



## Impact of Effective Governance on Succession Planning for Family Businesses

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 talabat Headquarters, Single Business Tower,  
Business Bay, Dubai, UAE



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The Pearl Initiative (PI) recently organized a panel discussion and networking session on **'Impact of Effective Governance on Succession Planning for Family Businesses'** on **20 September 2022**.

The panel discussion was facilitated by Mr. Ismael Hajjar, Partner, PwC Middle East and featured 3 NextGen leaders from leading family businesses in the Gulf region including Jubaili Brothers, Al Handal International Group and Chalhoub Group. The session focused on the importance of succession planning in family businesses and how a carefully crafted succession plan acts as a viable blueprint in defining the vision of the business over a span of several generations in addition, the session focused on addressing some key questions around corporate governance on succession planning in family businesses:

- 1) What are some common challenges faced by family businesses in UAE today?
- 2) How can family businesses navigate the process of succession planning and what is the role of governance in this process?
- 3) What factors are used in deciding which family member(s) are groomed for leadership?
- 4) What are some of the key steps involved in succession planning for the NextGen?

- 5) What are some barriers to succession planning that an organization may encounter?
- 6) Key tips for business leaders to ensure successful succession planning for the growth of their businesses.

### **Key Learnings & Insights:**

1. In the UAE, the role and importance of family-owned businesses is crucial as they comprise 90 per cent of the private sector, many of them entwined in the very history of this nation
2. Governance is not just a trendy new 'buzzword'; it is both an absolute necessity and a pressing issue for family businesses – especially when it comes to change
3. Whether adopting new technologies, driving pioneering practices for business growth, or considering entry into emerging sectors, it's clear that innovation must become the imperative focus for management teams and boards alike
4. Unlike running a non-family business, a family-owned business can be far more challenging during set-up, as it must also deal with family issues and dynamics
5. Succession planning is challenging when clear corporate governance structures are not present in a company
6. Appointing a non-family CEO is critical and challenging at the same time especially for family firms who are still not fully established
7. The key to effective succession planning is grooming the next generation into the family business from the initial stages and defining a clear line of leadership
8. Within a family business, it is critical that family members have frank and open conversations with the leadership and between themselves and regardless of their differences, they collaborate on business goals
9. While choosing the leadership in the company, choosing a candidate that is most suitable for job role is critical, regardless of whether a family member or non-family member
10. As the region embarks on a new phase of growth, and with significant plans underway to diversify the economy, family businesses must embrace effective corporate governance

11. To retain a competitive edge in a market that aims to integrate with the global economy, it is imperative that family firms implement robust governance standards that promote transformation and are aligned with international best practices.
12. The session and speakers highlighted the key learning: Governance is key to sustainability of the company and the business.