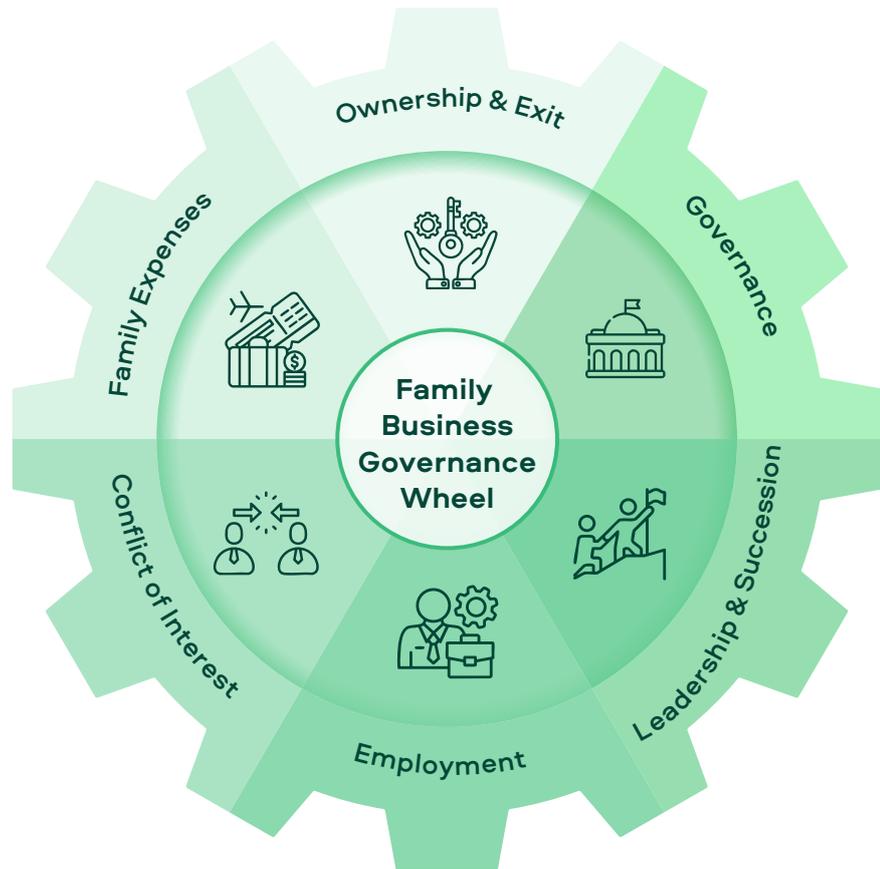


FROM PARADOX TO PATHWAYS

Preserving Legacy and Powering
Growth in Family Businesses

Family businesses are powerful engines of value creation. Yet sustaining this value across generations requires disciplined governance, clear decision-making, and operating routines that ensure resilience. This includes well-defined ownership and liquidity rules, a board that sets direction and oversees risk, merit-based employment policies, and succession planning that develops capable leaders.

Building on the issues highlighted in the previous article, the strategies that follow move beyond diagnosis to action, establishing practical policies and structures that enable alignment, reduce tensions, and ensure consistent execution.





Ownership & Exit

A.

Balancing the interests of active (working) and passive (non-working) family shareholders & distributing the dividends on a regular (e.g., annual) basis.

Balancing active and passive shareholder expectations starts with **consistent communication**. Regular performance updates keep non-working members engaged and reduce mistrust, while a **formal dividend** policy—tied to profitability and reinvestment—provides predictability and fairness, anchoring returns in long-term sustainability.

B.

Having a policy that governs the process of family members wishing to exist.

A pre-agreed exit framework prevents disputes from escalating into crises. **It should define who can exit and when, valuation and tie-breaker methods, and payment terms**—including staged consideration. Effective governance also requires funding waterfalls that safeguard operations while treating exiting shareholders fairly. This entails maintaining adequate liquidity reserves, securing pre-approved credit facilities for larger transactions, and setting clear priorities between repurchases, external financing, and operational cash flow.

In the Gulf and wider Middle East, where family businesses dominate non-oil private activity, ownership and exit disputes carry macroeconomic consequences. Stalled reinvestment, frozen dividends, or distressed sales affect suppliers, lenders, and labor markets. Policymakers are responding: in 2022, the UAE enacted Federal Decree-Law No. 37/2022 (effective Jan 2023), the first law regulating family businesses, establishing a framework for governance, succession, and dispute resolution to support their longevity and growth.



Governance

A.

Having an active Board of Directors, and some of the board members are NOT from the family.

Transforming boards from ceremonial to strategic starts with appointing independent directors who add industry expertise, functional capabilities, and objective oversight. Composition should include independent representation, aligned with strategic priorities such as digital transformation, international expansion, and capital markets access. Regular effectiveness assessments should measure decision quality, strategic contribution, and oversight to drive continuous improvement and value creation.

B.

Having a responsible individual (family or non-family) managing the strategy of family investments.

Designate qualified investment stewards—family or non-family professionals—with documented accountability for family wealth management.

Implement board-approved Investment Policy Statements (IPS) that specify asset allocation parameters, risk tolerances, and performance benchmarks.

C.

Having a process/policy to allocate funds for family bonding and entertainment activities.

A dedicated fund for annual gatherings and development programs preserves unity by ensuring regular connection beyond the workplace. Blending quality time with business updates builds transparency, trust, and shared identity. Institutionalizing relationship building turns cohesion into a strategic asset that enhances decision-making, lowers conflict costs, and aligns the family around long-term wealth preservation.



Leadership & Succession

A.

Including a healthy mix of family and non-family professionals in the leadership team.

Balanced leadership architectures integrate qualified family members with high-performing non-family professionals, with selection based on documented competencies rather than status. This enriches decision-making with diverse perspectives and signals a commitment to meritocracy that attracts top talent.

Implementation requires role specifications tied to business needs, objective assessments applying identical criteria to all candidates, and structured development pathways that prepare family members through experience and competency building.

B.

Having a succession planning process for preparing future family & non-family business leaders.

Systematic succession planning requires ongoing processes in which senior leaders—both family and non-family—develop successor candidates through structured programs and mentoring. This approach builds strong leadership pipelines, minimizes potential gaps, and reinforces that advancement is based on capability rather than status or tenure.

Implementation entails individual development plans focused on competency building, external exposure, and milestone assessments. These plans should apply to both family and non-family tracks, supported by clear criteria, regular evaluations, and transparent communication.

C.

Founders embracing innovation and supporting digital transformation initiatives introduced by the next generation.

Supporting next-generation technology initiatives requires dedicated innovation budgets for pilot programs that demonstrate value without disrupting core operations. Technology advisory committees that bridge generational perspectives can help align digital priorities with risk considerations.

Implementation should follow structured adoption frameworks with clear investment criteria, defined performance metrics, and staged rollouts that build organizational capabilities while minimizing disruption.



Employment

A.

Family members going through the same performance appraisal process as other employees.

For family members entering the enterprise, adopting an **“employee first, owner second”** principle reinforces fairness and builds credibility for long-term leadership. _____

Holding family members to the same appraisal standards as non-family staff signals commitment to merit-based advancement and accountability, strengthening both development and culture.

Implementation requires standardized performance systems with objective metrics, structured feedback, and advancement criteria applied consistently across all employees.

B.

Supporting family members who choose to pursue careers outside the family business.

Supporting family members in pursuing external careers reflects the principle that loyalty is measured by contributions to family wealth, not merely by presence in the business. Gaining outside experience broadens expertise, expands networks, and diversifies income sources, thereby reducing dependence on a single enterprise while developing capabilities that can enhance future leadership or advisory roles within the family business.





C.

Encouraging family members to gain experience from outside the family business first.

Requiring family members to gain external, market-tested experience before joining ensures leadership is earned, not inherited, while developing capabilities beyond what internal programs provide. Such exposure validates leadership potential, expands networks, and enhances strategic thinking.

Implementation should mandate at least 3–4 years in reputable organizations, ideally across varied industries, functions, or management approaches to broaden skills and perspectives.

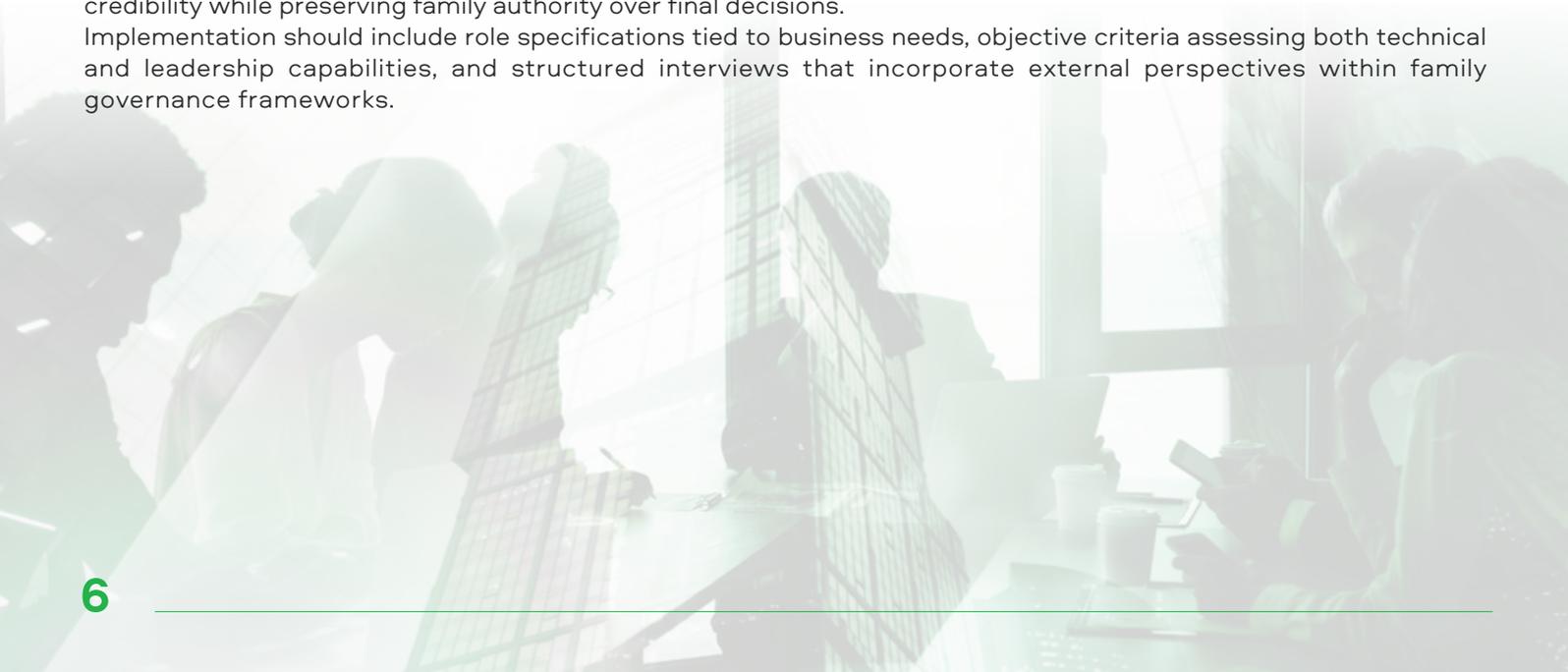
D.

Basing employment decisions on business needs & qualifications, rather than entitlement.

Employment decisions must be based on documented qualifications and business needs, not entitlement, with structured hiring processes that add objectivity and reduce bias.

Involving external assessors who evaluate family candidates by the same criteria as non-family applicants enhances credibility while preserving family authority over final decisions.

Implementation should include role specifications tied to business needs, objective criteria assessing both technical and leadership capabilities, and structured interviews that incorporate external perspectives within family governance frameworks.





Conflict of Interest

A.

Having a formal process/policy for resolving business-related disagreements/ conflicts among family members.

Business disagreements among family members should be managed through clear, pre-agreed mechanisms rather than personal dynamics.

Formal tools—such as family constitutions outlining decision processes, neutral advisor mediation, and structured family councils—create transparent pathways that depersonalize disputes.

Implementation involves written governance documents, identified neutral advisors for unresolved issues, and regular family council meetings to address concerns before they escalate.

B.

Not allowing family members to join competing businesses or establish their own business in competing industry.

Protecting enterprise interests requires formal policies that prohibit family members from joining or creating competing businesses, which risk loyalty conflicts, information misuse, and trust erosion.

Implementation involves regular policy communication, legal review of potential conflicts, and clear enforcement mechanisms to safeguard both business and family relationships.

C.

Avoiding reporting structures where family members directly manage each other.

Organizational design must avoid direct supervisory relationships between family members to protect objectivity, credibility, and fairness. Structures should separate family members in hierarchies while enabling coordination through alternatives such as matrix reporting—where non-family supervisors handle evaluations—or functional separation, with family members leading distinct areas without direct authority over each other.



Family Expenses

A.

Allowing personal expenses (home installment, new car, etc.) to be withdrawn from the company reserves and settled later.

Systematically separating household consumption from company finances prevents tunneling and ensures transparency for stakeholder confidence and compliance. Personal financial support, when needed, should flow through documented channels with proper classification, disclosure, and governance oversight. Implementation requires clear expense policies, approval processes for borderline items, and documentation standards that support accurate accounting and audit review.

B.

Having a formal process/policy to support financially distressed family members.

Dedicated **“family fund”** or **“family bank”** structures with clear eligibility, transparent repayment terms, and oversight mechanisms prevent moral hazard while ensuring fair assistance across members.

These structures separate personal support from business operations while upholding governance and accountability. Implementation requires written policies defining eligibility, independent approval processes, and repayment terms that balance member needs with fund sustainability.

C.

Periodically reviewing and auditing family-related expenses to ensure fairness and financial discipline.

Family-related expenses must undergo systematic, independent reviews to ensure transparency, prevent small exceptions from becoming entrenched entitlements, and safeguard financial discipline and governance credibility. Regular external audits reinforce proper classification, compliance with standards, and stakeholder confidence.

Implementation requires annual professional audits of all family-related transactions, with evaluations of policy compliance and recommendations for control improvements.

Through the development and consistent application of formal mechanisms—clear rules, transparent processes, and consistent enforcement across all organizational levels and family member interactions—family enterprises can successfully achieve the dual mandate of preserving multigenerational stewardship while sustaining competitive positioning across economic cycles.

Meet the Contributors

Maha Maalouf

Senior Partner
Managing Partner - Egypt
at LOGIC Consulting

The article was edited by
Farah Badawi, Junior Editor at
LOGIC Consulting

Cairo Office

+20 127 350 5023
SODIC West, Block 1, Zone 4B

Riyadh Office

+966 53 662 0650
3888 Anas Ibn Malik, Al Malqa

Jeddah Office

+966 53 661 8642
1004 Jameel Square Building. Tahlia St.

Dubai Office

+971 52 499 2567
Business Bay, Parklane Tower, Office 1102

Bahrain Office

Park Place Building. Seef Area
office 9001/ 9th Floor- Bahrain