

Marmore Industry Report

2016

GCC Family Business

Continuing the Success

Research Highlights

A study on GCC Family Businesses, with focus on key sectors of investment, succession, and corporate governance. The report highlights the impact of GCC family businesses on the regional economy and elaborates on the challenges faced by them. In addition, the report also outlines the profiles of major family business groups in the Gulf.

Research

M.R. Raghu CFA, FRM | Head of Research
rmandagolathur@markaz.com

N.C. Karthik Ramesh | Assistant Vice President
kramesh@markaz.com

Nivas Lakshminarasimhan | Research Analyst
nlakshminarasimhan@markaz.com

Disclaimer

This report has been prepared and issued by Marmore MENA Intelligence Ltd (Marmore), a fully owned research subsidiary of Kuwait Financial Centre "Markaz" K.P.S.C. Marmore is a private limited company registered with the Registrar of Companies in India.

This Report is owned by Marmore and is privileged and proprietary and is subject to copyrights. Sale of any copies of this Report is strictly prohibited. This Report cannot be quoted without the prior written consent of Marmore. Any user after obtaining Marmore's permission to use this Report must clearly mention the source as "Marmore." The Report is intended to be circulated for general information only and should not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction.

The information and statistical data herein have been obtained from sources we believe to be reliable, but no representation or warranty, expressed or implied, is made that such information and data is accurate or complete, and therefore should not be relied upon as such. Opinions, interpretations, estimates, and projections in this report constitute the current judgment of the author as of the date of this Report. They do not necessarily reflect the opinion of Markaz or Marmore or other identified parties and are subject to change without prior notice. Neither Marmore nor Markaz have an obligation to update, modify, or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast, or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn.

This Report may not consider the specific investment objectives, financial situation, and the particular needs of any specific person who may receive this report. Investors are urged to seek financial advice regarding the appropriateness of investing in any security or investment strategy discussed or recommended in this report and to understand that statements regarding future prospects may not be realized. Investors should note that income from such securities, if any, may fluctuate and that each security's price or value may rise or fall. Investors should be able and willing to accept a total or partial loss of their investment. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily indicative of future performance.

Markaz may seek to do business, including investment banking deals, with companies covered in its research reports. Markaz may have interests in the areas covered in this research report. Markaz, Markaz managed entities, its clients, or its employees may have from time to time long or short positions in any security, derivative or other types of assets referred to in this research report. As a result, investors should be aware that Markaz may have a conflict of interest that could affect the objectivity of this report.

This report may provide the addresses of or contain hyperlinks to websites. Except to the extent to which the report refers to website material of Markaz and Marmore, Markaz has not reviewed the linked site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to Markaz's or Marmore's own website material) is provided solely for your convenience and information, and the content of the linked site does not in any way form part of this document. Accessing such website or following such link through this report or Markaz's or Marmore's website shall be at your own risk.

For further information, please contact 'Markaz' at P.O. Box 23444, Safat 13095, Kuwait; Email: info@e-marmore.com; Tel: 00965 22248280; Fax: 00965 22495741.

Table of Contents

1. Executive Summary	6
2. Family Business Dynamics	7
A Trilogy of Ownership, Business and Family	7
Family Business in the GCC	9
Inception – Growth – Maturity: Where does GCC figure?.....	11
3. GCC Family Business: Key Points	13
Industrial manufacturing most preferred sector.....	13
1st and 2nd generations dominate family business landscape.....	15
4. GCC Family Business: Strengths	18
Patient capital	18
Stable leadership.....	18
Loyalty, commitment and support of family members.....	18
Swift decision making	19
Lower agency costs	19
Diversified Businesses.....	19
5. GCC Family Business: Challenges	20
Lack of legal structures that support generational transfer of assets	20
Separating Family and Business concerns	22
Maintaining control in a growing atmosphere.....	23
Recruit and Retain Talent.....	24
Shed unattractive businesses: Over-diversification.....	24
Access to Capital	25
Weak Corporate Governance	27
6. Corporate Governance	28
Establish Corporate Governance Code	29

7. GCC Family Business and Philanthropy.....	32
8. Family Profiles	34
Yusuf Bin Ahmed Kanoo (Bahrain, 1890)	34
Abdulla Yousif Fakhro & Sons (Bahrain, 1888)	37
The Kharafi Group (Kuwait, 1956).....	38
Alghanim Industries Kuwait (1932)	41
Al Mulla Group (Kuwait, 1938).....	43
Al Homaizi Group (Kuwait, 1962).....	45
Al Boodai (Kuwait, 1958)	46
Al Babtain (Kuwait, 1948)	47
Alshaya Group (Kuwait, 1890)	49
Saud Bahwan Group (Oman, 1975).....	51
Al-Rajhi Family (Saudi Arabia, 1957)	53
Saudi Binladin Group (Saudi Arabia, 1931).....	55
Olayan Group (Saudi Arabia, 1969).....	58
Al-Futtaim (UAE, 1930)	61
Al Habtoor Group (UAE, 1970)	64
9. Appendix.....	66
A – Family Businesses in the GCC	66
B – Sector Concentration in the GCC	68
C – Family Businesses in the rest of the world.....	71
D – Oldest Family Businesses	72
E – Global Family Business	73
F – Family Business – Best Practices	76
G – Differences between Family business and Non-Family business	79
H – Advantages & Disadvantages of going public	80
I – Sectors & Family Business Groups	82

Tables and Charts

Tables		Charts	
3.1	Popular Sectors for Family Businesses in the GCC is missing	2.1	Family Business Dynamics
5.1	Issues Faces by Family Businesses in the Middle East	3.1	Family Business Sector Concentration
		3.2	Sector Concentration - Saudi Arabia
		3.3	Year of establishment – Family Business Groups
		3.4	Year of establishment (Conglomerates) – Family Business Groups
		3.5	Generation – Family Business Groups

1. Executive Summary

Family businesses account for over three-fourths of the private sector.

Family businesses are the mainstay of the GCC economy and account for over three-fourths of the private sector. They are traditionally involved in trading, manufacturing, financial services, real estate and construction, and over the years, have diversified into other sectors. Many Arab businessmen are successful across the world, and have passed on their strong work ethic and entrepreneurial excellence to future generations. The single key feature of a GCC family business is the ownership structure, which takes the form of direct and complete family control and is characterized by a handful of senior family members influencing decision making. Concentrated shareholdings allow family business to take a long term view, at the expense of short term earnings or share price movements, and this has helped them survive the vagaries of the market. With relatively larger families in the GCC, there is an enormous talent pool with an increased sense of loyalty and commitment, to protect and increase family wealth.

Seven out of ten family-owned businesses fail to make the transition to second generation

Globally, generational transfer of control is a major issue, as seven out of ten family-owned businesses fail to make the transition to second generation, and just one in ten makes it to the third generation. After the death of the founder, very few family businesses are sustained generationally, and fewer survive down the line successions. Most groups don't have procedures in place to deal with issues of control and ownership, but as the company and number of family shareholders grow from one generation to the next, there is an increased potential for conflicts. Corporate and Family governance are also key issues that need to be addressed, to secure the long term health of the business as most GCC family businesses have little formal procedures.

Liberalization in the GCC has led to stricter regulations in the capital markets, increase in competition, both domestic and foreign, and a greater need for transparency and accountability. This has constrained family businesses' access to liquidity as most groups are private concerns. With the changing corporate landscape and globalization, it remains to be seen if family businesses capitalize on their strengths and overcome their challenges.

To obtain full version, Kindly [Click Here](#)

OR email us at enquiry@e-marmore.com

Would prefer talking to us? Call us at +965 2224 8280

About Marmore

Marmore MENA Intelligence is a fully-owned research subsidiary of Kuwait Financial Center 'Markaz'. Since 2006, Markaz Research has been at the forefront in disseminating thought-provoking, hard-data backed research reports. Marmore continues that legacy with a focused approach to providing actionable solutions for business leaders and policymakers.

Since its inception, Marmore has published over 700 research reports and covered more than 25 varied industries and infrastructure segments; all focused primarily on the GCC economies. (To view our Research Library, please [click here](#))

With over 30 policy and regulatory research studies published, Marmore has partnered with renowned regional think-tanks and opinion-leaders to publish some of these intellectually provoking policy research papers. These research studies aim to initiate dialogue and propose better solutions to existing economic conundrums. (To view our Policy & Regulatory research report, [click here](#))

Marmore provides research-based consulting solutions to help understand current market conditions, identify growth opportunities, assess supply/demand dynamics, and make informed business decisions.

Almost on a weekly basis, Marmore publishes thematic economic, industry, policy and capital market reports. Marmore has been recently conferred **"Research Provider of the Year - 2018"** award by Global Investor, a Euromoney Group company. To learn more, visit www.marmoremna.com

OUR JOURNEY SO FAR

- Over **700** reports/insights published
- Over **63** Client projects executed
- Frequent media citations and conference participation
- Active social media presence



 /marmoremna

 @marmoremna

 marmore-mena

 marmoreMENA