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DBiME

FAMILY BUSINESS STRATEGY IN THE MIDDLE EAST

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Session objectives

- To understand the rationale as well as the importance of family business in Egypt and the middle east.
- To understand the challenges facing the sustainability of family businesses.
- To develop critical insight about how to resolve challenges facing family enterprises.
- To understand about the best practices of institutionalizing the family businesses.
- Understand and reflect about best practices in family business in Egypt.

Topic introduction

What

- 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.
- Owner-manager entrepreneurial firms are not considered to be family businesses because they lack the multi-generational dimension and family influence that create the unique dynamics and relationships of family businesses.

What

Ownership and management

- The majority of votes are held by the person who established or acquired the firm (spouses, children)
- At least one representative of the family is involved in the management or administration of the firm
- In the case of a listed company, the person who established or acquired the firm (or their families) possess 25% of the right to vote through their share capital and there is at least one family member on the board of the company

Source PwC Family business Survey 2016

Why

The importance of family businesses in the Middle East

of the companies in the Middle East are family-owned businesses.

Generate	80%	of the region's GDP, approximately
Constitute	75%	of private sector economic activity
Employ	70%	of the labor force in the Cooperation Council for the Arab States of the Gulf region – more than 67 million employees
Control	98%	of the oil producing companies operating in the Gulf region

Worldwide, family-owned businesses achieve anywhere between 6.65% and 16% higher annual returns on assets and shareholder equity than other businesses (source Family business ,Ernesto Poza,Mary Daugherty)

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Outline of session

- Family business at the AUC
- What distinguishes family from non family businesses
- The blurry boundaries of family business
- What are the main challenges facing the family business in the middle east
- Understanding the Egyptian context

- Ownership structure as a main player in the family business arena

✓ What are the solutions

- Understanding the governance challenge

✓ Results of defective governance system

✓ What are the solutions

- Understanding the succession planning challenge

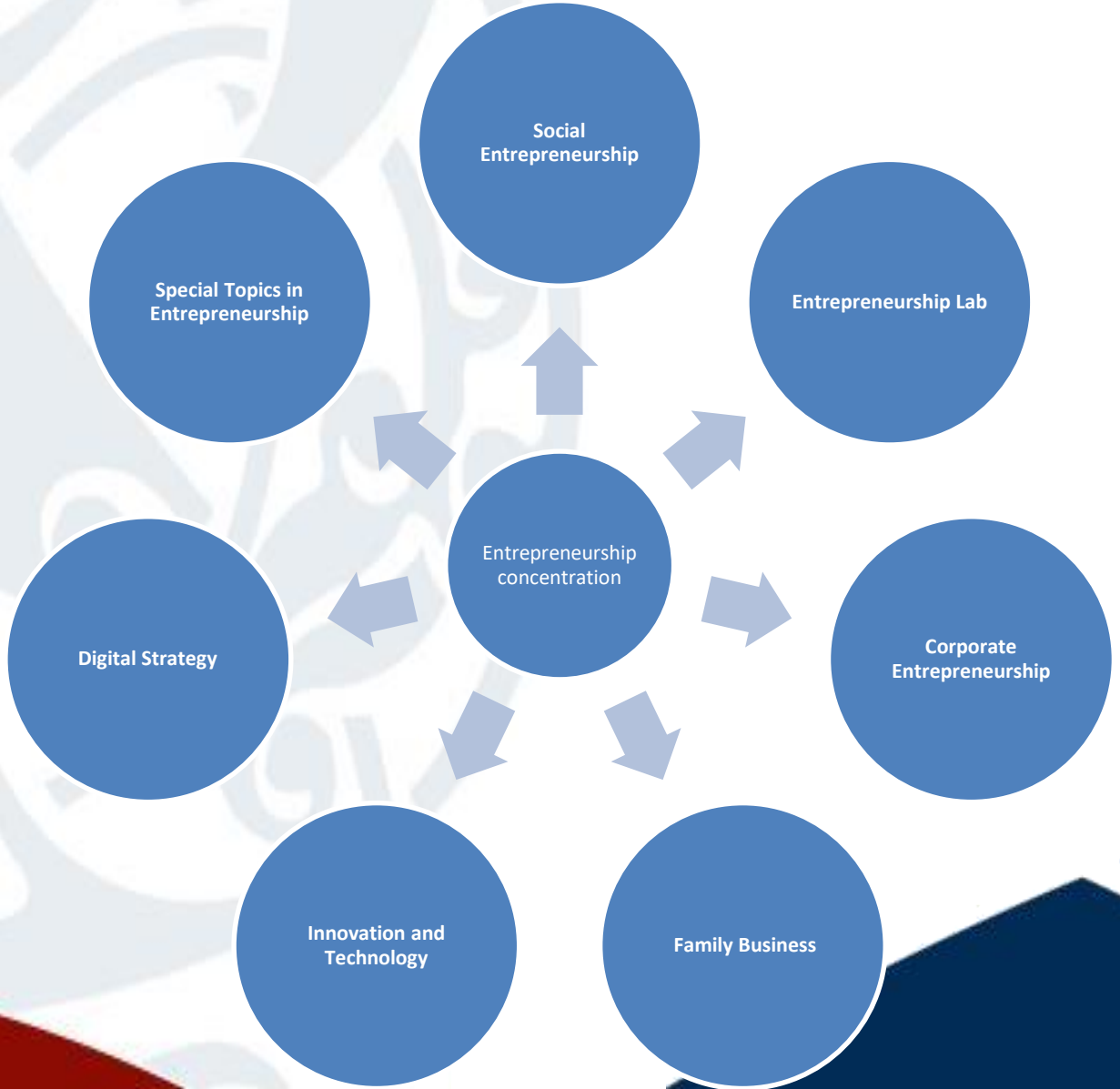
✓ What are the solutions

- Understanding the professionalism challenge

✓ What are the solutions

- The relevance of size in family business
- Family business at the AUC
- Lessons learned

Family business at the AUC



Family business at the AUC

- The first undergraduate course addressing family business for the undergraduate level
- A considerable portion of the students are second ,third or fourth generation of family businesses
- The course addresses challenges facing the family business with an insight on the succession planning and governance. The course present several case studies of successful family business as well as failures with a stress on the cultural aspects associated with the local Egyptian one.

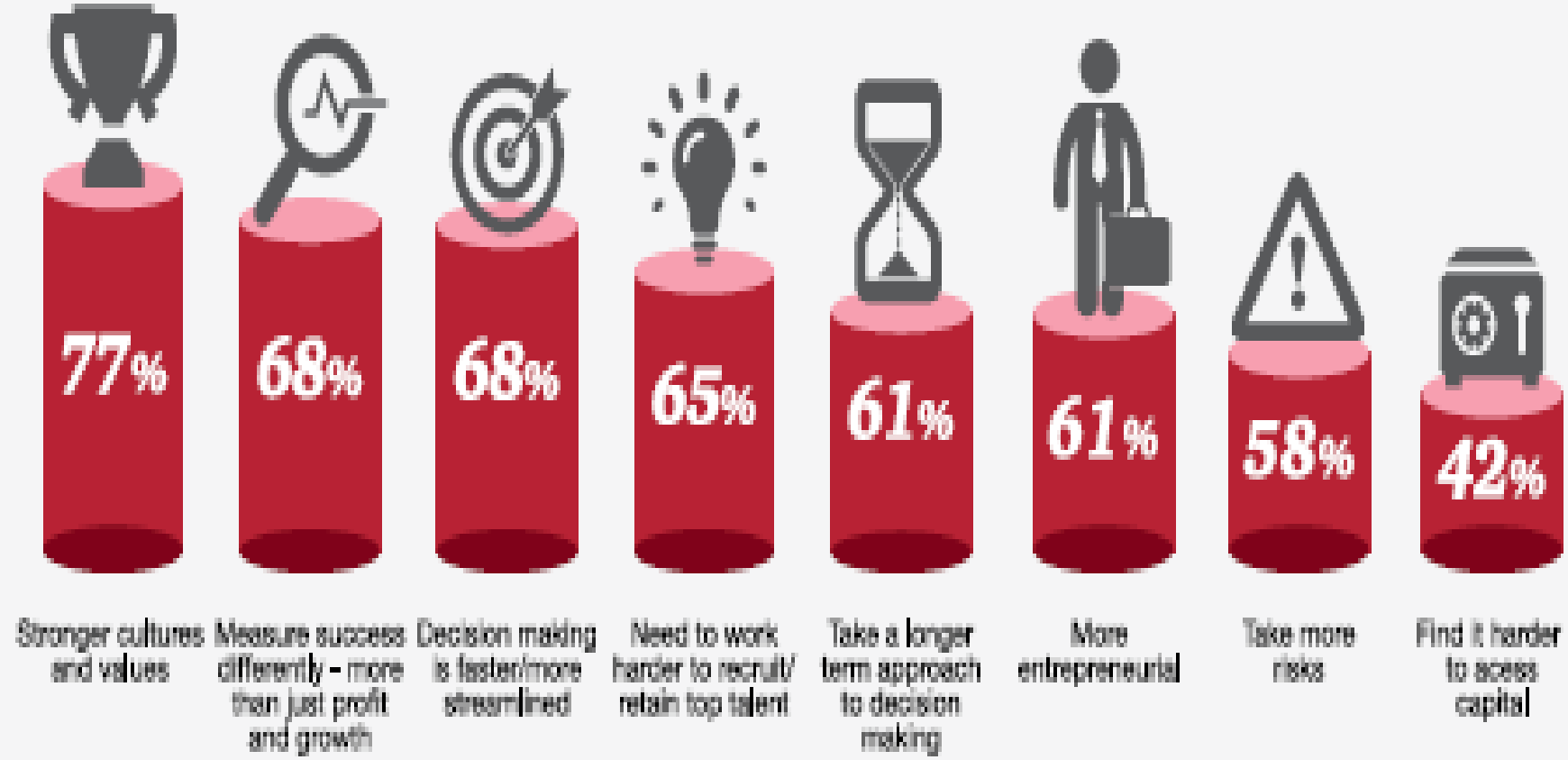
Topics covered

- The nature of family business
- Family genograms
- Ownership challenges
- Family governance
- Succession planning
- Change and adaptation
- Transgenerational entrepreneurship
- Involvement of non family members

Achievements

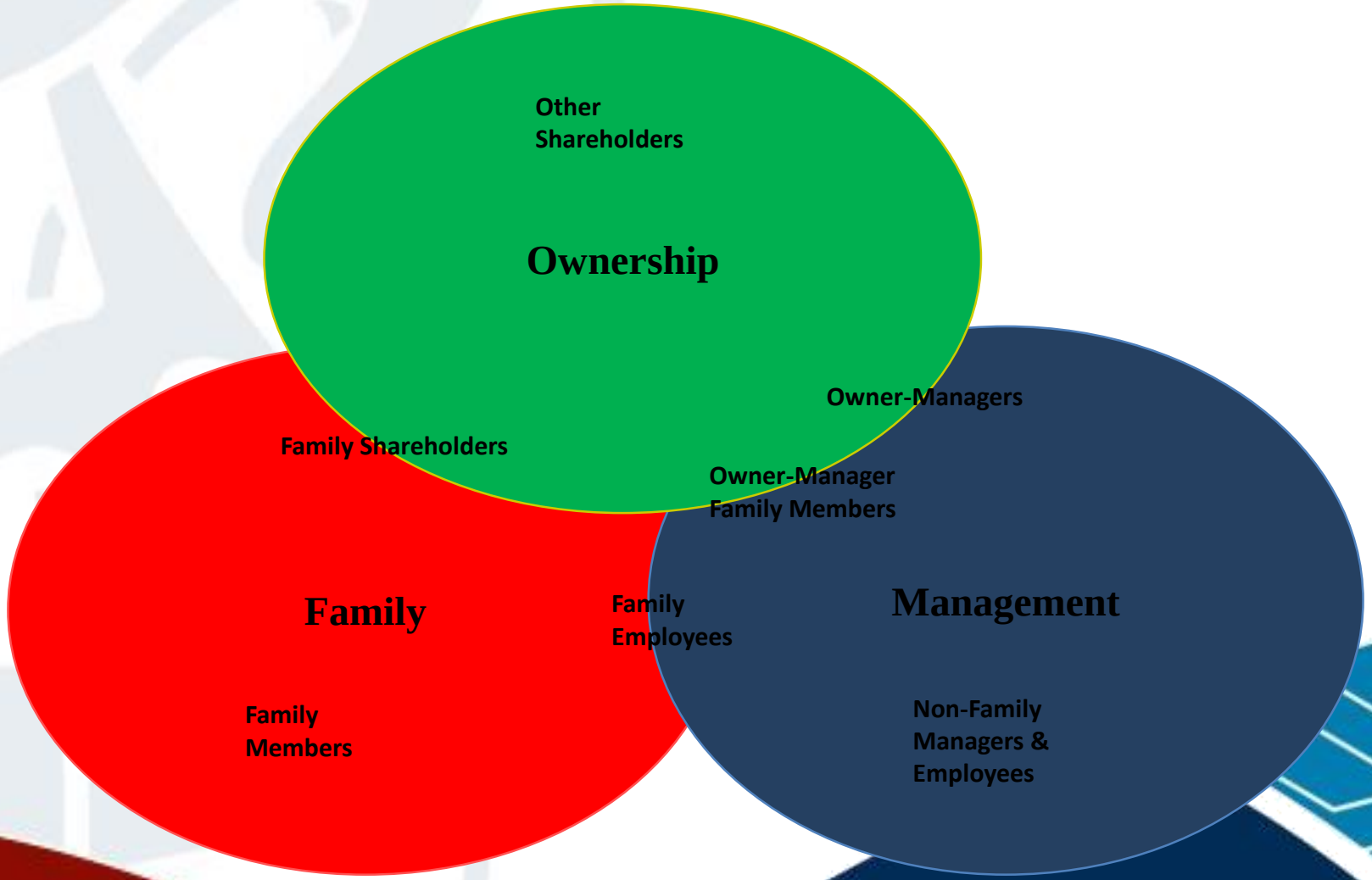
- Three big Egyptian case studies including one case involving three generations
- Four prominent owners of family businesses were brought in as guest speakers to discuss their current status and their aspirations for the business ,most of the topics were discussed in practical way
- Nine international cases were presented to give another insight

What distinguishes family from non family businesses



Source PwC Family business Survey 2016

The blurry boundaries of family business



43% of ME businesses have no alignment between family members regarding business strategies

Source PwC Family business Survey 2016

What are the main challenges facing the family business in the middle east

Succession Planning

Only 14% of ME businesses have a robust documented and communicated succession plan in place

Source PwC Family business Survey 2016

50 % of ME businesses says professionalizing is a key challenge within the next 5 (base year 2016) years

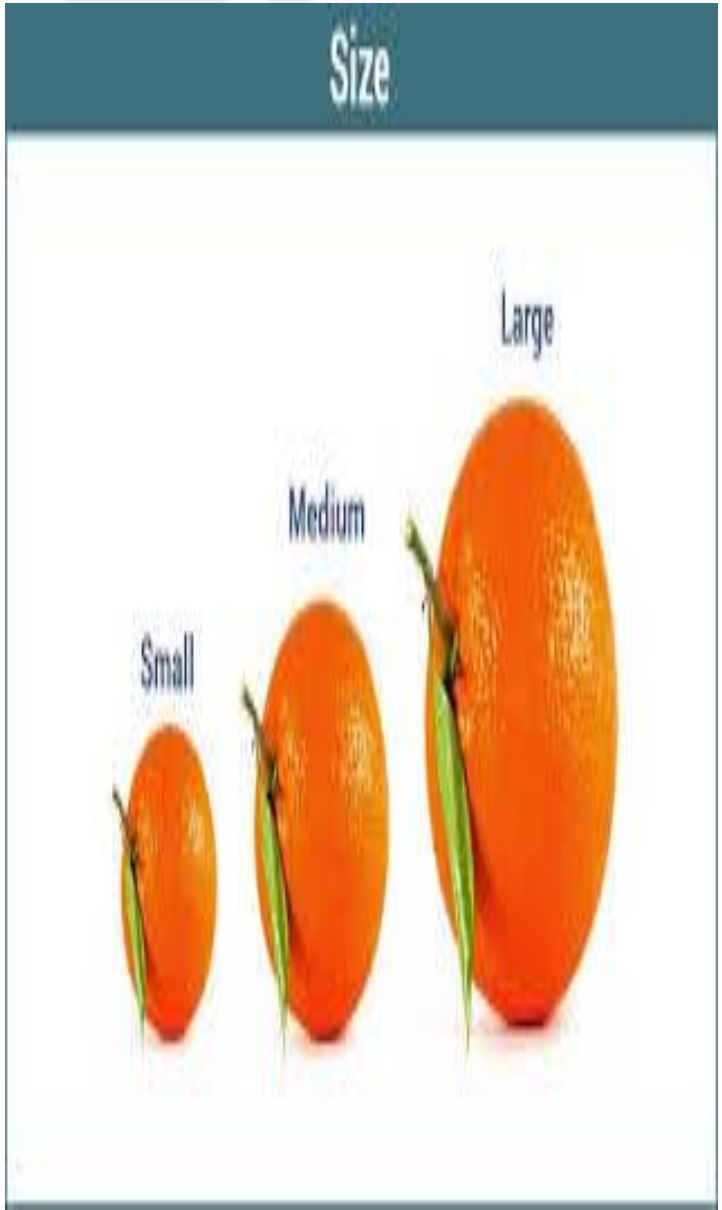
Source PwC Family business Survey 2016

Understanding the Egyptian context

Ownership structure as a main player in the family business arena

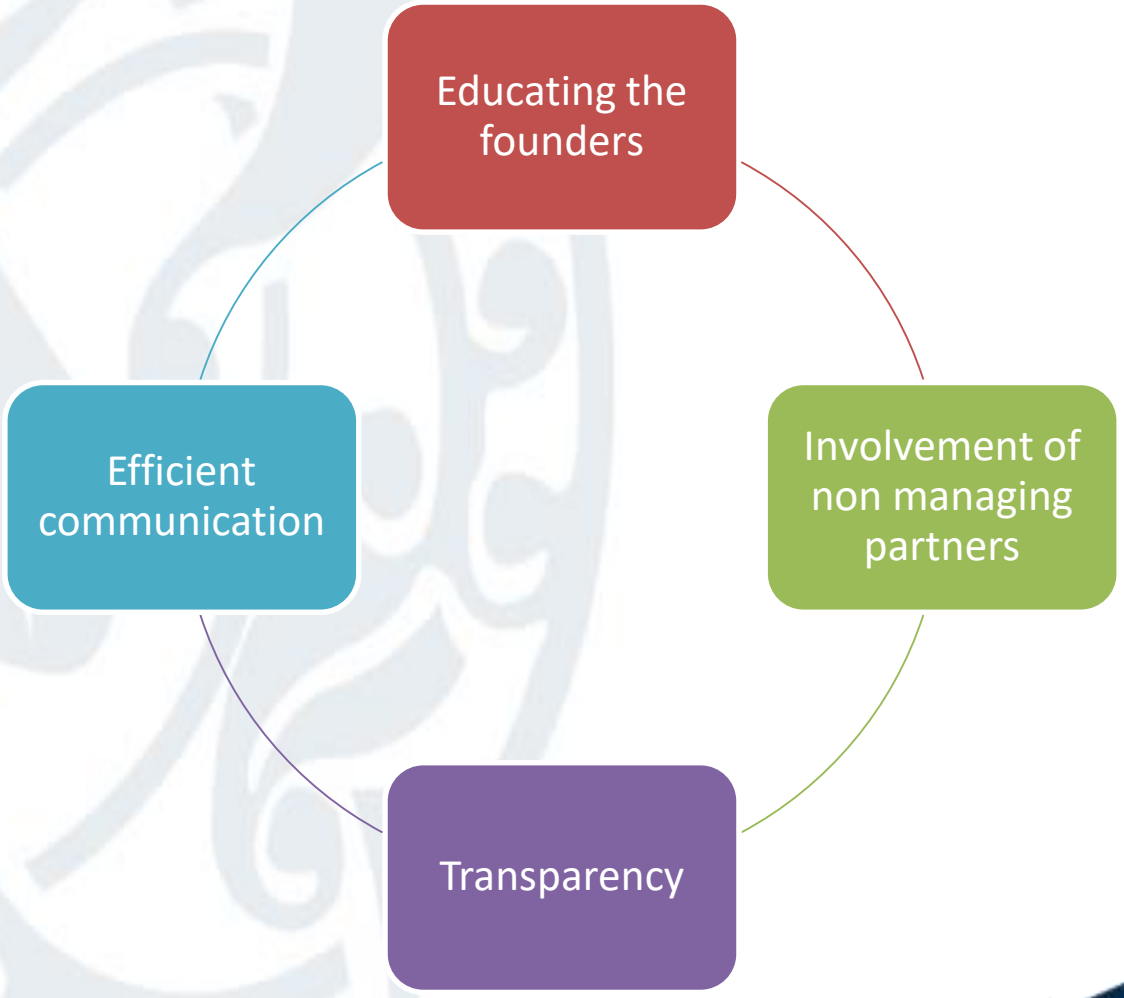
- Sole proprietorship
- General Partnership.
- Limited Partnership
- Limited Liability Company
- Corporation

CULTURE

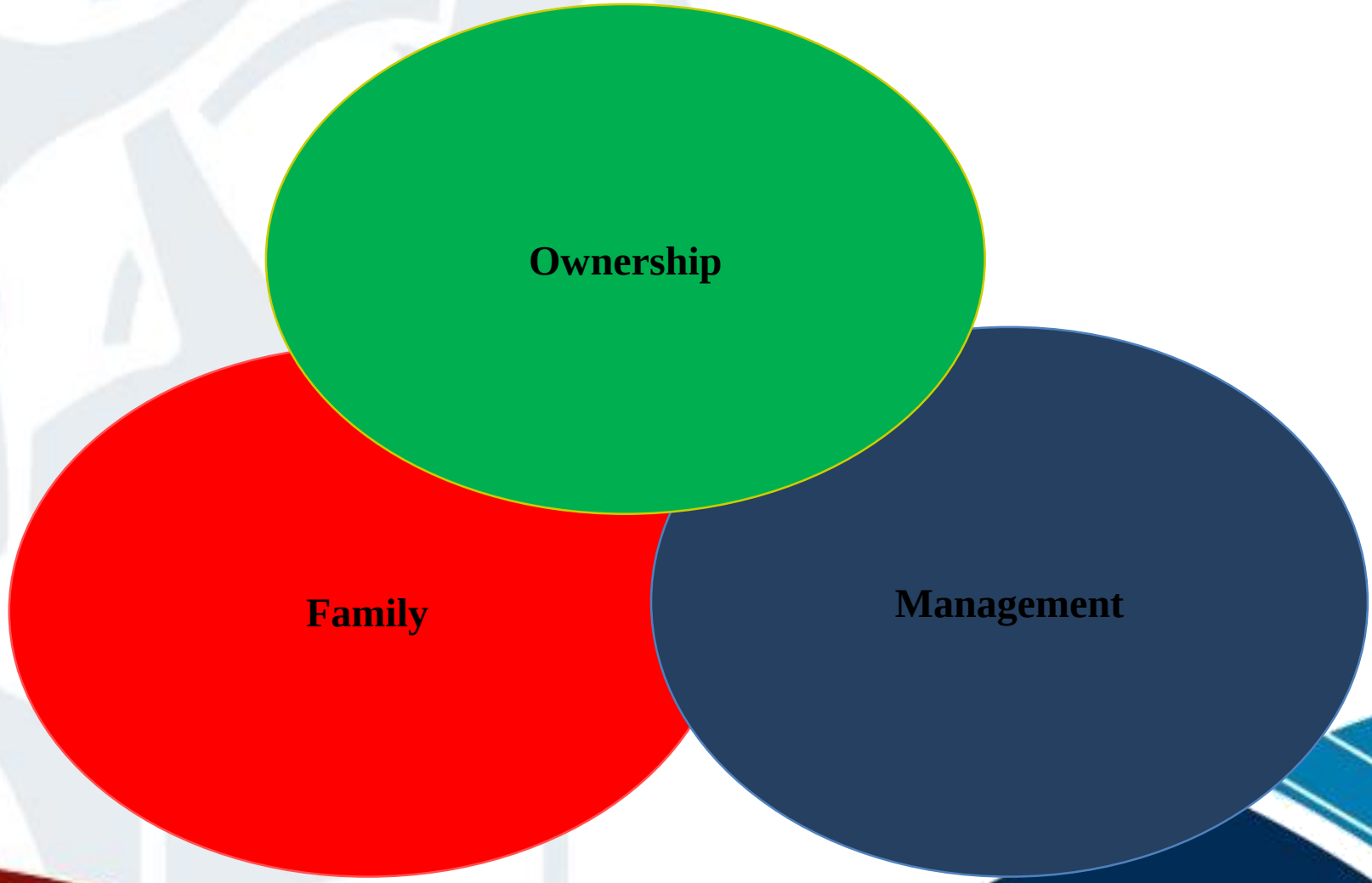

Size
Large
Medium
Small

knowledge

What are the solutions



Understanding the governance challenge

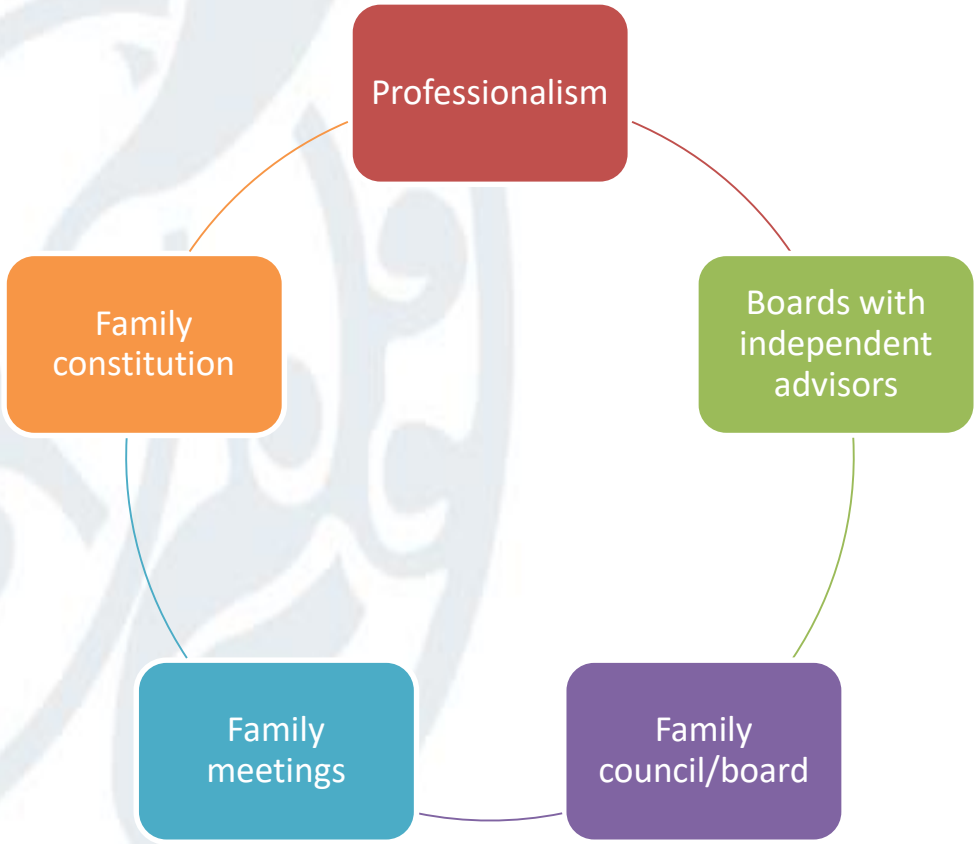


Results of defective governance system

- Nepotism
- Loss of family identity and values
- Family conflicts
- The belief that fair means equal
- Currents leader's unwillingness to let go
- Entitlement culture

- Dilution of wealth
- The erosion of the entrepreneurial culture
- Insufficient professionalism and institutionalization of the family enterprise
- Lack of transparency
- Lack of oversight
- Altruism
- Confusion regarding what is family, ownership and management
- Waiting to keep it all in the family

What are the solutions



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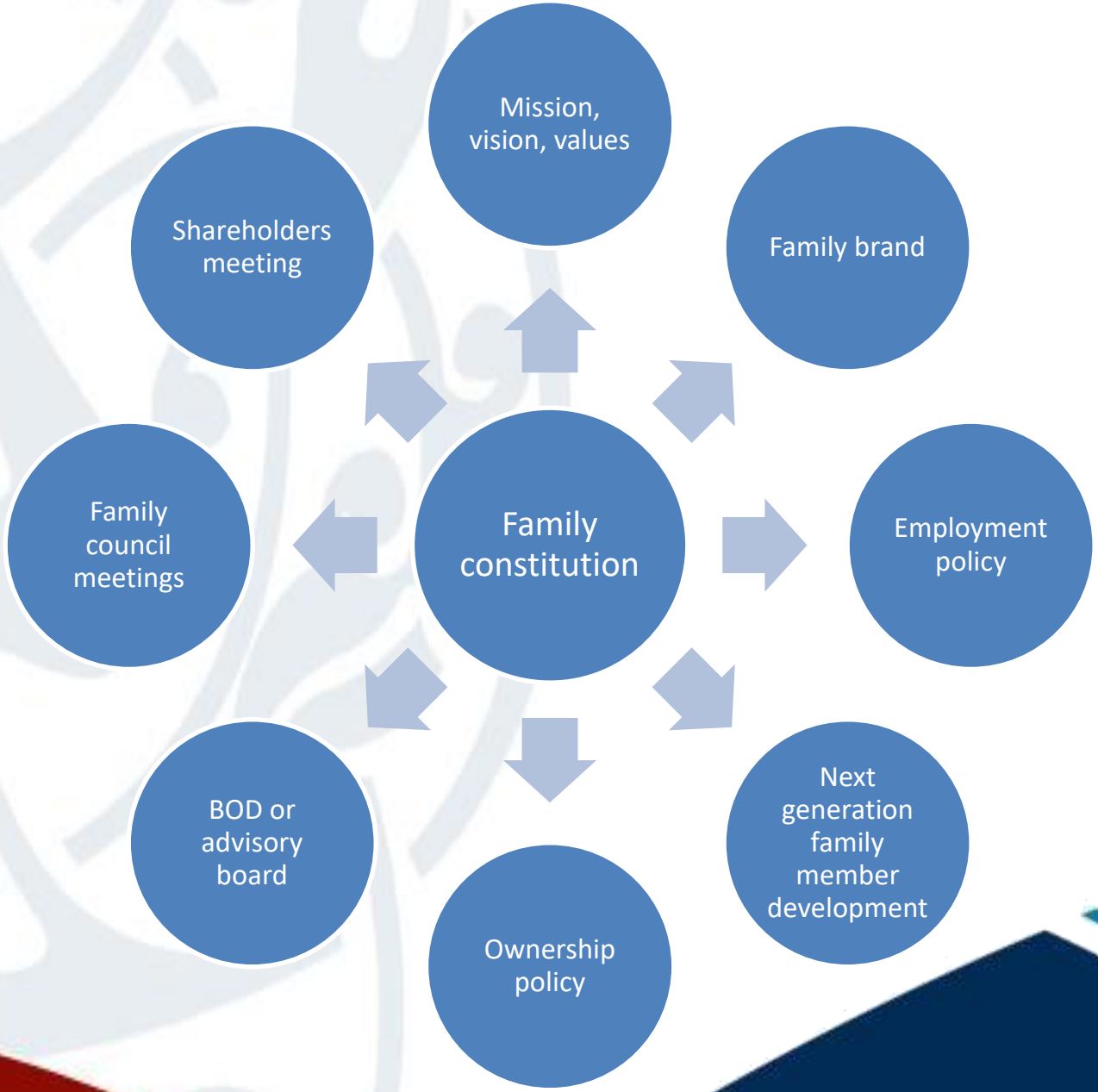
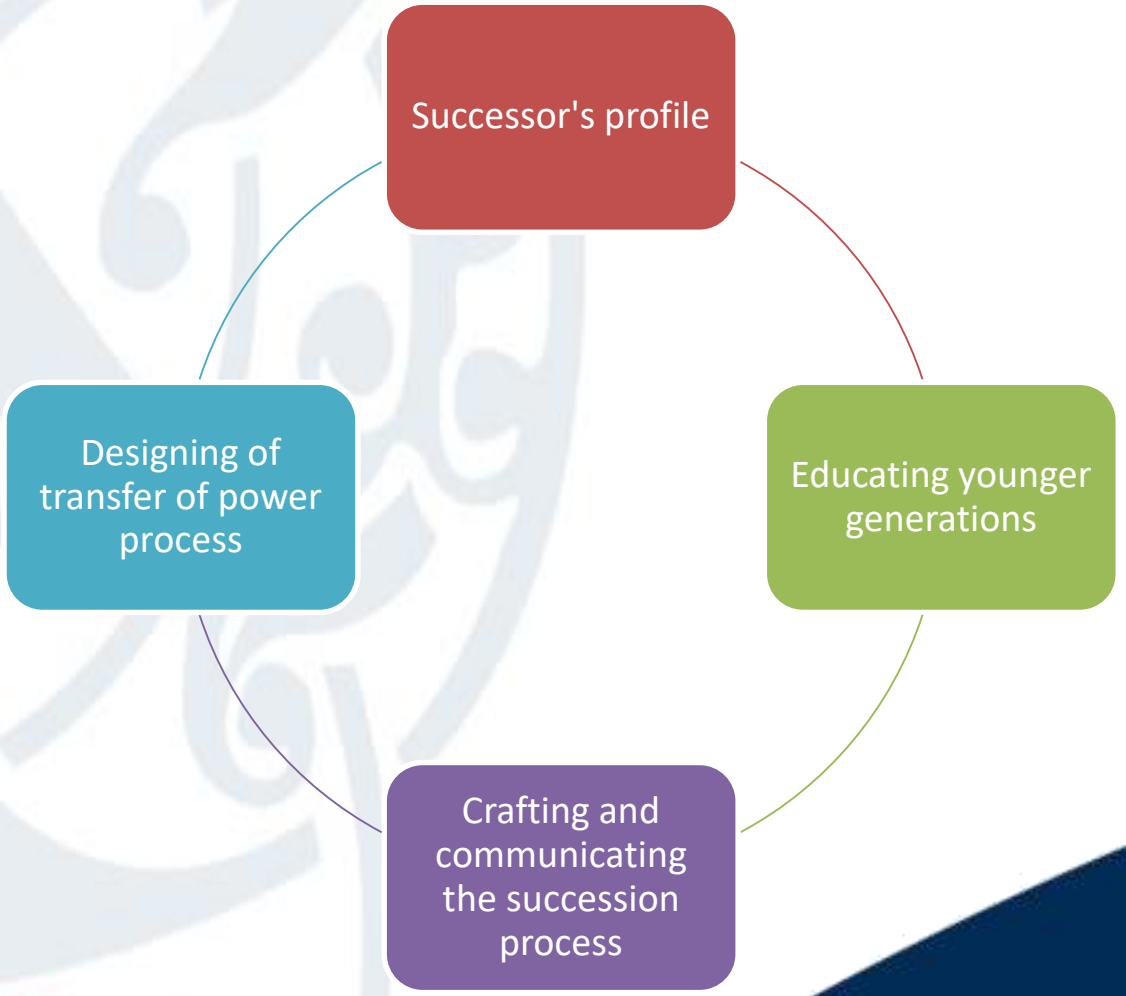

Mission, vision, values
Family brand
Employment policy
Next generation family member development
Ownership policy
BOD or advisory board
Family council meetings
Shareholders meeting
Family constitution

Understanding the succession planning challenge

- Conflict between siblings
- Conflict between cousins
- Process of succession
- Traits of the successor
- Communication of news
- Transfer of power

What are the solutions



Understanding the professionalism challenge

- Cultural barrier
- Emotional barrier
- Knowledge barrier
- Absence of competent leader

What are the solutions

The relevance of size in family business

Lessons learned

- Family business is highly correlated with existing the culture
- Institutionalizing family business is correlated with the degree of exposure of the founder/s
- Family business represents a major portion of the biggest successful companies in Egypt
- There is a great need to work on the governance aspect of family business
- Size of the company is negatively correlated with the awareness about family business institutionalization’

Suggested readings and cases

- IFC Family Business Governance Handbook
- Global Family Business Survey.PWC
- Handbook of Research on Family Business. Panikkos Zata Poutziouris, Kosmas X. Smyrnios, Sabine B. Klein
- Family business. ,Ernesto Poza,Mary Daugherty
- Sun Hung Kai: A Governance Crisis in a Family Firm.HBR
- What's in a Family Legacy? Balancing Family Emotions and Business Growth at Luse Holdings.HBR
- Cargill: Keeping the Family Business Private.HBR
- Managing Turbulence: Business Model Development in a Family-Owned Airline.HBR

thank you
danke
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ngiyabonga
teşekkür ederim
спасибо
dank je
gracias
tapadh leat
bedankt
hvala
mauruuru
dziękuję
mochchakkeram
go raibh maith agat
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