

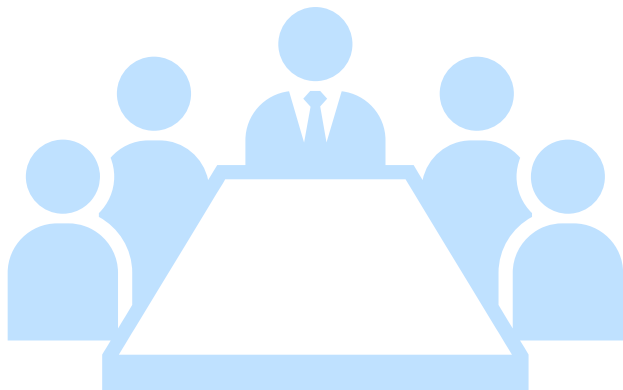
FAMILY BUSINESSES STRONGER FOR LONGER

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Dammam, KSA



Our discussion today



Family businesses are an important and high impact economic development engine ...

... yet survival is not a given – it is a complex and fragile system

Sustaining performance and maintaining continuity requires hard work that starts with acceptance

Some of the most successful groups in the world are family controlled



In fact, family groups are a major anchor for economies globally

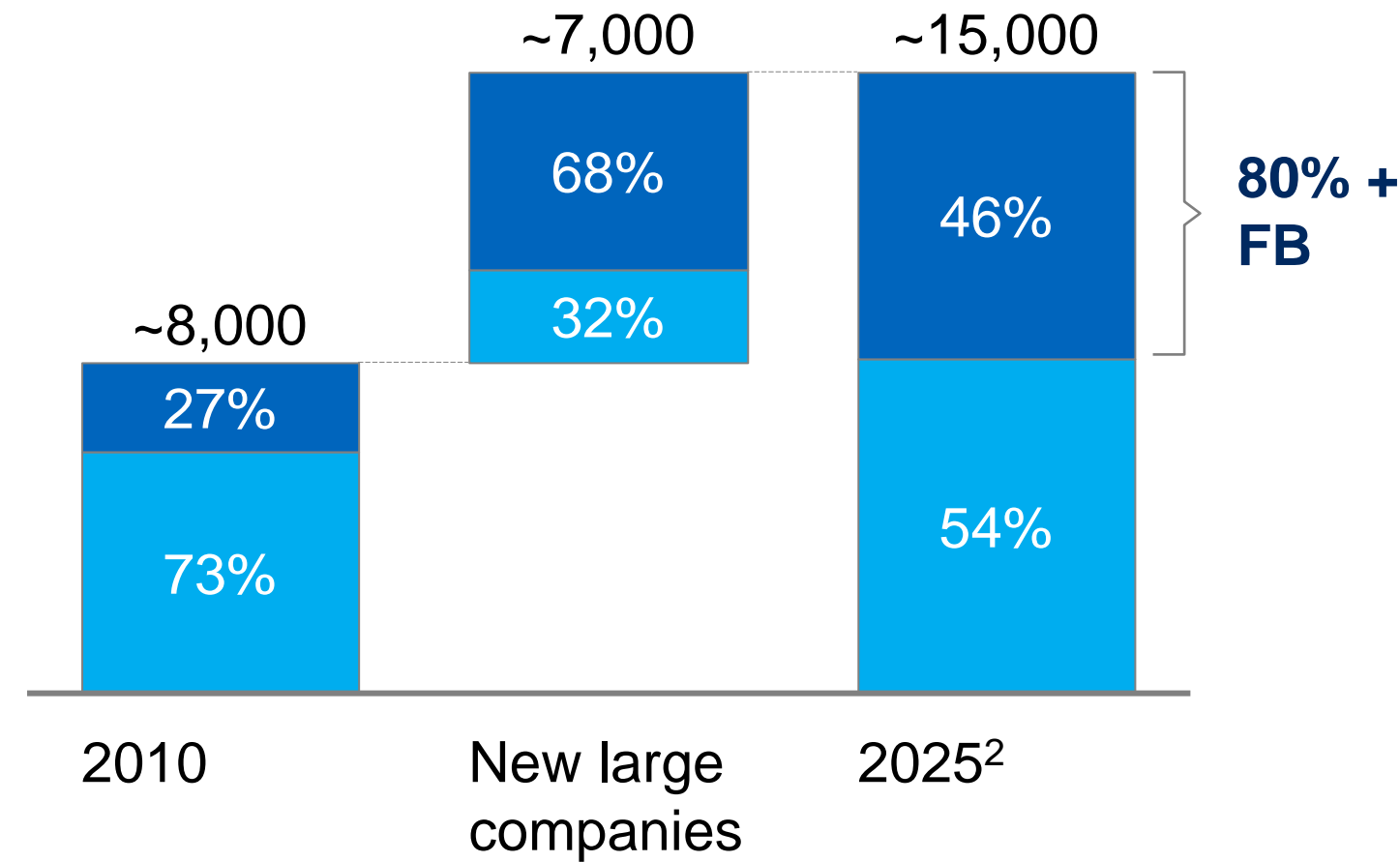


- FOBs create an estimated **70%** to **90%** of global GDP
- More than **40%** of the major publicly traded companies in Europe are family controlled
- Around one-third of the Global Fortune **500** is family controlled
- In India, **47%** of the **40** largest companies are family controlled
- In Korea, Brazil, & Mexico, a third of the largest companies are family controlled
- In India, family owned businesses control **~40%** of the stock market

In emerging markets, it is even more prevalent

■ Emerging
■ Developed

Large companies¹ expected by 2025



¹ All companies with \$1 billion or more in revenue in 2013 or closest available year, captured at headquarters location.
² Projections for 2025 are based on city GDP forecasts (see technical appendix for methodology).

Family businesses generally perform better than their peers...

Weighted average TRS Mar 2002-May 2018, indexed (100 = Mar 2002)



CAGR 2002-18

8.7

4.8

5.5

2.9

¹ Credit Suisse Family Index includes 40 family controlled companies (minimum 10% of share capital)
Note: TRS development based on local currencies

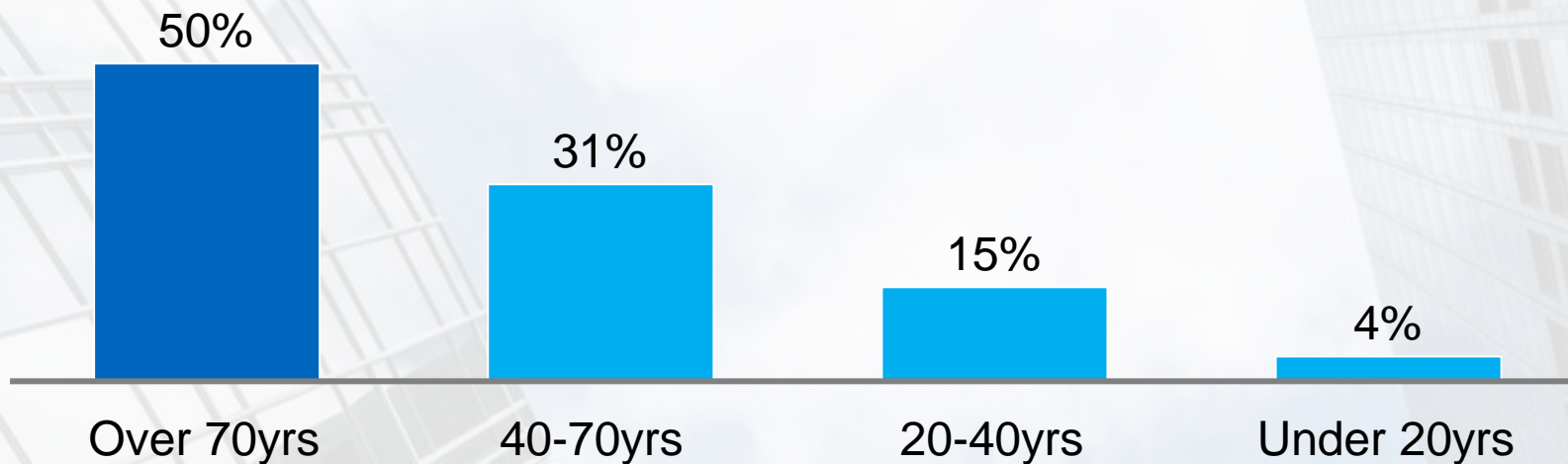
... and generally outlast their non-family controlled peers

INDICATIVE

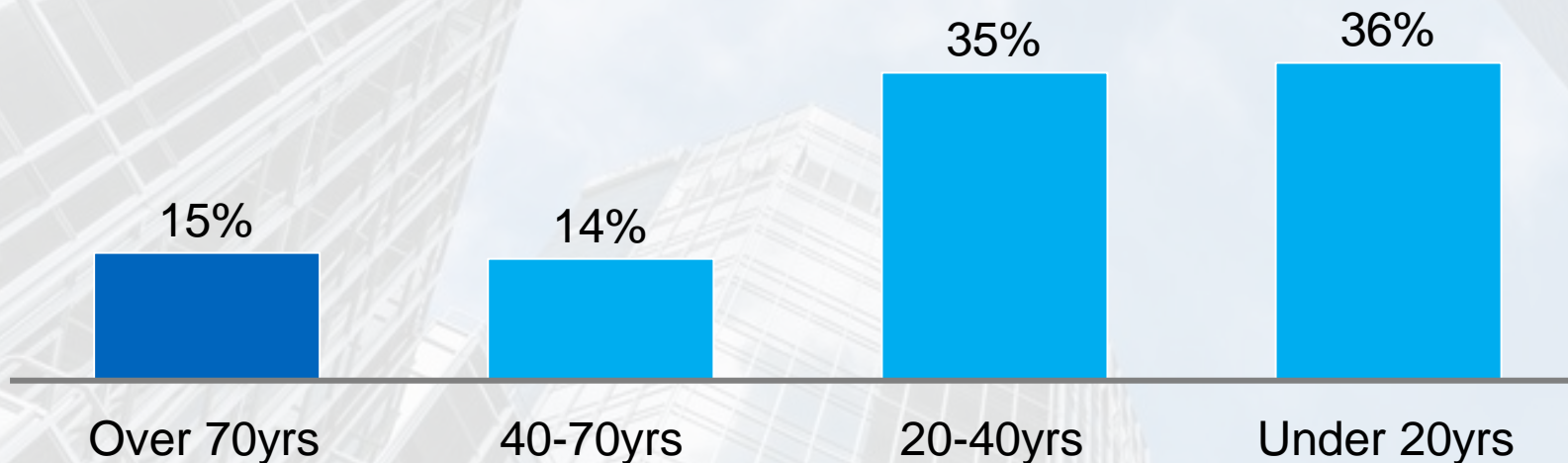
Distribution of companies by age

% of total

TOP 500
FBs



S&P 500



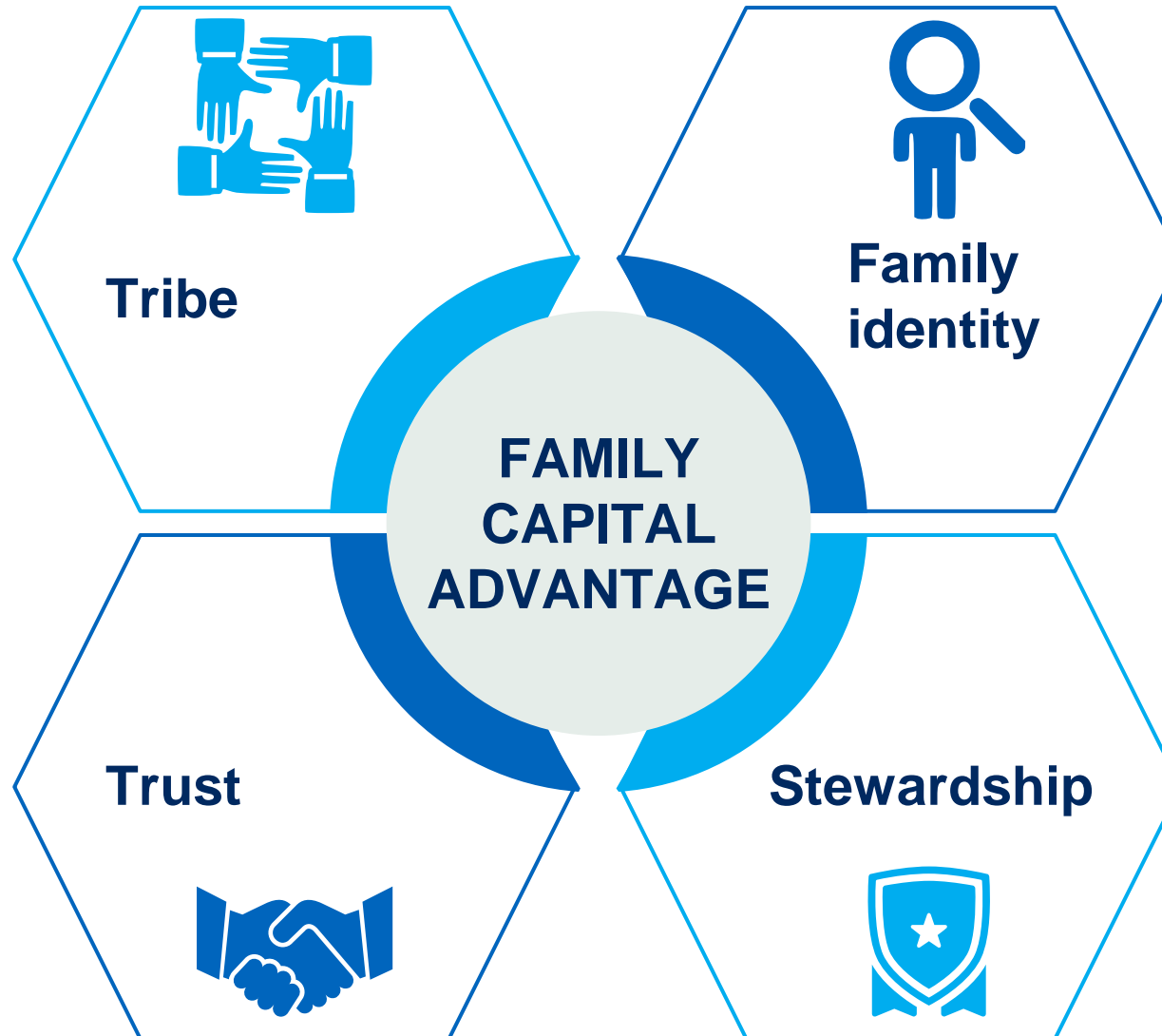
**1 in 2
TOP 500
FBs¹
companies
are over 70
years old
Compared to
1.5 in 10
of S&P500**

¹ Includes private and public companies with average revenue of USD13.5 bn

Our research identified 4 factors that constitute family capital advantage

- Sense of closeness to family
- Togetherness in organization
- Family helpfulness

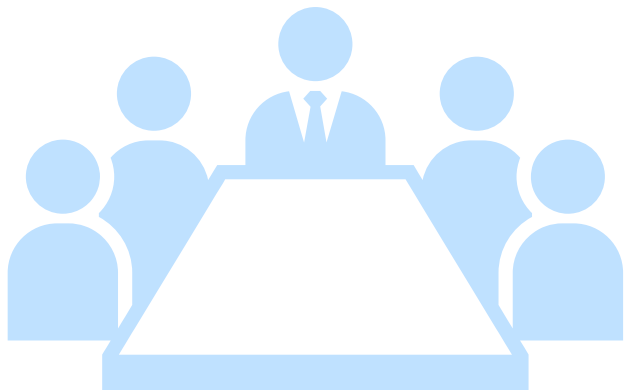
- Secure capability to deliver
- Keep their promises
- Do what they say



- Identification with the family business
- Family ownership image
- Family atmosphere

- Solid family values
- Firm's interest first
- Long-term view

Our discussion today

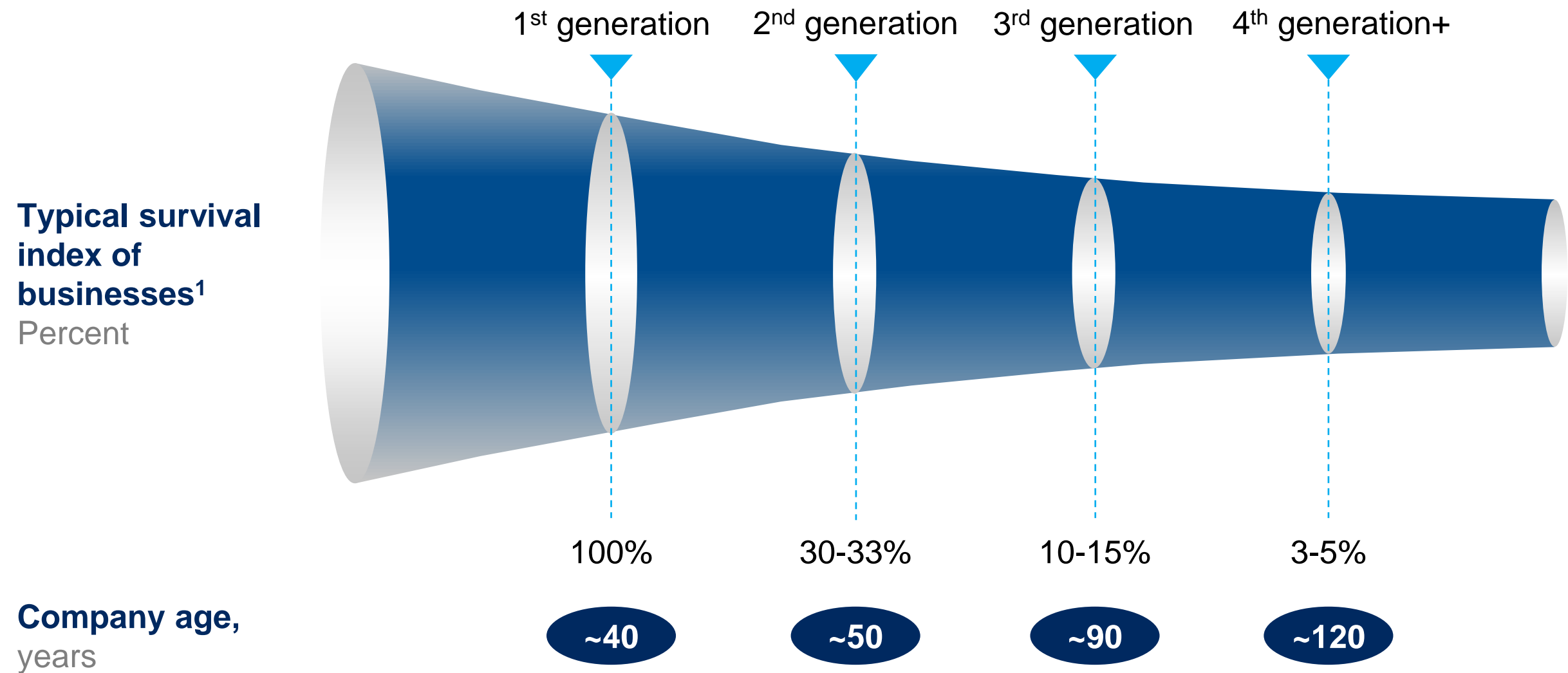


Family businesses are an important and high impact economic development engine ...

... yet survival is not a given – it is a complex and fragile system

Sustaining performance and maintaining continuity requires hard work that starts with acceptance

Survival is not given, only 30% survive the 2nd generation



¹ Global benchmark

Survival rates stem from the complexity of aligning the heart and the mind

> Envy

> Control

> Attachment

> Mistrust



> Growth vs. dividends

> Investor vs. operator

> Short- vs. long-term

> Low vs. high risk



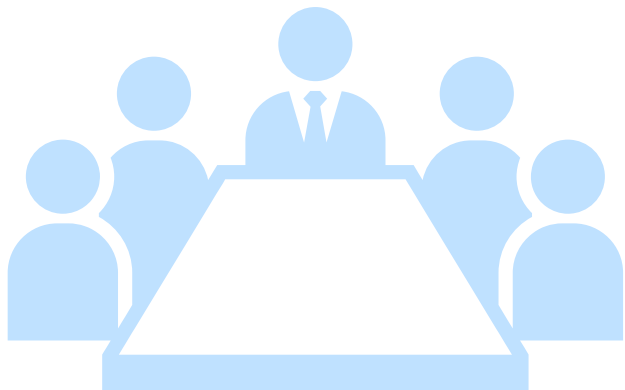
Predictable

- Nepotism alienating top performers
- Insecurity from shareholders distant from business
- Mortal institution tied to 1 or few individuals
- Blind loyalty instead of responsible ownership
- Rivalry among siblings
- Conflicting philosophies

Unpredictable

- Sudden and early death of patriarch / matriarch creating irrational tension
- Unethical/illegal behavior by one shareholder leading to conflict within family
- Crippling crisis (financial or other) testing the resolve of the family and the business

Our discussion today



Family businesses are an important and high impact economic development engine ...

... yet survival is not a given – it is a complex and fragile system

Sustaining performance and maintaining continuity requires hard work that starts with acceptance

Hard work starts with acceptance

“ Accept

*Recognize the
opportunity and
the challenge*

“ Protect

*Build the
institutional
framework to
shield the
business and the
family*

“ Sustain

*Immortalize the
“positive values”
of the founding
shareholders*

Accepting is the start

Typical mindset



“We are different, it will not happen to us”

“We cannot talk about this openly, this is a taboo topic in our family”

“If it isn’t broken, don’t fix it. Let someone else worry about it and let me focus on current business”



Change in mindset



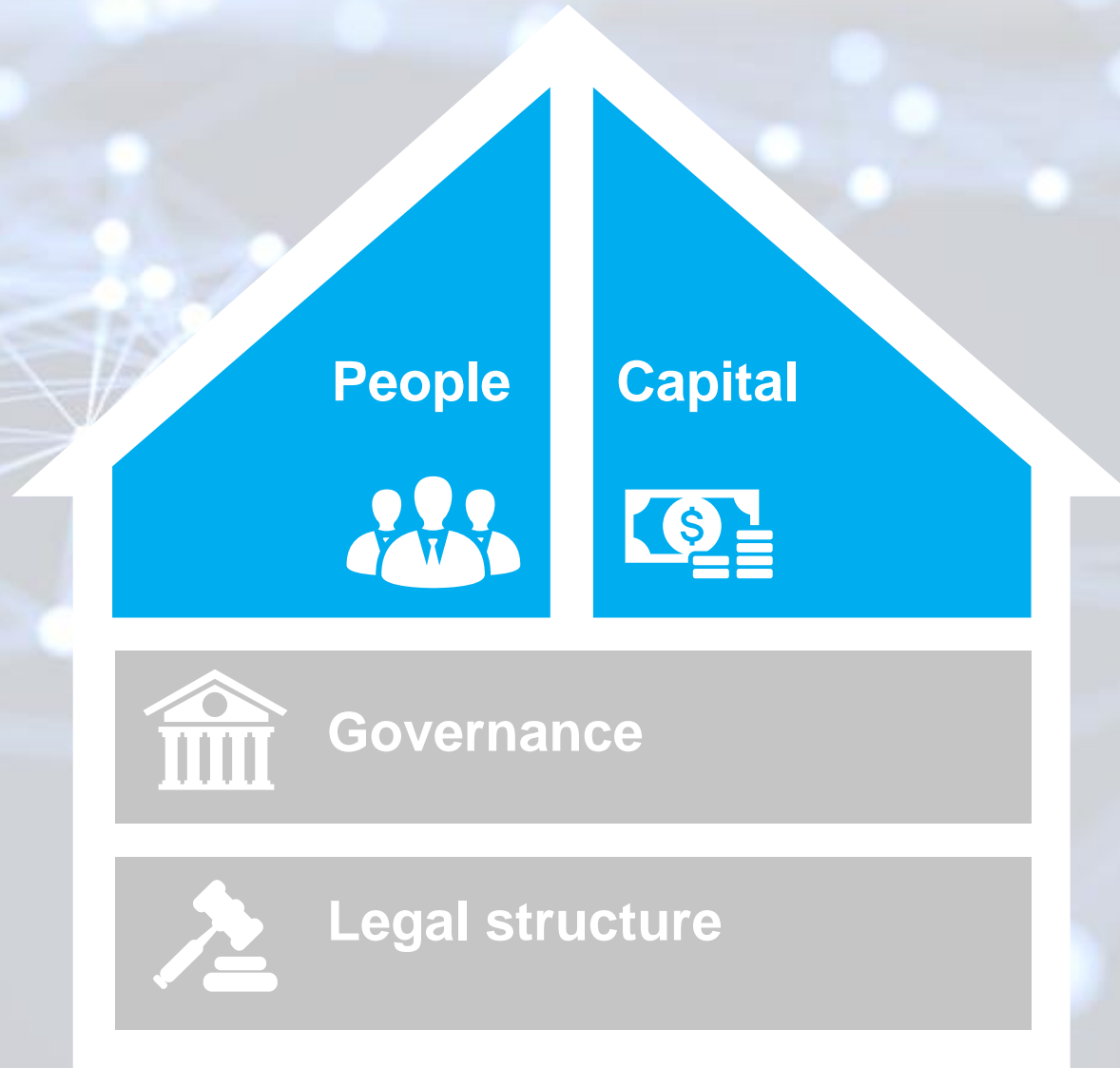
“Yes we are different, but it will likely happen to us”

“It is a taboo topic but if we don’t address it now, it will become a taboo problem”

“It is slowly breaking, we need to fix it before it crumbles”

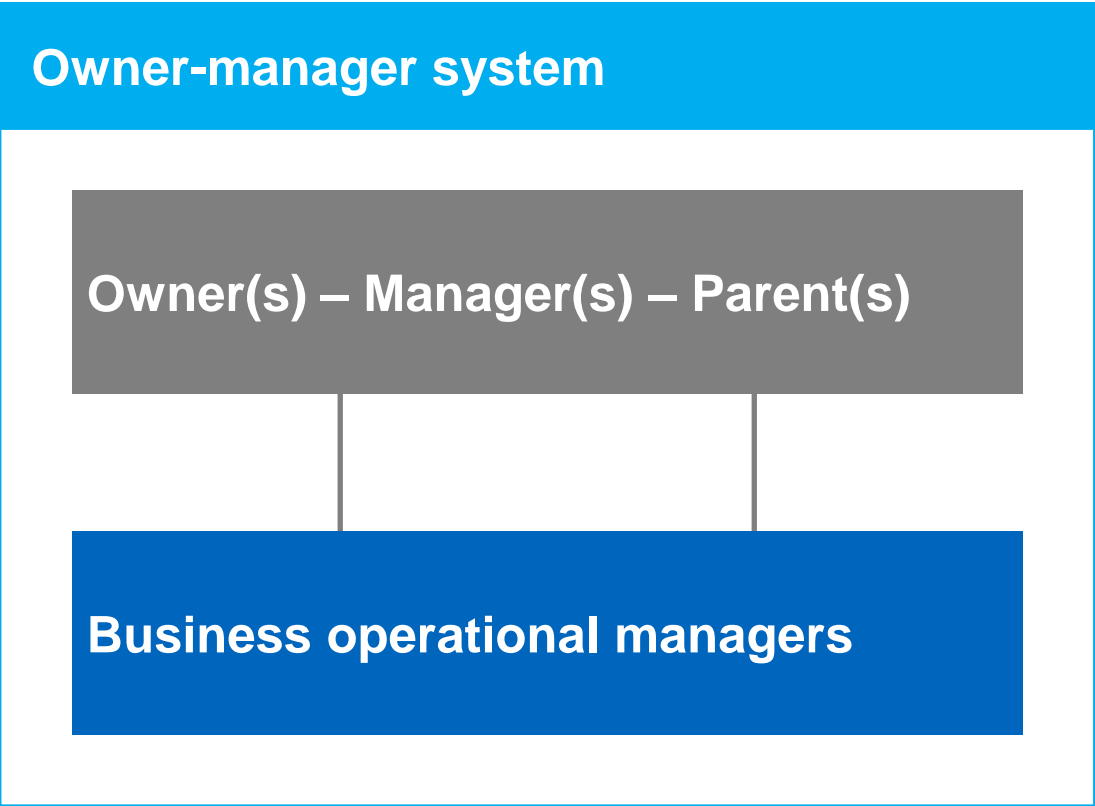


Protection comes next and has to address four parts

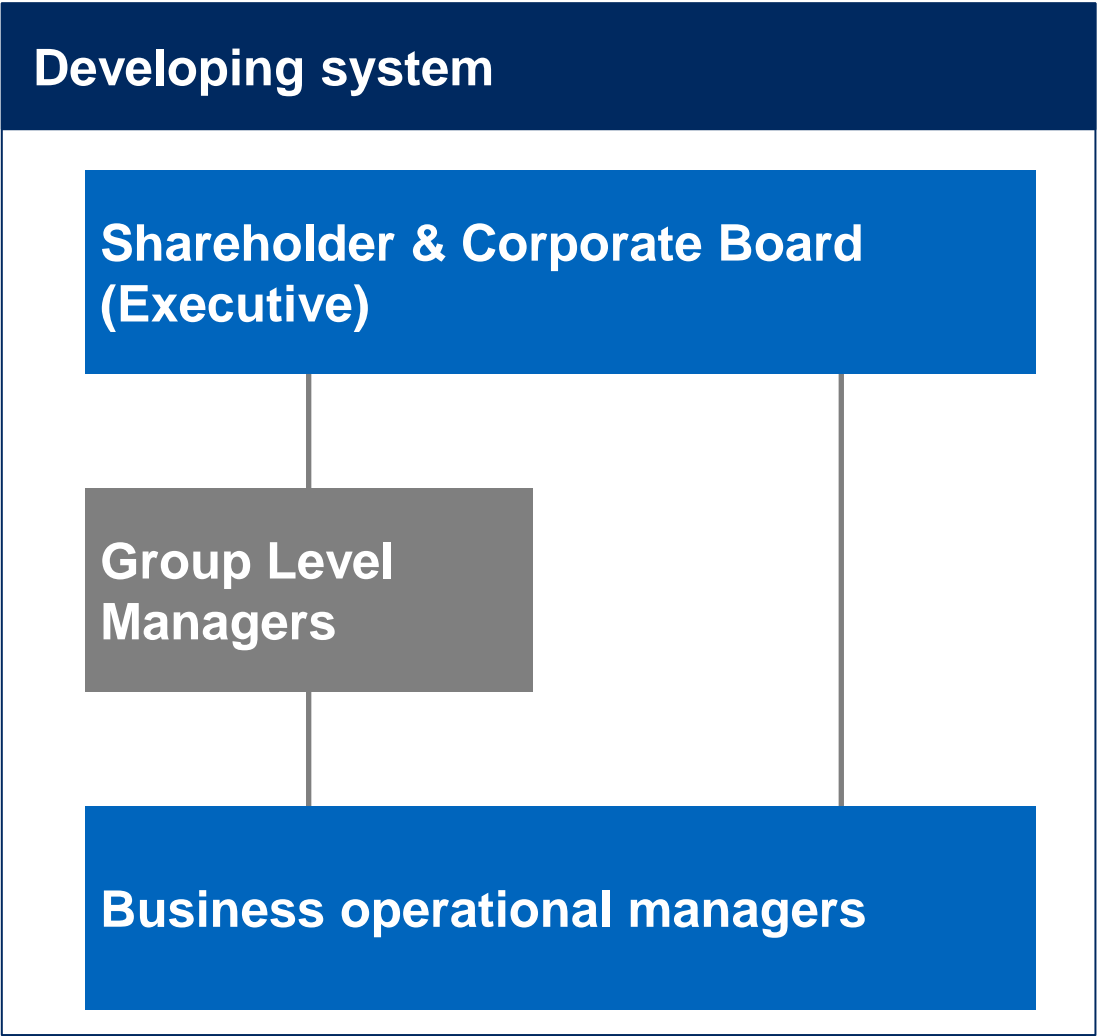


Governance and decision making has to evolve as the family evolves

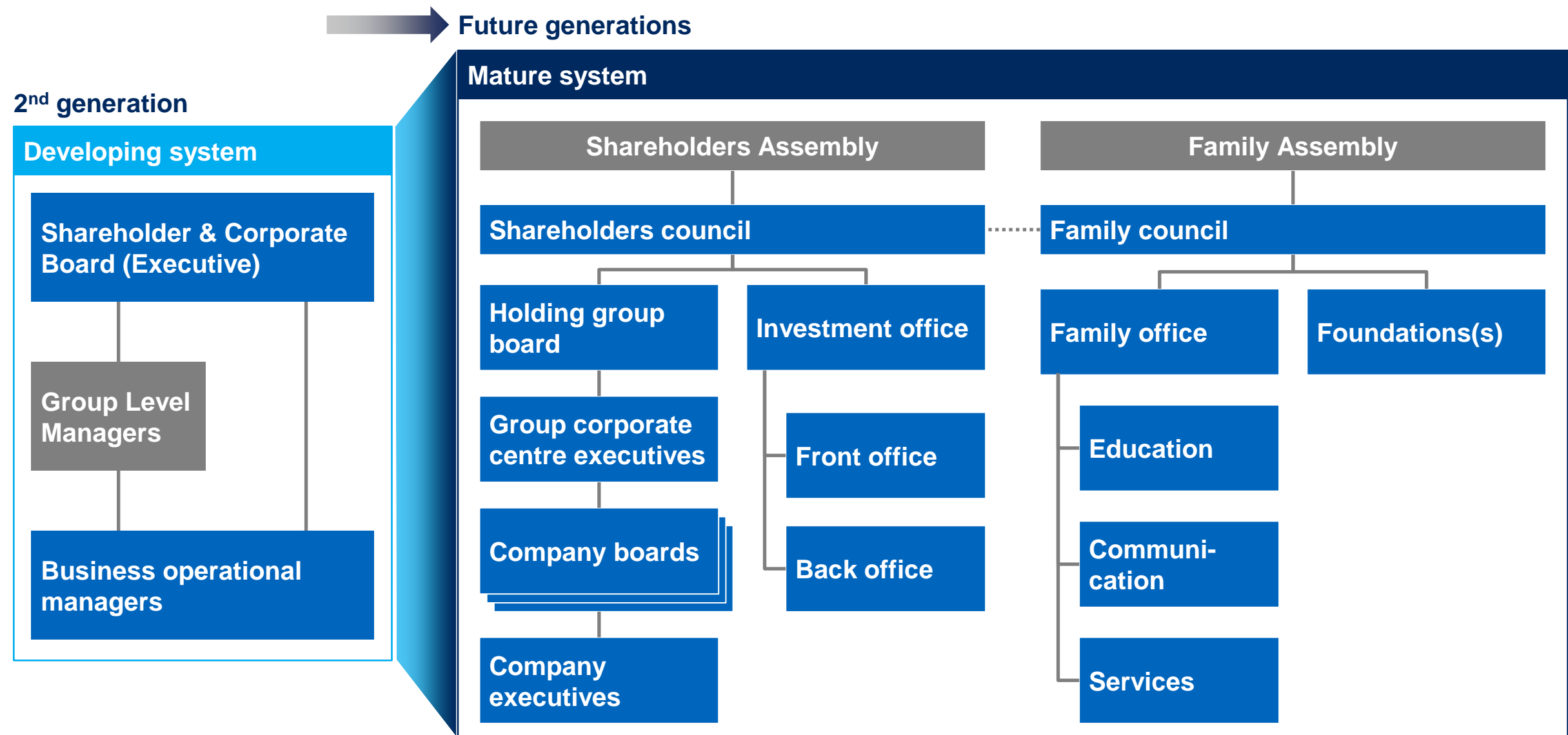
1st generation



2nd generation



Governance and decision making has to evolve as the family evolves



Sustaining is building resilience by immortalizing positive family DNA & values

- Anchor decisions around stated purpose and defined values
- Invest when others are not investing
- Commit to your stakeholders in good and bad times
- Create responsible ownership not blind loyalty
- Disrupt yourself



Q & A

