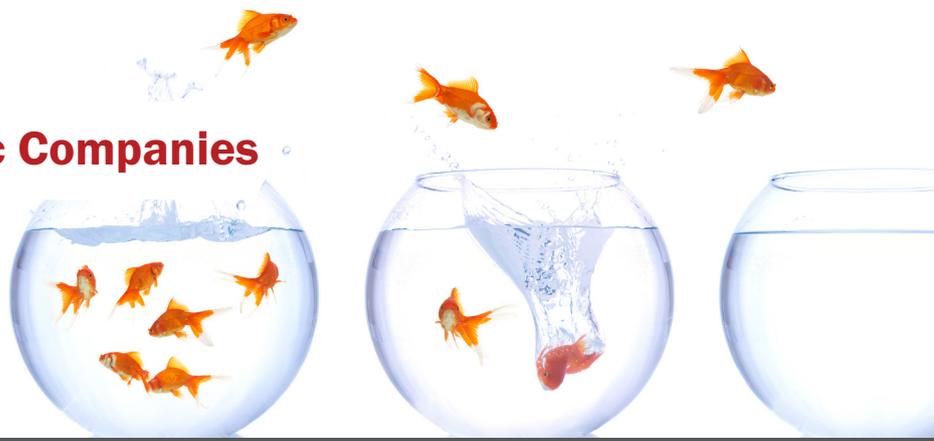


Case Study Private and Public Companies

Family Business / Building
Governance Plans /
Succession Planning



One Size Doesn't Fit All

BACKGROUND

A diversified group of family companies in the GCC wanted to establish a governance plan for its conglomerate of family businesses. The businesses were a diverse group that had divergent points of views and different visions and missions, and the next-generation owners were having a hard time coming to an agreement on the future of the businesses.

The conglomerate started suffering as the younger generation stepped into the different family businesses depending on their individual interests.

Problems started arising as some family members wanted to take the business public and were investigating the financial markets while others wanted to keep the business in the family. Still another group of shareholders wanted to sell their shares.

EXECUTIVE SUMMARY

Client Challenges

The Family Enterprise has evolved into a highly diversified group of businesses, spanning distribution, manufacturing, engineering, and trade activities. The group employed over 2,000 individuals worldwide and generated more than US \$500,000 million in sales in 2017:

- The family had an urgent need to align the business constituencies and establish a governance plan that would fit the different units and get younger family members to work together
- Tensions started among family members and thwarted the growth of the businesses
- The continuity of the businesses was a major problem in addition to the happiness of the family members

Our Solution

- Called the family to a meeting and communicated with all members
- Conducted individual meetings with major stakeholders
- Identified the aspirations and capabilities of all family members
- Identified the leaders among them
- Offered each one of two options:
 - Extremely concentrated ownership per family member to ensure the continuity of the business
 - Broad family affiliation and ownership as the basis for family business sustainability

Our Intervention's Impact

Recommended and led the following decisions:

- The family will always stay in full control with a strong wish to stay private and financially independent
- Each family member is a majority shareholder in one entity and a minority or equal shareholder in others, forcing each to assume all possible ownership roles in turn
- The principal shareholder would be chosen based on their interest and ability to run the operation and to add value to it
- In each family, the younger generation would select its successor, an individual who has to work in the firm and be vetted by the family
- The family was also given the choice to temporarily extend ownership beyond family members to key managing directors, who upon retirement would sell the shares back to them, guaranteeing the sustainability of the family's ownership

Governance rules reinforced the principle of business money, which is different from personal money

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IN FOCUS

Key Client Challenge

There was an urgent need to establish a governance plan, and the family's group of companies was facing major problems including:

- Family members were not happy, and tensions started surfacing
- The company's future was uncertain
- Family members in many companies of the group were battling for leadership
- There was a lot of ambiguity about roles in the family company
- Some family members wanted to take the business public, while others wanted to cash out and leave

Our Solution

- Brought the family together in a process of communication regarding the optimal governance plans to be adopted
- Aligned the interests of the shareholders with their abilities and their interests for each company of the group
- Selected the leaders and allowed them to gain control of their companies
- Decreased the desire of the shareholders to withdraw liquidity from the company they work in
- Aligned constituencies and motivated the family to make decisions together
- Fostered an entrepreneurial spirit

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