

BRANDING A LEGACY

FAMILY BUSINESS

November 2020

EXECUTIVE SUMMARY

Family businesses in the Arab world have undergone dramatic mutations. It started with the family's patriarch building a business and rallying the family around to help grow the market. Following the oil and gas boom and the influx of cash, family businesses shifted to a higher gear by expanding the organization's operation into sponsoring and acquiring other businesses, hence helping create large conglomerates with unimaginable wealth.

Today, changes in globalization, market dynamics, and leadership vision have reshaped the families' business concept, forcing them to adopt and adapt to these changes, and restructure their empires into conglomerates that are now dictating nations' - and sometimes global - economies. But this comes at a cost. Red flags are being raised, questioning the integrity, transparency, and ethics of family businesses and arguing about their sustainability if they do not revisit decades-old business models.

Among these changes are shifting from oil-based to business and service-based economies, freeing up local markets from the burden of sponsorship, investing in education and nationalization of the workforce, hiring more qualified expatriates, and investing in technology, to name a few.

"There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success than to take the lead in the introduction of a new order of things. Because the innovator has for enemies all those who have done well under the old condition, and lukewarm defenders in those who may do well under the new."

Machiavelli- The Prince

The 21st century signals a new dawn for family businesses, exposing them to previously unattainable opportunities both locally and globally, and opens up new areas of expansion and wealth-building waiting to be harvested. But there's a catch; none of the above can happen without addressing a previously ignored or marginalized aspect of the business, branding.

Building or revisiting a family business brand is now a prerequisite rather than an option. With the reliance on growing business organically, innovation in approaches and solutions, and the exposure to global - and highly branded - markets, you are now as good as your brand says you are.

This is not by any means about forfeiting the brand's essence, on the contrary, this is about bringing into the light its purpose, promoting years of experience and business acumen for the world to see.



THE THOUGHT TRIGGERS



EMOTIONAL VALUE

Any family business is commonly driven by emotions, which play a central role in the success of the business. Hooked in a feeling, family business owners are more inclined to pass along their business and personal values to the next generation. The new managers/owner, being family members, take pride in upholding these values and bake them in their day to day dealings and personal life. The reflection of the family's values on the work culture is often very prominent.



ADVANTAGE FAMILY BUSINESS

Family businesses have many benefits. First, they can afford to take a long-term view of their own business, because they simply do not have to answer to shareholders. This gives them the latitude to adapt quickly to changes in their business environment. More importantly, family businesses have a high tendency to diversify, simply because they can afford to carry a portfolio with a wide fan of disciplines, and continuously grow it.



THE CHALLENGE OF GROWTH

On the downside, a family-based business can be plagued with issues related more often to the family than the business itself. One of the challenges is how to reconcile business growth on one side and the family goals on the other. Preserving the family values and protecting its wealth are often revealed as a handicap to growing the business.

A BIRD'S EYE VIEW

Most family business owners see their business through the veil of subjectivity. Having been at the wheel for quite a while, they tend to lose sight of the essentials. A third party's perspective on how the family, not just how the business is doing becomes critical. Today, technology can create a global company immediately. Being able to steer through sudden changes becomes paramount.



UNSECURED LEGACY

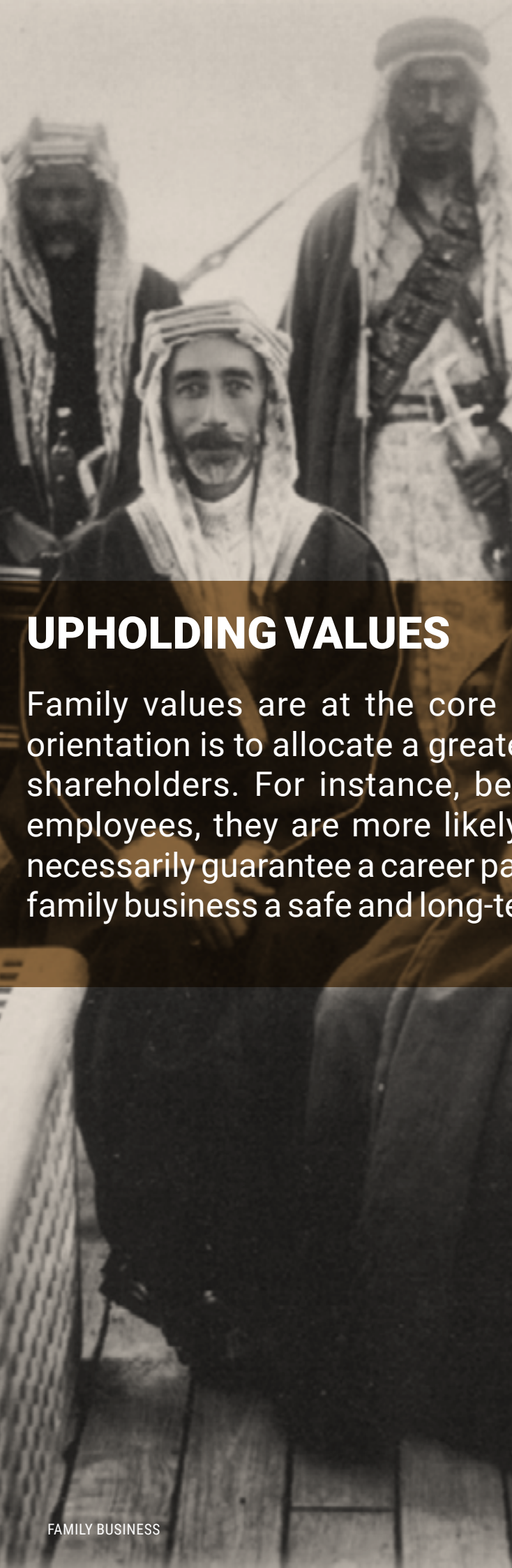
It is concerning to realize that 70% of businesses will not survive pass-on into the 2nd generation and 90% will not make it to the 3rd generation. It is the ultimate longing of family business owners to be able to transfer the helm to the next generation, but things do not always work. Paradoxically, the same business and family values that drive the organization, could also play an adverse role in enticing the younger generations.



FAMILY BUSINESS DOMINATES

Those who know the Gulf countries well, understand how family businesses dominate and are the backbone of these countries' economies. Family businesses are the lifeblood of job creation, as they control around 70% of large businesses in the Middle East. Similarly, except for China, families control about 85% of the large businesses in Southeast Asia, Latin America, and India. They are the pulse of markets and control their upward or downward shifts.





THE NEED TO INNOVATE

Despite many family businesses being among the most innovative in their industries, they still live up to their conservative image. They typically spend less on R&D than non-family firms of a similar size, mostly because they have limited exposure to innovation and resistance to change in terms of adopting outside ideas thinking that, since they have run the business for decades, they know better what it takes to succeed.

UPHOLDING VALUES

Family values are at the core of family businesses. The general orientation is to allocate a greater focus on stakeholders rather than shareholders. For instance, between paying dividends and firing employees, they are more likely to protect jobs. While it does not necessarily guarantee a career path, this generally makes working for a family business a safe and long-term choice.

PASSION AND INNOVATION

Although the general perception is that family businesses are not seen as innovative, this does not apply to many of them. Innovation is not relative to the size of the organization but rather tied to the owner's or manager's own knowledge and creativity, and passion to succeed. With concepts not always evaluated based on their short-term economic value, this opens the horizon to ideas that might not materialize in the few coming years, but will still breed an internal innovation culture.

THE TRENDS

CORPORATE GOVERNANCE

Considered as one of the most daring decisions, many family businesses claim that creating a board and hiring outside advisors and directors was challenging but good for the business in terms of injecting more objectivity into the daily dealing. Decision rights and the extent to which the owners want family members involved in the business are some of the important issues tackled by a solid governance within the family business. Growth and risk mitigation, profitability and accountability are also topics that governance can objectively address and help solve.

THE GENERATIONAL GAP

With many family businesses stretching over many decades, a hybrid layer is taking shape where perspectives differ, sometimes in the fundamentals, about communication means, perceptions, business models, and way of work. This also creates an oil in water effect where younger generations face a hard time understanding and communicating internally with the patriarchs. Delayed retirements and the stacking up of generations create cultural and societal stress, coupled with expectations that are valid on both sides. This makes it much harder to take swift decisions, mostly when everyone is convinced of being right from their individual perspectives. Building bridges and understanding between generations becomes essential to the business continuity.

GOVERNANCE

MERGERS & ACQUISITIONS

With many business owners stepping into their retirement years, and their heirs' lack of interest incurring on the legacy, conversations about hold versus sell are becoming frequent. Mergers and acquisitions are reshaping the landscape creating massive conglomerates or rearchitecting many family businesses. Millennials have a different perspective on business than preceding generations. After all, they are 83 million-strong and represent a \$1.6 billion buying power.

THE CONTINUITY PARADOX

Creating opportunities and smartly navigating through the dynamics of generations, will help to build collaboration skills. Business continuity and governance cannot be managed without an open discussion, careful planning, and solid coordination. The lack of those can be detrimental to the harmony, trust-building, and hence continuity of the family business.



BRANDING FAMILY BUSINESS

WHAT'S IN A NAME?

Family businesses do have a brand and one that is essential for the firms' success. A family business brand has most of its equity routed in the name since most businesses carry the name of the owner. A Duke University study revealed that a family business's success is profoundly influenced by the name, with a 3% higher return on assets, mostly when the business carries the founder's name.

DON'T BE SHY

Revealing numbers show that only a third of the biggest 100 families in the world highlight the fact that they are family-owned businesses. Those who understand the potent power of family branding, also believe that a story spanning generations creates a more positive saliency in the minds and hearts of the public.

BRANDING FAMILY BUSINESS

IT'S GREAT TO HAVE A PLAN

It all starts with a clear definition of the values shared by the family and embedded in the business. Then comes a consensus on the business purpose and objectives. Representing and communicating the brand is a shared effort where every individual plays a pivotal role in promoting the business and values.

Adopting a public profile is a choice defined by whether promoting the brand works for a particular business model based on the products, services, and geography. But it all starts with the members of the family exemplifying the values and making them more visible to employees and stakeholders, reminding them of what the business tangibly stands for.



THE TAKEOUTS

PRESERVING LEGACIES

WHAT?

It has been reported that only about 30 percent of family businesses are able to pass it on to the second generation; 12 percent on to the third generation and only 3 percent on to the fourth generation.

SO?

The generational gap has always been a dilemma within most family organizations. Trying to patch ways of thinking between the older management and the younger workforce, contributes to hampering business efforts. When it comes to family business, the issue becomes even more magnified and affects the entire organization's structure. We have seen many "breakups" within large families over the years, where children and siblings take the hard decision to leave the business and start their own, often under the same family name but with a twist. The legacy left by the elders must transcend the old-world vision and thinking. It must bequeath the power to change, the freedom to adapt, and the operational and financial maneuverability.



How will you engineer a brand with a built-in open mind?

How do you develop a business brand that is future and future-generations proof?

How do you build understanding within the organization, about the importance of preserving the culture while keeping an eye on purpose and innovation?



UPHOLDING VALUES

WHAT?

While it is not always easy to distinguish between vision and mission, the difference between them and values appears to be quite clear. One of the definitions in the dictionary said that values are “The moral principles and beliefs or accepted standards of a person or social group”. Therefore, the idea of “value” is linked to those of “action principle” and “belief.”

SO?

Writing a vision and mission is not enough to implement a values-based business model. Family businesses are built from values up. While vision and mission convert into pure business goals and objectives, values become the tenet of the entire culture and principles of conducting that business. In other terms, a family business will take action based on its set of beliefs which, originally stemmed from the family’s patriarch’s own guiding principles.

While family values constitute some of the most trustworthy assets of the business, how will the organization project those values to play an active, positive and entrepreneurial role instead of a stagnant, heavy, and inflexible image?

How can brand values influence the vision and mission of a family business and be embedded in every application?

How to take full advantage of the brand values to nurture a powerful image that commands respect while retaining a human-centric DNA?

THE NEW RULING GENERATION

WHAT?

Technology is not the only thing a family business needs to adopt in order to retain an entrepreneurial culture. While younger family members may have new ideas, their older relatives need to give them the freedom to put those ideas into action. "You have to have a younger generation that can understand new markets, but you also need the whole family structure to make that happen."

<https://on.ft.com/3hMbi7s>

SO?

Innovation in business is often mistaken for being technological. Simply put, innovation is that sweet spot between something new and something we need, and both scare family business owners. "New" is not something they usually condone since, according to most, it shakes the foundation of an empire they spent decades building. It also is often voiced by the younger generation seeking change. Innovation is always misunderstood as change. It is not. Innovation is a natural extension to a formula that already works well, and it has not been the strongest suit of the older patriarchs. Given enough time to understand the inner working of family businesses, and enough room to maneuver, a younger, well educated, and shrewd generation, is capable of inducing substantial change and steer the organization into the future.

How to build adequate capabilities that trigger an innovation path within a family business?

How can family businesses build brands that project the image of an innovation-seeking organization?

How can it empower the young generation to promote innovative ideas while keeping it within the organizational framework built on tradition?



GROWTH FROM WITHIN

WHAT?

Top-performing family-owned businesses use a governance approach that regulates company, ownership, and family topics, thereby avoiding too much or too little formality. Family capital builds remarkable organizational cultures that speak to both the hearts and heads of employees—unless its elements are overdone and promote dangerous introversion.

Perhaps the number-one worry we encountered in conversations with family owners was the challenge of developing the next generation as motivated and responsible shareholders. Addressing this topic, which is critical to the long-term sustainability of family businesses, calls for both a technical and an interpersonal focus.

SO?

When it comes to family business, culture rises to the podium summit. As a foundation of behavior, culture builds the DNA of an organization, one cell at a time. Understanding how to nurture an overarching culture that upholds an equilibrium between the family's own culture and the business culture becomes a tour de force necessitating mastery that is harnessed only when every stakeholder's opinion, irrelevant of their age or way of thinking, is accounted for.

Nurturing a motivated and responsible culture within the next generations resides within the structure of the culture itself. It is not very far from what non-family businesses do when they develop an internal culture that motivates the staff to know, love, and do, all in favor of their own as well as their company's growth.

How will family businesses patch the divide between the family culture and the business culture without compromising the integrity of both?

How to entice the next generation to build on the existing culture while allow enough room to inject their own perspective?

How well equipped are family businesses to listen and adapt in fast evolving markets?

BRANDING IS NOT A LOGO

WHAT

Branding transcends snappy logos, and products and services. Branding is about the story. Family businesses all have an underlying story, and their brand strategy revolves around it. Bringing together heritage and culture, tradition and innovation, and mostly values, all play a winning card in building and translating that story through the brand.

It is critical for families to understand how to promote the family business. Identifying the right values and bringing them to life, preparing both the business and the family require a well planned and carefully studied approach.

SO?

Branding a family business is an important element for a sustainable future. Claiming excuses such as being humble or seeking to avoid the limelight do not work anymore. Brands can be humble. Organizations with humble brands are better perceived than organizations with weaker brands claiming to be humble.

Once a brand is perceived as the brainchild of a strategy first, then its importance will become evident and will transcend the design or graphic aspect. Each family business is by definition a brand, one that is built upon the early vision or philosophy of its owner. This makes the exercise of building a solid public brand relatively easier and even more pertinent. The arguments are real, human at their base, and have their intrinsic value, since they emanate from genuine and personal feelings that guide the family as a tribe, before being a business.

How to strategize and design a brand that upholds the essence of the family values while establishing a compelling differentiation?

How to define a purpose that speaks to the hearts and minds of customers, one built on the vision of the owner and the outlook of the new generation?

How to insure a family brand communicates the right message, in the adequate tone of voice, through the right channels and to the right audience?

LIVE LONG AND PROSPER

In today's market scene, smart family businesses can emerge as winners. Each family business already possesses all the right ingredients to make a dent in the archaic stereotype of the sector. Having been, for quite along time, perceived as old-fashioned in management and stagnant in progress, family businesses have been generating huge profits and accumulating wealth while remaining in stealth mode.

Most family businesses in the region have stepped into their second and even third generations, and with many still ruled by their original owner(s), resistant to change and entrenched in old world ideologies. The younger generation is facing obstacles that hamper their drive for progress. This will have negative repercussions on the business in a market that is more and more inclined to look at brands as the window to products and services and not the other way around anymore.

Family businesses have to understand that, as any other business, their survival depends not on who they are, but rather on who their markets say they are. Therefore, there is no more space for gray. In markets driven by fierce competition, widely available technology and increasing amounts of choices, brands are leading the differentiation battle, strengthening their equity and winning with flying colors.

On the other hand, a brand is worthless without a nurtured purpose that speaks to the customer of today and the one of tomorrow. Establishing a thirst for innovation will contribute to sailing the business into an ever challenging and shifting future. Instilling an internal culture that allows the next generation to have a say and be an active player rather than a spectator, is the sole guarantee continuity. Making enough room for the brand values to reach the four points of the business empire, down to the smallest job position will guarantee allegiance, motivation and most of all, consistency of expression. And last but not least, building an image and communicating it will not obliterate the legacy of the forefathers, as most tend to think; it will actually contribute to spreading the word about the previously-hidden family values and philosophy, and turn them into a success story that will build the thick defense wall of competitive advantages.

To live long and prosper, a family business has to look at investments, of course, but not only from the financial aspect. It has to recognize the human and brand aspects also as investments, and ones as valuable as the financial ones. This is the winning combination of tradition and innovation.





SOURCES

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ABOUT US

We are Brand Lounge, an award-winning regional branding consultancy with 15 years of global experience. We are the designated partner of 'Trout & Partners' in the Middle East & Africa.

We maximize brands' value through uncovering their Point of Differentiation. We do it through our Brand Differentiation Platform that tackles the 4 main dimensions of the brand: **Purpose, Innovation, Culture and Image.**

We would love to hear from you. Give us a shout at business@brandlounge.com
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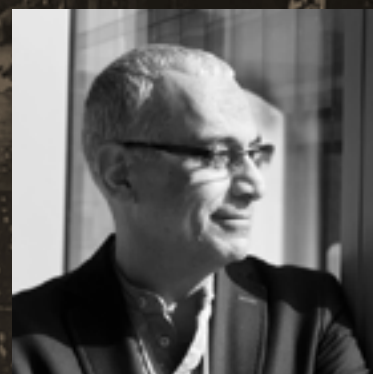
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LET'S TALK

Great ideas and interesting challenges are always welcome at Brand Lounge. Contact us, or drop-in today to uncover your point of differentiation.



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