Family Matters

Governance Practices in GCC Family Firms

This Report is jointly produced by The Pearl Initiative and PwC.

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Contents

Executive Summary

The research for this Report on governance practices in GCC family firms is based on interviews with over a hundred family firms in the GCC. The aims of this research programme are to:

1. Raise awareness and understanding on governance issues, trends and existing practices amongst GCC family firms.
2. Enable family firms to benchmark their own business against others in the region and gain insight on how similar businesses address these issues.

The following are the highlights of the research findings:

- The majority of GCC family firms interviewed believe that corporate governance is becoming **a key issue for the future.**
- Many see it as one of the most important ways to secure the long-term health of the business, and improve **transparency, efficiency and access to capital and talent.**
- However, corporate governance is **a lower strategic priority at present** in comparison to wider operational and commercial concerns and overall profitability.
- The top governance issues in GCC family firms are **succession and the management of conflict**. These two are often directly related.
- Other issues include transparency and accountability, formalising management structures, improving rules and processes and the need for better practices at Board level. Many respondents believe that improvements in these areas will enhance their **professionalism and international competitiveness**.
- In the GCC, as in other regions of the world, it is equally vital for family firms to address **family governance**, which is not the same as corporate governance. A more rigorous approach to family governance can help these firms separate family concerns from business issues, and deal with other challenging issues such as allocating shares, conducting performance appraisals, setting remuneration levels and establishing objective criteria for family members' participation in the business, both at junior and executive level.

Introduction

The global economy is built on the family firm. Many of the largest multinational corporations began as family firms, and around 90% of the world's businesses can be defined as family firms, both in developed and emerging markets. The majority are small and medium-sized enterprises (SMEs), but some are very large companies, especially in the Gulf Cooperation Council (GCC), where many such firms started life as small trading concerns, but over two or three generations have grown into substantial diversified conglomerates, covering sectors as diverse as retail, automotive, construction, import/export, shipping, insurance, agriculture, financial services, real estate and manufacturing.

In fact, in the Gulf region some 80% of gross domestic product (GDP) outside the oil sector is generated by family businesses. Family firms here have benefited from dominant positions within their own markets and little effective competition from overseas, robust trading networks within individual markets and strong relationships with the banks, which until the recent financial crisis, made access to finance far easier for GCC firms than it is for family businesses elsewhere in the world.

There are many distinguishing characteristics of the family firm, and these are discussed at length in the latest PwC Global Survey of Family Businesses, which was carried out between June and September 2012.

"Companies with sound corporate governance usually perform better than other companies. Good corporate governance results in better access to external capital, lower financing costs, higher credit ratings and strong investor confidence."

The single most obvious point of difference, of course, is the ownership structure, and while this tends to take the form of direct and total family control, some firms also have non-family shareholders and/or executives, and a stock market listing is quite common, especially in Asia.

The family ownership structure also leads to notable differences in corporate governance provisions and companies operating within widely different cultural and social contexts need a governance framework that reflects this, especially in relation to sensitive issues such as Board structures and succession arrangements. In the GCC there are a number of firms with very few formal procedures, and while this may have worked well for the founders, the potential for conflict grows with each transition to a new – and by definition larger – generation of family shareholders.

This is one reason why family firms in the Gulf region are becoming more aware of the importance of good corporate governance and the role it can play both in ensuring sound management within the firm and in attracting external customers, investors and business partners outside it. Awareness of these factors has definitely increased in the last five years, but there is still more that most GCC family businesses can do to improve their practices in this vital area.

This Report sets out the findings of an in-depth analysis of corporate governance in the GCC family business sector. The aims of the Report are to:

1. Raise awareness and understanding on governance issues, trends and existing practices amongst GCC family firms.
2. Enable family firms to benchmark their own business against others in the region and gain insight from how similar businesses address these issues.

GCC Family Firms

At its most basic, corporate governance is about ensuring that the concerns of a company's shareholders and stakeholders are taken into proper account, and all their interests balanced. In the special case of a family firm, a robust corporate governance framework can ensure a productive and sustainable relationship between the family shareholders and the executives managing the business, who may or may not be members of the family in their own right.

There are also a number of issues which are either unique to the GCC, or of particular importance here. For example, many family firms elsewhere in the world establish family trusts as the vehicle to hold and control their shares, but these are not used in the GCC, where a holding company structure is employed instead. This does not offer the same advantages as a trust, and this is why there is growing interest in the possibility of creating offshore Sharia-compliant trusts across the region.

GCC countries also share a powerful cultural tradition of respect for older generations, which can clearly impact the way a family business is run, especially at the moment when control and management pass from one generation to the next. Families in the GCC also have a strong desire to keep their affairs private, which means that they can be reluctant to bring outsiders into the business in senior positions. For the same reason, GCC families are extremely concerned to keep any family disputes from becoming public knowledge.

It is only recently that we have seen a number of such disputes ending up in legal action, with the firm's assets frozen until a judgment could be determined. The impact on the business in these circumstances can clearly be disastrous. Good corporate governance can be extremely useful here, by providing a framework for resolving disagreements in an objective way and preventing their escalation to the courts.

Most GCC family firms have adequate governance procedures in place to deal with their commercial needs, but far fewer have a formal framework to address the issues which arise in relation to their ownership structure. Clearly every family business is different and it is important that the governance framework reflects this and is flexible enough to address specific issues relating to that business and its ownership structure. On the other hand, there are some issues which every business now faces – family-owned or not - and a strong governance framework will help to address them and ensure long-term survival and success.

Definitions[1]

For the purposes of this research programme, a 'family business' is defined as a business in which:

1. The majority of votes are held by the person who established or acquired the firm (or their spouses, parents, child, or child's direct heirs);
2. At least one representative of the family is involved in the management or administration of the firm;
3. 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.

[1]Family firm: A resilient model for the 21st century, October 2012

Issues and Priorities for GCC Family Firms

The key drivers to improve governance and transparency are linked to the desire to develop and eventually pass on a healthy and efficient organisation.

"The practical aspects of implementation are likely to be a challenge."

Research findings show that most family businesses in the GCC recognise the importance of corporate governance in principle, but do not currently believe it can contribute significantly to their long-term business success. At present, in other words, it is seen as a 'box-ticking exercise', rather than a commercial priority. Furthermore, for some GCC family firms corporate governance is not seen as a priority due to a need for more practical knowledge pertaining to its effective implementation.

Specific governance issues cited by participants as areas of particular concern include the definition and scope of management roles, the need for greater transparency and the lack of the appropriate corporate governance structures that would effectively tackle succession and conflict.

However, most respondents do recognise that corporate governance will become a more pressing issue in the future. Many accept that they will pass a stronger business to the next generation if their governance framework is improved and that greater transparency would make the company more professional and enhance its international competitiveness.

This is a business for our children and we must ensure that when we hand it over we are giving them a functional business.

"We have our old classical agreements but they are not enough."

> Succession, conflict and continuity

In the GCC, many family businesses are major corporations, and a large proportion are first- or second-generation businesses, originally established 50 or 60 years ago. A number of these are facing a transition to the next generation in the next 5-10 years. According to our findings, many of these firms are looking at how they manage this looming succession point and are implementing, or considering, specific criteria for family members joining the firm at a junior level and particularly for those who might be eligible to take over its management. This might include a minimum level of educational qualifications and/or evidence of senior executive experience outside the family firm.

In our experience, the two most common causes for this business breakdown are succession and conflict and the latter can often arise as a direct consequence of the former.

Findings from the PwC Family Business Survey show that across the world, family firms are establishing governance measures designed to mitigate or manage potential problems that may arise at the moment of succession, but the findings suggest that the GCC is lagging behind in this respect.

Firms in our region are less likely to have measures such as entry and exit provisions (12% as against 28% in the PwC Global Survey), performance appraisal mechanisms (18% as against 32% globally), or provision for an impartial third-party mediator (9% as against 24%). A third-party mediator can work particularly well in the GCC, since it allows the family to retain its privacy and keep knowledge of the dispute to only one trusted outsider. If the mediator is chosen well, this process can provide an effective and long-lasting solution to specific issues, which all participants can accept.

Family firms in our region could benefit from agreeing and documenting their succession process and strengthening the provisions they have in place to deal with any associated potential conflict. This should ideally be done as part of a more comprehensive review of their corporate governance measures.

"The key driver is the continuity and sustainability of the business."

> Management and control

One reason why some GCC firms are reluctant to push forward with more comprehensive governance measures is because they feel it might threaten their own control of the firm. This view is particularly common among first-generation founders of family businesses, who often tend to have a strong management style and would not wish to change this to suit an externally-imposed framework. Even after the founder of the firm has formally retired, many still feel a strong emotional ownership of the business and continue to take an active, informal role in day-to-day decision-making. This can be helpful, but it can also create tension if those nominally entrusted with making these decisions feel that they have no authority and no real autonomy.

Conversely, businesses in the second or third generation are more likely to be actively considering more formalised governance, as they recognise that this can instill a more professional approach to management and help reduce conflict, especially where there are a large number of family shareholders.

"We must move from an oral tradition to one in which rules and guidelines are written down so that they can be referred to."

"Entitlement is something that an owner feels."

"It is easy for siblings to agree. It gets harder for cousins to agree. It gets very, very difficult for second cousins to agree."

> Separating 'family' from 'business' concerns

Succession is a major – if not the major – cause of conflict in a family business, but disputes can arise for other reasons too and a lack of effective communication is often at the root of them. Members of the family will often have very strong views about strategy and management, even if they are not involved in the day-to-day operation of the firm. A lack of communication – real or perceived – can make some family members feel excluded, which can lead to unnecessary disputes. It is important to ensure that clear information is provided for all shareholders and that mechanisms exist to ensure that family issues do not become confused with business issues.

This is a particularly pertinent issue in the GCC and the findings suggest that many firms here still have a far greater overlap between 'the family' and 'the business' than their counterparts in Europe or North America. Firms in our region are, however, acutely aware of the need to address this and are increasingly looking to strengthen their Boards as one way to achieve this. They want Board-level discussions to be about business issues, global challenges, growth, strategy and profitability, rather than family issues or conflicts.

"Being able to balance the emotional and family business trend together is challenging but it needs to be done to push the Board and directors to the next level."

"Never fall in love with your assets."

"My biggest issue is separation of authority – who has the power to take decisions, and how to mitigate risks."

"A strong well-functioning Board acts as the right interlocutor between the family and the company."

> **Formalisation of structures, rules and processes**

Establishing more formal written governance frameworks can help family businesses to achieve a more efficient and streamlined corporate structure. Smaller firms do not need to implement the full range of measures typical of international best practice, but some progress towards written guidelines can make a significant positive difference, especially in relation to roles and responsibilities. This becomes particularly important in the second or third generation of the firm, since the skills required to run an established business are not the same as those required to set it up successfully in the first place.

A lack of clarity about roles and responsibilities can also complicate the decision to bring in senior managers to run the business, which is already a challenging issue for most family firms. As already discussed, GCC businesses often find it particularly difficult to make the decision to hire an outsider onto the Board for cultural and social reasons. Many firms find it easier to bring in a CEO in a purely operational role and allow them to run the Executive Committee, but they are more reluctant to give that person a seat on the Board, which can cause practical difficulties in relation to decision-making.

"There is a mind-set change between the older members of the family and the younger members. Formalising family governance and rules helps document values and systems and retain the close bond across the generations."

For example, PwC's experience of working with family firms across the world suggests that many have senior family members performing roles that do not match the title that they hold. This can cause confusion about responsibilities within the business and lead to ill-judged choices in relation to recruitment.

"The issue is to define roles and responsibilities for the next generation."

An effective corporate governance framework can help here and make it easier to bring an external CEO onto the Board by ensuring there is clarity about roles and responsibilities, and a shared understanding of the difference between the job of the CEO and the rights of the family shareholders.

More robust corporate governance will lead to higher standards of management, better understanding of risks, more effective control mechanisms and more informed decision-making. It can also make it much easier to attract and retain talented people with vital skills.

"[The issue is the] lack of stability for professionals brought into the company. The decision making process can be difficult due to interference of family members."

"[Corporate governance means] operations are better controlled, risks better managed."

"Bringing in non-family members changes the dynamics on the Board."

The Board

A strong and properly-constituted Board is at the heart of good governance. Most of the family firms interviewed have Boards which include both family and non-family Board members. It is vital that Board directors are appointed on an appropriate merit and specific skill set rather than sentiment or family hierarchy. Some large family firms are now instituting a two-tier Board structure, with an operational Board reporting to a supervisory one, though this is not yet common in the GCC.

Across the world, many family firms are now appointing external and independent non-executive directors, as a way to bring in relevant experience and ensure objectivity in decision-making, entirely free of family-related emotion. It is important to choose candidates with the right mix of skills and industry expertise, but if a suitable person can be found they can provide a very helpful and extremely cost-effective sounding Board in the development of strategy.

When outsiders are brought into a family firm Board – whether as executives or non-executives – the dynamics of the Board inevitably change and almost always for the better. Meetings have to become more formalised, with fewer last minute cancellations, proper agendas and more focused discussions and decision-making.

Our findings show that 55% of GCC family firms respondents have non-family Board members, while 32% have female family Board members. Just over half (54%) have non-executive directors who are family members and 42% have non-executive directors from outside the family. 51% have a non-executive Board Chairman. 15% have non-family shareholders and a further 12% are likely to offer shares to people outside the family in the next five years. 85% have family members working as senior executives. Most Board directors in the GCC do not serve for a specified term, but where they do, this tends to be between three and five years.

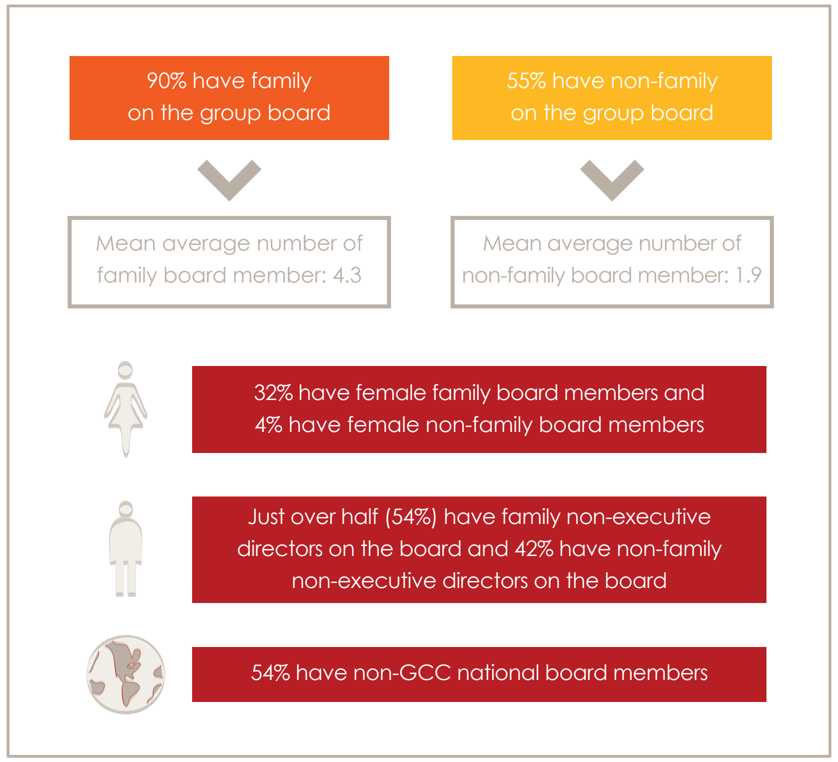

Figure 1: Board membership

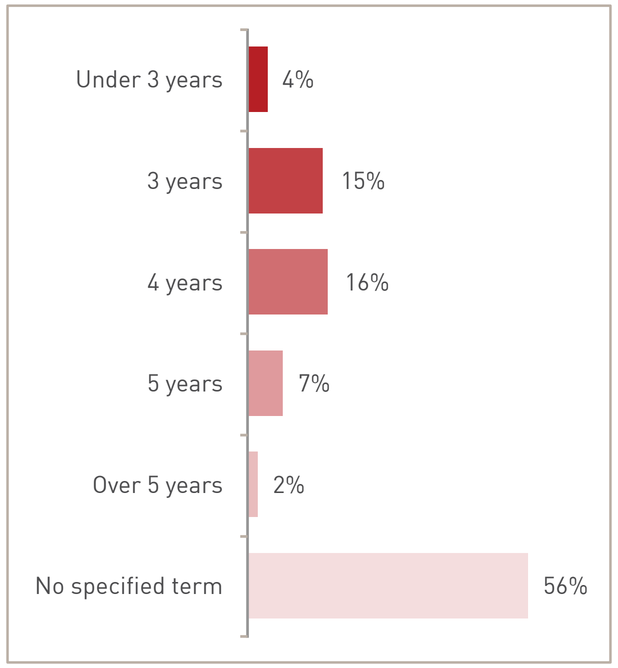

Figure 2: The term for Board Directors

Boards tend to convene once a quarter and meetings typically last between two and three hours, though this average figure has a very large degree of variation from one company to another.

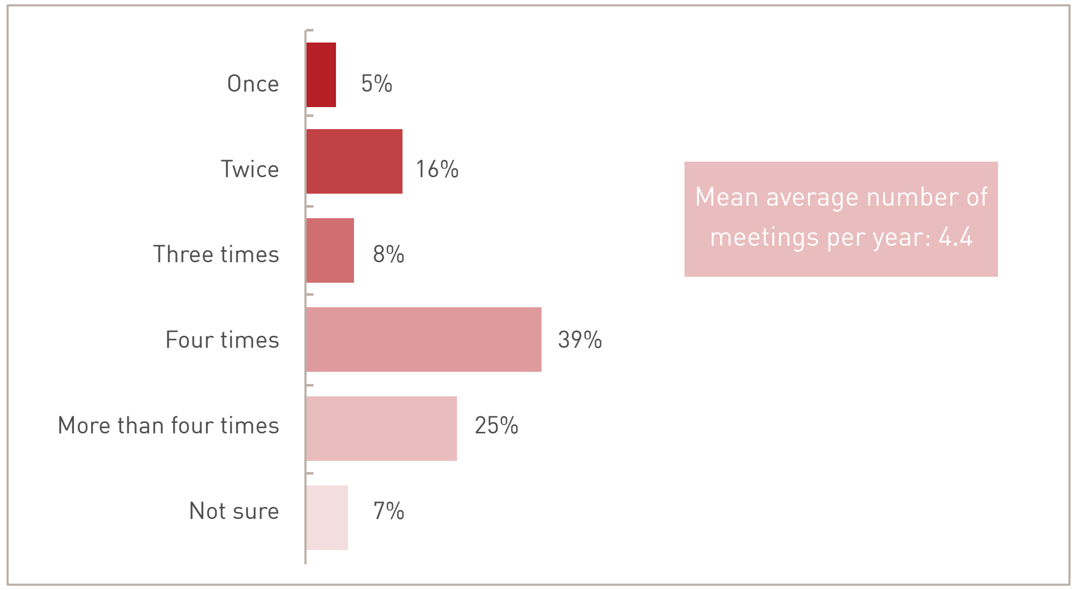

Figure 3: The frequency of Board meetings in a given financial year

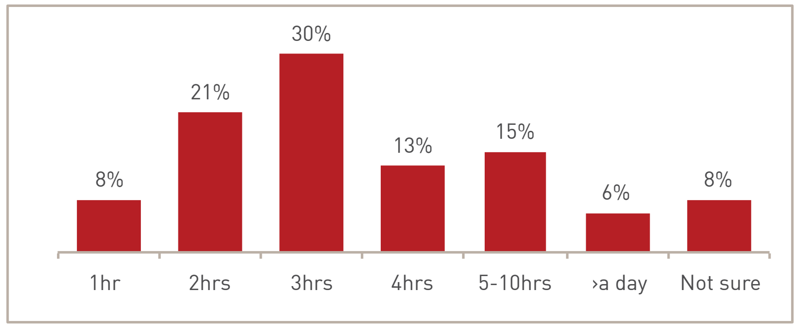

Figure 4: The average duration of Board meetings

As for the Executive Directors who sit on the Board, 85% of GCC family firms interviewed have the Managing Director or the Chief Executive Officer (CEO) represented on the Board, 27% have the Chief Financial Officer (CFO) represented on the Board and 10% included the Human Resources as part of the Board. In 49% of cases the agenda of Board meetings is set by the Chair and 31% by the CEO or Managing Director. The mean average number of meetings per year is 4.4.

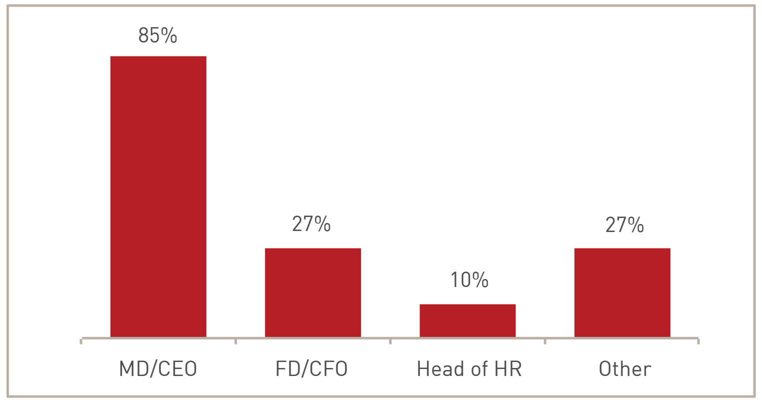

Figure 5: Which Executive Directors sit on the Board?

The role of Board Secretary proves to be a role which can mean very different things in different family businesses. In 59% it is an administrative function only, while in 41% it has a strategic significance. Many firms allocate this role to someone with legal training, or the Legal Counsel, while others give these responsibilities to the CFO or a director of Business Development, or even the CEO or Chairman's Personal Assistant (PA). Only one respondent has a dedicated Board Secretary.

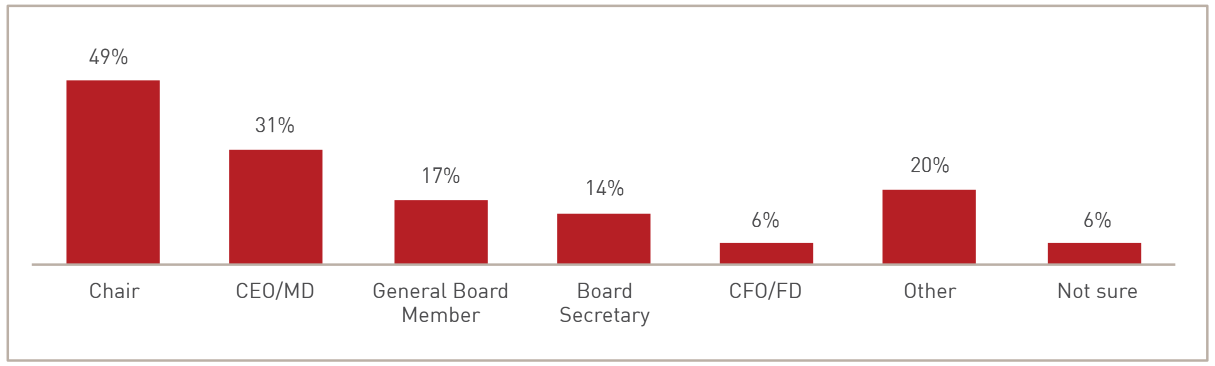

Figure 6: Who sets the Board agenda?

"The family will make the decisions at the end of the day. But they should not be making key decisions ad hoc outside of the Board. This is why we want to add independent directors – to add discipline, strategic focus and structure – so we can't by-pass the Board or cancel Board meetings at the last minute."

"The identification and selection of non-family non-executive directors is critical. They must be willing to commit time, they must be trusted and they must get to know the business intimately. Industry knowledge is not a criterion. More important is strategic skills, corporate governance, legal and finance skills."

"[The challenge is the] ability to distinguish between management, owner, and the Board. To get the Board to function as a proper Board."

Currently family governance varies by company depending on the level of day to day involvement of family members.

> Board committees

A large proportion of GCC family businesses have committees in place even if these are not full Board committees in the same way as they would be in a conventional listed company.

It is interesting that only 46% of GCC family firms have an executive committee, but in those that do, this committee can often take an active role in the management of the business and will meet more regularly and be more hands-on than its equivalent in a listed business.

The other common Board committees in GCC family firms are an audit committee (71%) and a remuneration committee (43%), though some of these are not strictly speaking Board committees, but report to the CEO. Only 9% have a corporate governance committee. The proportion of non-family members is higher with audit committees (around 71%) than on other committees. 55% of the people chairing audit committees are non-executives, compared with 69% on executive committees.

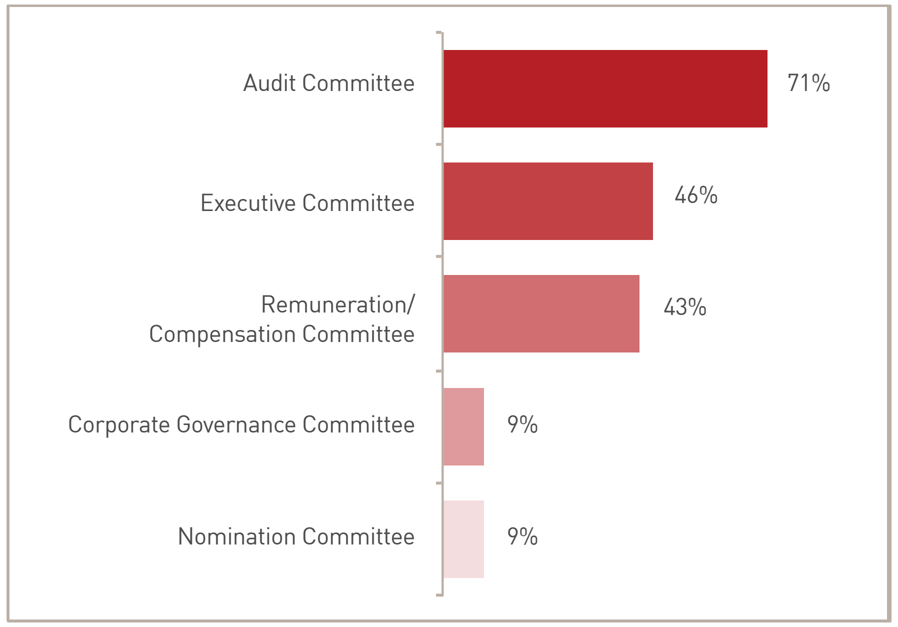

Figure 7: Percentage of family firms with Board committees in place

> Performance evaluation

The findings suggest that very few GCC family firms have mechanisms in place to evaluate Board performance. Only 40% of those interviewed answered this question and of those only 11% have such systems in place for the Board. This suggests that the real figure for the Board may be as low as 4%.

"The Board performance evaluation system has not yet been implemented. The idea has been raised and the Board has agreed in principle. It will be developed further and implemented over the next year."

A number of those interviewed said they would consider implementing board evaluation processes in the future, and many were interested in how this is done and how it could help improve overall business performance. However, there is a general acknowledgment that this is a sensitive area, which has the potential to negatively affect family dynamics. As one interviewee put it, "There is no point in evaluating the Board. If a family member owns 20% of the company, you cannot kick him off the Board, even if he adds little value to it."

Family Governance

GCC family firms generally have fewer formal governance structures and conflict management processes in place than global family firms covered by the PwC Global Survey. The findings show that 53% have no family governance structures in place at all, while 20% are in the process of establishing this sort of structure. Around half of respondents have defined the different responsibilities of family shareholders, the Board and management, but only 20% of those interviewed have implemented these in full and less than half (48%) have implemented them in part.

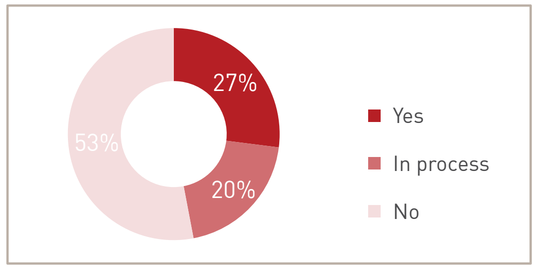

Figure 8: Do you have formal rules such as a family constitution or family governance structure?

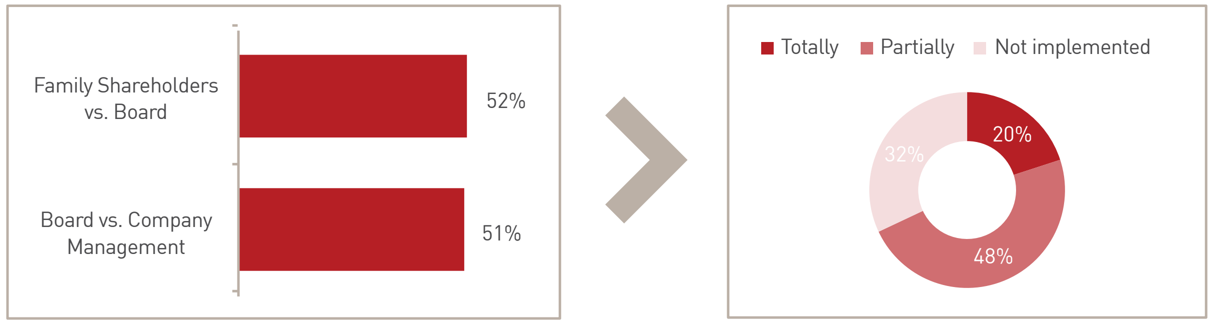

Figure 9: Family firms with clearly-defined responsibilities

% implemented in practice

A particularly popular governance mechanism elsewhere in the world is the family/shareholders' council - 37% of the participants in the research stated that they have such a council. However, in our experience, many of these councils do not actually meet in practice. A council of this kind can be especially useful for firms in the GCC, where families tend to be larger than in Europe and North America and family businesses tend to have a more blurred line of demarcation between 'the family' and 'the business'.

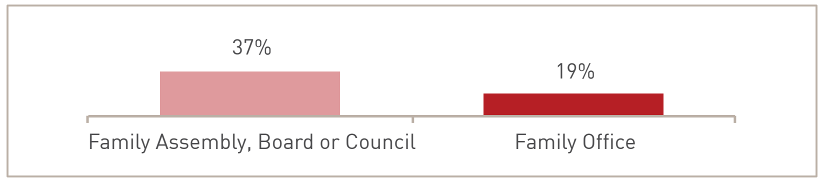

Figure 10: What does family governance structure encompass?

Likewise the conglomerate structure of many GCC family firms means that individual businesses are often run by different family members, so the owner/founder is the only director with a clear idea of the business as a whole. When control passes to the next generation, those on the Board may lack the knowledge they need to make objective decisions about all the diverse parts of the business. The risk, should this occur, is that decisions will be made for emotional rather than commercial or strategic reasons, and conflict can arise between different 'fiefdoms'.

A family/shareholders' council can provide a forum for all members of the family to discuss the business, and come to an agreed vision for its future, regardless of whether they play an active role in day-to-day management. It can also be an effective intermediary between individual family members and the formal Board of the business. In other words, a council can play a key role in separating ownership (which can involve the whole family), from management (which tends to involve only a few). A council makes the succession process easier to manage, and provides a good oversight mechanism when non-family executives are being brought in to manage the firm.

"As a priority, I must hand on to the third generation a well-structured business built on a solid governance foundation – that will sustain across the next generations."

"Corporate governance clears succession planning and defining owners' actual responsibilities and limits family interference in the day-to-day running of the organization."

"Half this generation's family members are involved in the business; next generation it will be only 20%. So we must have clear criteria for selection of family members, and well-thought out structured governance and transparency for those not directly involved."

Many family firms in the GCC see the benefit of a comprehensive review of their corporate and ownership governance framework. This usually includes the representation of the family on the Board, decision-making procedures, any rights the family may have to be employed in the firm, exit provisions, provisions for in-laws and daughters' spouses, reward and remuneration policies, performance appraisal, recruitment, the establishment and role of Board committees in areas such as audit and the approach to dividends and reserves. Another issue is the different responsibilities of both the family and the management in the succession process, so as to ensure positive working relationships with and among the next generation.

19% of GCC family firms have a family office in place. The family office tends to organise specific aspects of the family's activities, such as travel arrangements, wealth management, and 'concierge' services. Such an office could also handle philanthropic donations, but if these are significant it may be appropriate or more efficient to set up a separate foundation to do this.

Transparency and Accountability

We have already talked about the strong culture of privacy in the GCC. This is one reason why so few family firms disclose detailed information to the outside world about their policies or performance.

> "There is no business case for public disclosure by a family business – it would be like opening up our private bank account."

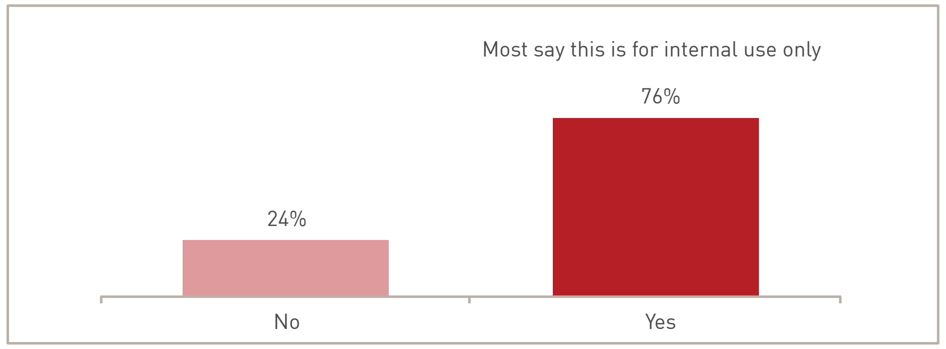

Figure 11: Do you produce annual financial accounts in a report form?

Of those interviewed, 76% produce an equivalent of an annual report mainly for internal use only and 24% produce no equivalent of an annual report at all. Some family firms are already producing strategic and forward-looking annual reports, but for internal use only - to keep family shareholders better informed about the future prospects of the company, as well as past performance. However, 88% disclose no non-financial, environmental, social, or governance information at all and 79% disclose nothing at all in public, whether financial or non-financial.

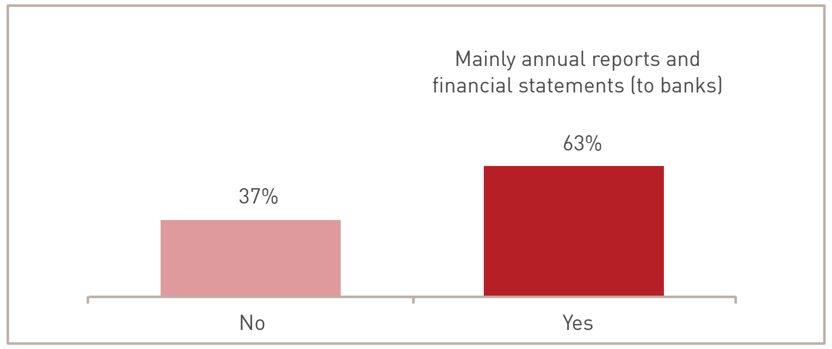

Figure 12: Do you disclose financial and non-financial information to relevant business and financial partners?

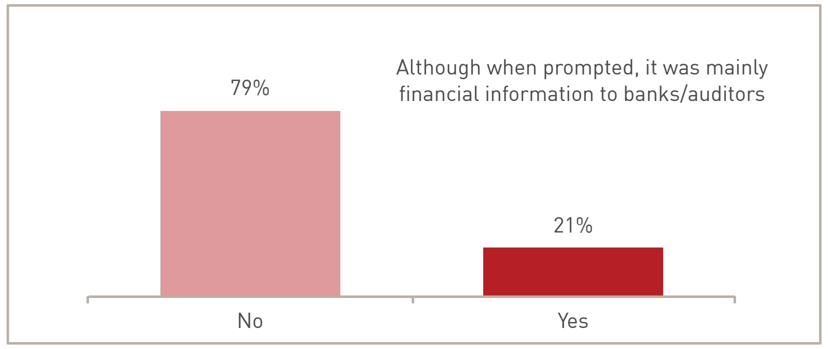

Figure 13: Do you disclose any financial information publicly?

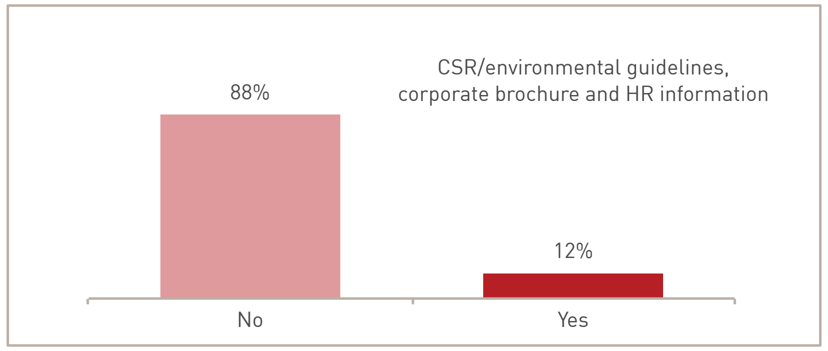

Figure 14: Do you disclose non-financial, environmental, social or governance information?

Those firms that do disclose information tend to do so only for business purposes, such as obtaining a bank loan. Many banks are now moving away from 'name lending' based on personal relationships and are requiring more information on family firms' financial performance and balance sheets in order to make lending decisions. As a result, many GCC family firms appreciate that having higher standards of corporate governance would assist in raising external finance, whether from a bank or other investor and while a significant number of GCC family firms have no debt at all, it is worth noting that 55% of the participants in the research intend to seek external capital in the future (24% having done so in the past), so this will become a more pressing issue.

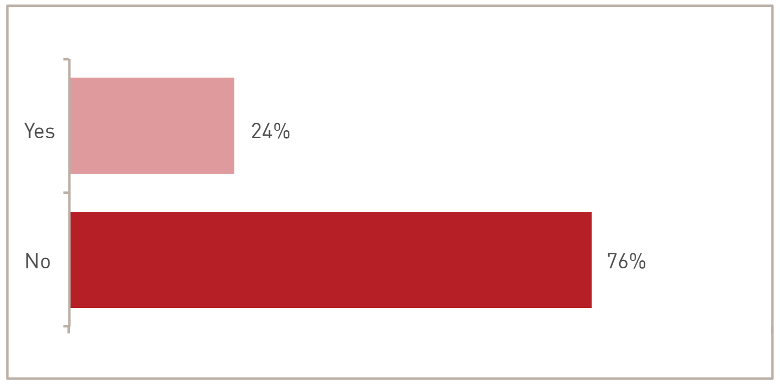

Figure 15: Percentage of family firms which have raised external capital

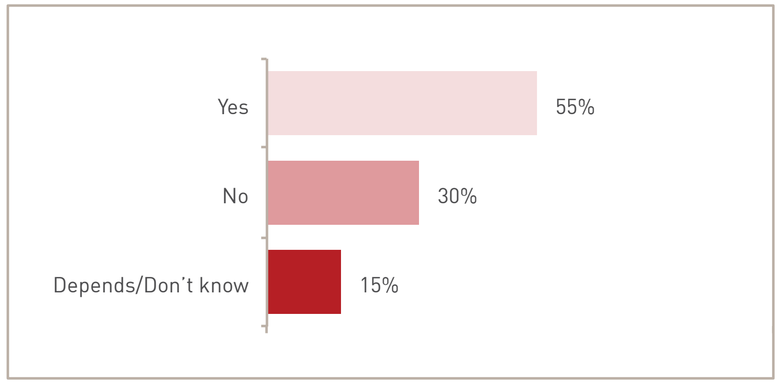

Figure 16: Percentage of family firms which intend to do so in future

A greater degree of transparency would also make it easier to establish profitable trading relationships with major multinationals. Indeed, GCC family firms are increasingly finding that if they wish to partner with multinationals, then greater transparency in both financial and non-financial information is a price they will have to pay.

63% of firms in the research study have codes of corporate ethics, 45% have an anti-corruption policy, 62% a code dealing with conflicts of interest and 31% a whistle-blowing mechanism. This sounds positive in theory, but in practice only 31% had fully implemented these measures and 24% had not implemented them at all. Again, those companies who wish to establish business relationships with multinationals will find themselves under pressure to adopt measures like these.

"[Greater corporate governance would mean we] have predictability and visibility in financial performance and are transparent about it."

There are other positive commercial reasons to be more transparent: for example, adopting a more open approach will help attract talented and skilled people from outside the business.

"Transparency serves the company to retain employees and good talent; it also keeps employees engaged and not worried about family members taking over."

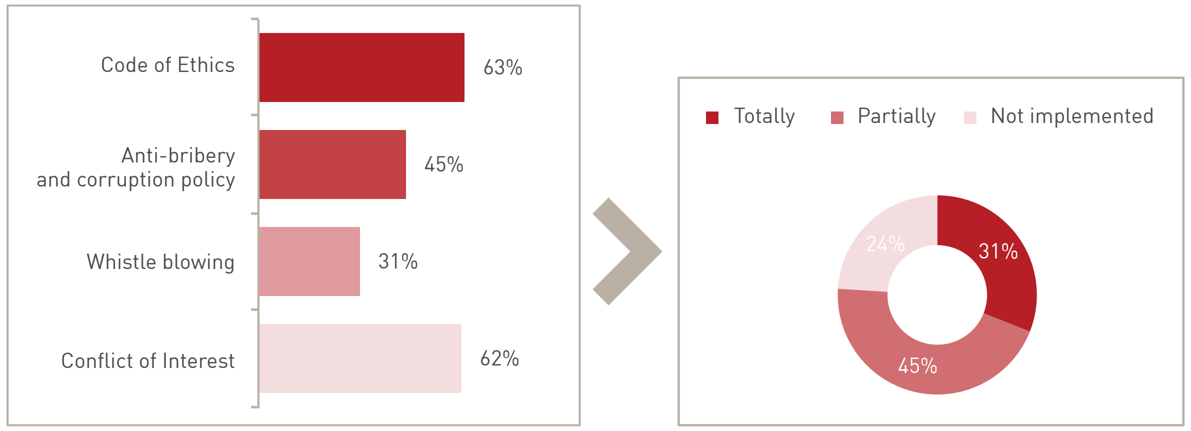

Figure 17: Mechanisms/policies in place?

...and are these implemented in practice?

Conclusion

Family firms in the GCC are some of the largest and most successful in the world. However, as the global economy comes slowly out of recession, it will become more and more important for firms in our region to implement higher standards of corporate governance. This will allow them to access finance at more favourable terms, attract foreign investors and customers and appeal to the brightest talent. But as pressure grows for companies of all kinds to improve their governance procedures, GCC family firms are already lagging behind those in other markets.

There is a clear opportunity for improvement and the risk – if this is not taken – is that family firms in the Gulf region begin to lose their international competitiveness.

Our findings indicate that while many GCC firms are fully aware of this, governance is not, as yet, a sufficiently high business priority. Those that are addressing governance issues are focusing more on conventional corporate governance measures, rather than family governance, because the former can assist with business issues such as obtaining external finance.

We believe that family governance should be at least as important to a family firm as corporate governance, and if neglected, can create the risk of significant conflict, particularly on succession.

The findings show that managing succession and conflict are the top two priorities for GCC family firms. These two factors are seen as crucial for the continuity of the majority of GCC family firms, as 60% of those interviewed are transitioning into the third generation. However, GCC family firms could also benefit from establishing more formal corporate governance structures such as separating management from ownership, ensuring better delegation and providing for a well-structured Board that includes non-family members with crucial business skills, which will help keep the focus on growth, strategy and global challenges and ensure business continuity.

The findings also indicate that family firms in the GCC could benefit from developing and strengthening family governance (as distinct from corporate governance). A family or shareholders council, for example, can address issues such as share allocation, family representation on the Board, exit provisions, remuneration policies and performance appraisals, the minimum requirements for recruitment and the criteria for future leadership. Such a council can be especially effective in the GCC, where families in the GCC tend to be larger than in Europe and North America.

GCC family firms view transparency and accountability as crucial to their international competitiveness in the globalised business environment. Many consider that greater disclosure and accessibility and clearer and more defined processes would help establish profitable trading relationships with major multinationals, as well as enhancing their professionalism, and helping to attract skilled and talented staff and improve access to capital.

Methodology

The research for the corporate governance analysis in the GCC region was carried out by the Pearl Initiative and PwC between August and October 2012. Initial desk research identified a representative sample of GCC family firms and the likely issues for discussion. 106 face-to-face, semi-structured interviews were conducted with key leaders in GCC family firms in English or Arabic, with each averaging 45 minutes. Data analysis was conducted during November.

Participants were drawn from a wide diversity of sectors across the region including construction (40%), retail (37%), manufacturing (36%), hospitality (25%), telecoms (18%), banking and finance (18%), utilities (16%) and oil and gas (13%), and most of the businesses were conglomerates covering more than one sector. The majority of those participating employ more than 1,000 people and 21% employ more than 5,000. 60% had been established for two generations and a further 29% for more than that. 28% were active only in their domestic market, with a further 34% operating in up to five countries and 18% operating in more than eleven.

Mix of industry sectors:
Construction: 40%
Retail: 37%
Manufacturing: 36%
Hospitality: 25%
Telecoms: 18%
Banking & Finance: 18%
Utilities: 16%
Oil & Gas: 13%
Others: 10% or less

Figure 18: Industry sectors

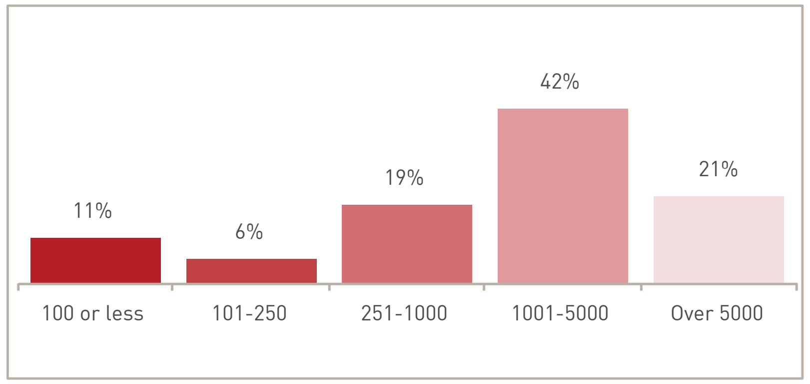

Figure 19: Number of employees

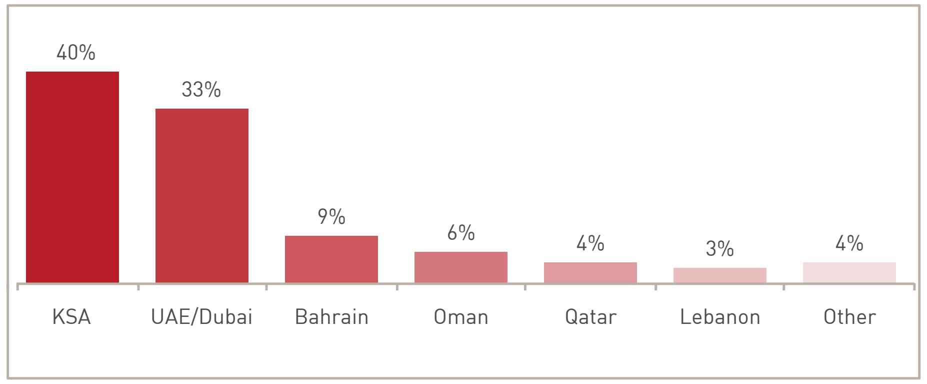

Figure 20: Location of HQ

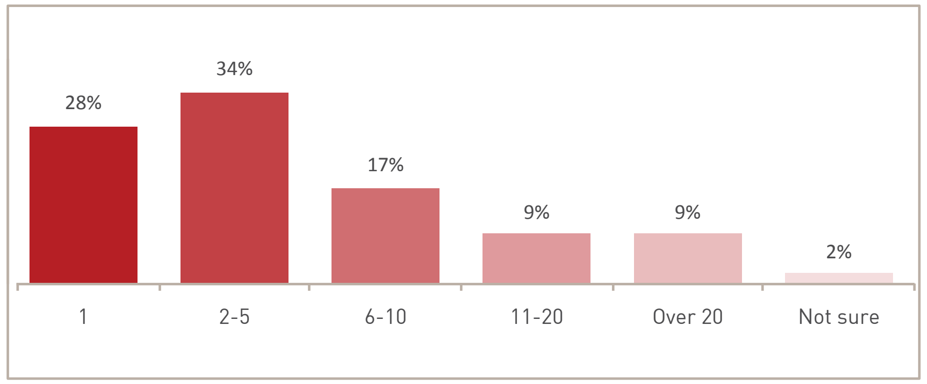

Figure 21: Number of countries active in

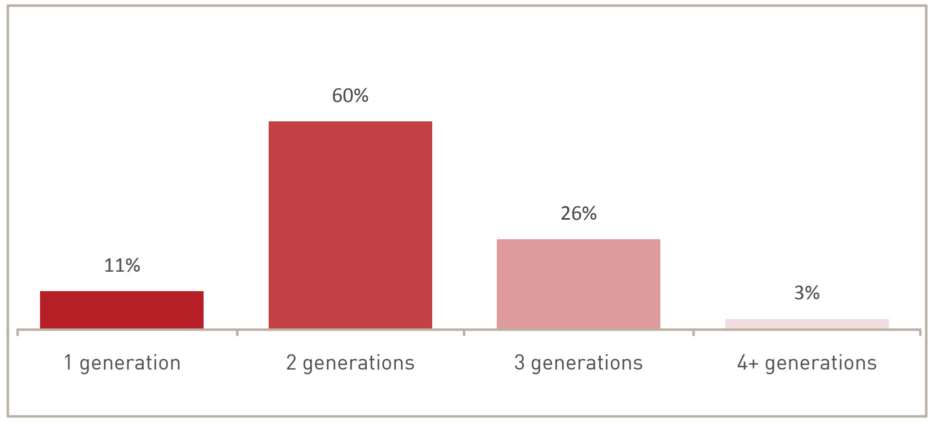

Figure 22: Length of time established

Acknowledgements

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About Us

The Pearl Initiative, developed in collaboration with the United Nations Office for Partnerships, is a GCC-based, private sector-led, not-for-profit organisation set up to foster a corporate culture of transparency, accountability, good governance and best business practices in the Arab world. It is a growing regional network of business leaders committed to driving joint action, exhibiting positive leadership, and sharing knowledge and experience.

Since mid-2011, the Pearl Initiative has been driving tangible initiatives in areas such as anti-corruption, good governance, ethics and integrity, Integrated Reporting and corporate disclosure within the GCC.

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