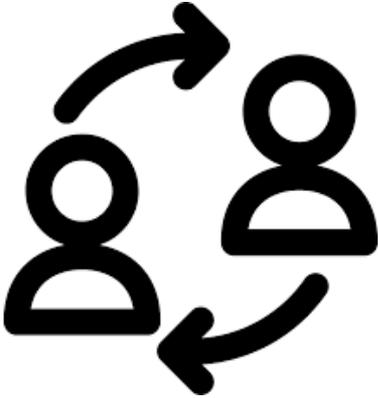
Need to separate ownership from management; which might lead to changes in ownership structure



Family members experience can affect their tendency to keep their ownership stakes



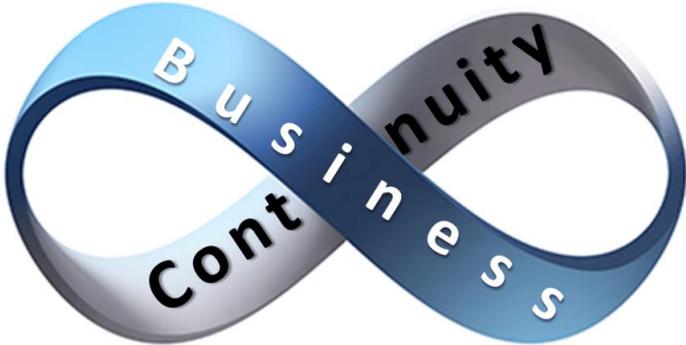
Relationship between extended family members can affect the ownership structure



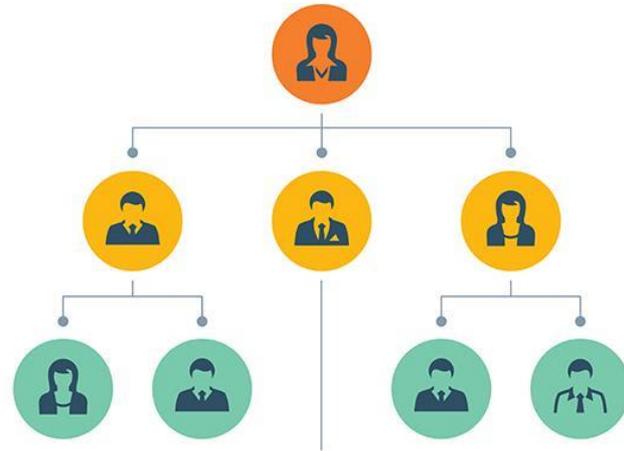
Relationship of family members with the business founder can affect their ownership shares



Concentration of ownership can affect the continuity of business



Culture can affect the ownership structure



What can we do to secure effective ownership



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graph TD; A[Ownership education programs] --> B[Agreement plans]; B --> C[Estate plans]; C --> A;
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Ownership
education
programs

Estate plans

Agreement plans

Ownership Education Programs

Understanding the ownership role



Considering other stakeholders

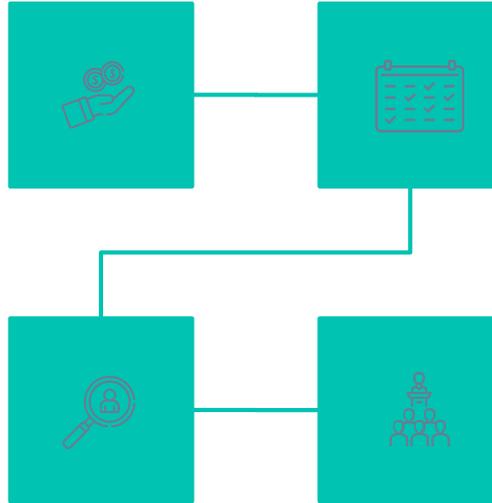
Business knowledge



Organizational culture

Essential Ingredients of Ownership Agreement

Transferability
(liquidity plan)



Clear terms and
conditions

Valuation formulas

Establish shareholder
rights

Thank you!