

LOGIC INS!GHTS

ISSUE # 2

FEATURED ARTICLE

The Bumpy Road Ahead

How to manage the changing landscape of the Real Estate Economy?

Stepping into your Customer's Shoes

Embedding customer-centricity into the DNA of your business!

The Governance Guide for Family Businesses

A Family Constitution provides a valuable road map for future generations.

LOGIC
CONSULTING

Editorial Note

*We are in a time of extraordinary change for Real Estate. Not only have we seen a payment terms war exemplified by extended installment plans nearing 15 years, but we have also seen increased competition from the public sector causing developers to adopt new business models, which together shape the future of real estate in Egypt. This issue's central article, **"The Bumpy Road Ahead"**, has looked into the main challenges facing local developers in Egypt and how they can make impactful moves to stay on the leading edge. For developers, the ability to seize future opportunities, while simultaneously avoiding such challenges, is becoming mission critical. We believe that today's developers need to rethink where and how they compete while riding the right trends to cope with such disruptive changes. Accordingly, we proposed in this article a three-pronged approach to help developers navigate the evolving dynamics of the market.*

*One of the major challenges faced by developers is how to be customer-centric and improve the customer experience, which is a common problem found in other industries such as financial services and hospitality. In our second article, **"Stepping into your Customer's Shoes"**, we present actionable insights on how businesses can put a customer experience roadmap into practice to start taking their business to the next level. Today's businesses have to boost the odds of optimizing customer experience by using each customer interaction as a stepping-stone in turning their customers to loyal advocates.*

*On a different note, for family businesses to thrive over the long haul, they need to put governance into practice, especially with few of them surviving the 3rd generation trap; where only 12% are still viable into the 3rd generation. As a matter of fact, family members can be powerful allies or barriers to the business sustainability. In our third article, **"The Governance Guide for Family Businesses"**, the importance of Family Constitution is depicted through a light hypothetical case study, developed by LOGIC, on "Badawy's" Family Business.*

We hope this issue helps you gain valuable insights and stimulate fresh ideas on how to stay ahead of different challenges facing businesses in different sectors!

Amr N. Osman
CEO AND CHAIRMAN
LOGIC CONSULTING

Features



04

THE BUMPY ROAD AHEAD:

With the changing landscape of the real-estate industry, many of the local developers are falling behind. Considering the current real-estate challenges, LOGIC proposes a three-pronged approach to help developers navigate the evolving dynamics of the market.

Hanan Moselhy



18

STEPPING INTO YOUR CUSTOMER'S SHOES

Actionable insights on how to put a customer experience roadmap into practice to start taking your business to the next level.

Heba El Enna



28

THE GOVERNANCE GUIDE FOR FAMILY BUSINESSES:

The importance of a Family Constitution will be depicted through a hypothetical case study on “Badawy’s” Family Business.

Maha Maalouf

The Bumpy Road Ahead

HOW TO MANAGE THE CHANGING LANDSCAPE OF THE REAL ESTATE ECONOMY?

by *Hanan Moselhy*

FORMER LOGIC DIRECTOR

Despite Egypt's turbulent political and economic climate, real estate has managed to emerge as one of the country's most attractive investment opportunities. The sector took an expected dip in 2011 but was able to recover following the implementation of policy reforms. Capital controls, one of the government's most effective and controversial policy reforms, limited the amount of funds that could be transferred outside Egypt. Additional economic changes such as negative real interest rates and the devaluation of the Egyptian pound pushed investors to pour their money into property. Aside from investment-motivated purchases, the long-term demand for real estate in Egypt is positive. **It is estimated that the country will need around half a million units each year to meet demand in addition to its existing 3-million-unit gap.** The figures reflect Egypt's annual growth rate, which hovers around 2.5%, and the annual number of marriages, which has recently reached 1 million. **However, average total housing supply amounted to only 165,000 units per year for the past 5 years, with the public sector contributing to 33% of the units compared to 67% from the private sector.** With such a huge gap to fill, many domestic and international developers have entered the Egyptian real estate market or have increased their pre-existing activities in it. In order to set themselves apart from competitors in such dynamic landscape, developers are offering attractive

installment plans and "mixed-use" facilities that combine residential, commercial and retail offerings. To deliver these projects, developers primarily rely on off-plan sales as a source of finance, a process in which the customer purchases the unit before it is constructed. **According to Beltone Financials, the total value of real estate projects expected to be completed by 2026 is USD 35 billion.**

As competition heightens, it becomes more important that developers diversify their product offerings. Activities such as real estate exporting, strategic expansions into new market segments and geographical areas and incorporating technology into designs promise to usher the market in Egypt into the new age of real estate. Yet, the implementation of these plans is quite complicated. **The volatility of the Egyptian pound, the accompanying inflation and the reduction of fuel subsidies have caused the prices of building materials, transportation costs and wages to skyrocket, which have impacted the operations of developers.** In order to emerge victorious, real estate developers must strategize, obtain finance and achieve organizational excellence.



CHALLENGES DEVELOPERS FACE

Real estate developers currently face challenges on both external and internal fronts. Still, every sector has its own challenges that are specific to its own scope. With the heightened competition from foreign developers operating in Egypt, many of the local developers are falling behind due to their incompetence in coping with such dynamic and evolving industry. Although overcoming such obstacles might seem difficult, it can be accomplished if the developer becomes more agile and more sensitive to demand requirements.

RESIDENTIAL CHALLENGES

As it currently stands, the Egyptian real estate market suffers from oversaturation in certain segments and almost complete neglect in others. **The upper-middle and upper-class customer segments are heavily catered to, while customers on the low-income end of the market are undersupplied.** Although the bulk of demand is concentrated in the low-income segment, it is the least serviced by private developers, receiving around 30,000 units only per year. **Most real estate developers shy away from providing low-price units, ones ranging from LE300,000 to LE600,000, due to high costs of land and building materials, regulatory barriers and limited access to financing for buyers.** Traditionally, the government has endeavored to provide for this customer segment by tackling both the demand and supply sides. **Over the years, the government has facilitated home financing and mortgage processes by encouraging longer loan terms and lower interest rates while spreading awareness on this practice and its schemes.** Other initiatives undertaken by the government include ones on the supply side. In 2011, the government announced a five-year program to develop one million new residential units for lower income citizens. The government has also launched a number of initiatives aiming to include the private sector in providing low and middle-income housing. **In 2015, the government announced plans to offer land for development under revenue sharing agreements with private developers.** Since the low-income segment is difficult to penetrate due to its low profitability, developers' only hope of servicing it is through co-developments with the government.



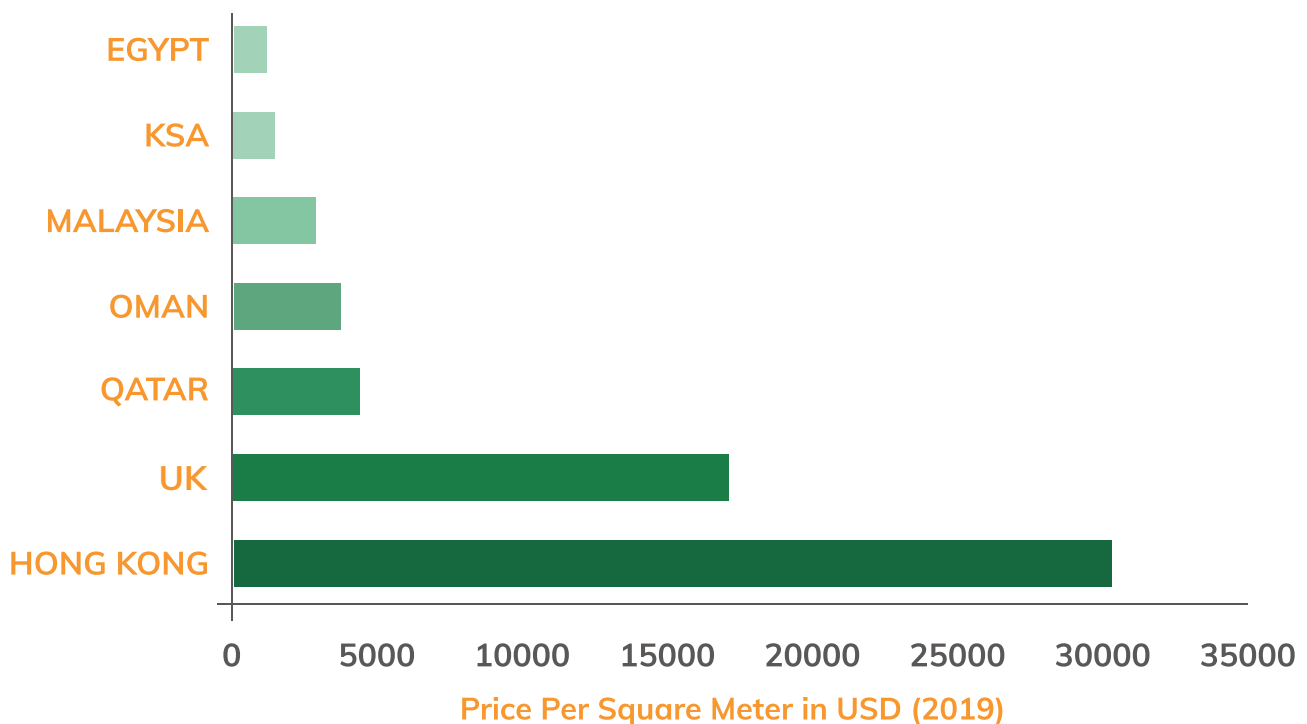
When it comes to the high-end real estate market, it seems that it is becoming overly-supplied with developers which has led to increasing competition mainly through payment-terms war. In order to continue catering to the higher-income segment, developers might have to expand into the second-home market, particularly summer homes. Over the past few years, several developers have launched projects on the North Coast and Ein El-Sokhna, by the Mediterranean and the Red Sea, respectively. However, this model requires possessing a land-bank by developers in increasingly sought-after locations while providing supporting facilities in order to attract customers.

Moreover, competition from foreign developers is still imposing a threat on local developers operating in the high-end residential market. **Foreign Developers are now creating change with their innovative mindset of offering new “Customer Values”. They started focusing on two main pillars, which are “mixed services” and “customer experience”.** This has made it more difficult for other developers, with the traditional mindset, to compete in this sector. Hence, developers are forced to devise strategies to tackle new segments, and the best opportunity lies in targeting middle-income segment, which is still an untapped market.

LACK OF REAL ESTATE EXPORTS

Despite its long-standing status as a tourist attraction and an emerging market, Egypt has drastically low levels of real-estate exports. According to Prime Minister Mostafa Madbouli, “Egypt should tap into world markets, as Egypt’s share is only \$500 million out of \$70 billion of the export of real estate in the Middle East”. With a declining exchange rate, there is a big opportunity in marketing to foreigners. **By international standards, the prices of Egyptian properties are low and within the reach of foreign clientele, and so its exports should not be at such low levels.**

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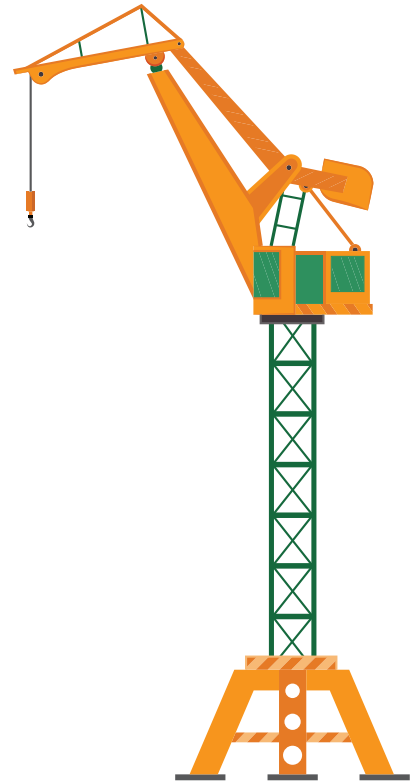
It appears that on Egypt’s end, there are three main reasons for this gap: **inadequate service offering to foreigners, lack of compliance with international building codes and insufficient promotion of Egyptian real estate.** Foreigners looking to purchase units in Egypt are seeking units supplied with premium services such as high security technologies, trash circulation systems, housekeeping and maintenance. **As of 2018, the Egyptian government has implemented facilitation measures in order to increase real estate exports** such as the law allowing non-Egyptians to get a temporary residency visa if they own a property in the country. The main task currently at hand is for real estate companies to raise development standards to meet requirements of foreign markets, which will significantly improve the quality of developments, and to participate in international real estate exhibitions, as well.



INDUSTRIAL CHALLENGES

Although the industrial real estate sector has largely flown under the radar, there are many indicators suggesting that it is growing at a steady clip, hovering around 30%. The sector will also continue to witness healthy growth levels amid the government initiatives aiming at promoting industrial developments in Egypt. This 60 million sqm annual market is mainly controlled by the public sector, which is by far the largest industrial developer in Egypt. **According to Mohamed Ashour, Chief Investment and Business Development Officer at ElSewedy Industrial, the industrial sector is full of opportunities for private sector developers which currently only represents 12-13 million sqm.** To be able to compete with the public sector, many private developers have reluctantly lowered their price per sqm, which has burdened their budgets and put a strain on profitability.

Construction companies can make great strides in the field using the EPC + Finance model (Engineering, Procurement and Construction) to offset the shortage in land banks similar to what is apparent in the utilities field. This model allows them to obtain financing from private investors and launch their own development projects. Successful private developers ought to lobby for co-developments, under revenue sharing agreements, with the public sector especially in regions where the supply of industrial parks or warehouses became limited, such as the Delta region and 6th of October. Also, they ought to focus their efforts on strengthening their business development departments to be able to attract local and foreign clientele to their projects.



RETAIL & COMMERCIAL CHALLENGES

In Egypt, the retail and commercial markets represent what seems to be the biggest opportunity in the real estate market. Yet, they seem to be more challenging than both the residential and industrial markets, especially with the fierce competition from foreign developers with deep pockets. There is one main reason explaining why local developers are actually falling behind the competition; they fail to adopt the strategy that actually works. **Foreign Developers have succeeded to win this market by just following a simple strategy “Right Tenant Mix + Traffic Flow = Success”.**

For most of the developers, they have the mindset of “Hit and Run”, in which they build and sell rather than rent. Such business model doesn't give them control over the right tenant mix which is responsible for guaranteeing the right traffic and the optimum customer journey. Also, it leads to lack of organization as tenants might not abide to branding regulations, which negatively affects the overall image and reputation of the project.

Foreign Developers have succeeded to win this market by just following a simple strategy “Right Tenant Mix + Traffic Flow = Success.



Another challenge that is threatening developers, especially in the retail market is the lack of master planning by professionals with hands on experience in retail concepts and design ideas. **To optimize traffic flow, developers should have the right retail design with the right tenant mix and key anchors.**

Developers fail to understand the demographics of a trade area and hence fail to arrange their tenant mix including anchor and non-anchor tenants. The appropriate arrangement of tenants in a shopping mall should ensure that anchor tenants are located at the far end of the center in order to attract customers across the whole floor and create a smooth flow by customers even for other stores. **According to Hossam Rezkana, “Anchor tenants must not exceed 40-50% from the total gross leasable area of a mall as they are not meant to overpower other retailers”.** Also, he added that developers of malls offer substantial rent rebates to anchor tenants, that could be up to 50%. If the percentage exceeds 40-50%, the mall will incur losses by failing to payoff as per their project feasibility study.

Finally, choosing the right anchor has become a real game changer in the Egyptian market, that now developers go to anchors rather than the other way around. They started to think more strategically through partnering with anchors and paying for the entire lease upfront. Having the perfect tenant mix might not be an easy feat to achieve, but with the proper understanding of the concepts, developers can have a successful retail scheme.

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Real Estate Market Dynamics

Guide	<div><div></div> Low</div>	<div><div></div> Moderate</div>	<div><div></div> High</div>	<div><div></div> Very High</div>
Sector	Demand Level	Supply Level	Growth Potential	
1. Residential - Low & Middle Income	<div><div></div> High</div>	<div><div></div> Low</div>	<div><div></div> Very High</div>	
2. Residential High Income	<div><div></div> Moderate</div>	<div><div></div> High</div>	<div><div></div> Low</div>	
Office Space	<div><div></div> High</div>	<div><div></div> Moderate</div>	<div><div></div> High</div>	
Retail	<div><div></div> Moderate</div>	<div><div></div> Low</div>	<div><div></div> High</div>	
Real Estate Export	This segment has a potential for growth is supply is adjusted to suit demand requirements			

LIQUIDITY

Since developers in Egypt often sell on paper before beginning construction, spikes in construction costs that were not factored into the units' prices contribute to significant losses.



Real Estate developers in the Egyptian market typically rely on off-sales plans to finance their projects. **Although this format allows developers to raise capital prior to construction, it opens the room for numerous risks such as unforeseen increases in cost.** Other problems include difficulty in achieving the target sales, penalties due to project delays, default of buyers and inability to complete payments.

Issues in liquidity have primarily emerged due to the fact that developers don't finance their projects through financial facilities. **This limits their growth and causes them to rely on off-plan sales schemes, which are usually prone to macro-economic challenges including inflation or removal of subsidies.** Also, since developers in Egypt often sell on paper before beginning construction, spikes in construction costs that were not factored into the unit's prices contribute to significant losses. Such liquidity problem has been exacerbated by the fact that developers' installment plans are nearing 15 years. **This actually puts developers in head-to-head competition with banks and directs their focus away from their core business.** As a result, developers should closely examine their cash flow management strategies rather than focus solely on attracting buyers.

LAND BANKS

A growing challenge that developers are facing is the depletion of their land banks coupled with the high land prices offered by the New Urban Communities Authority (NUCA). This obstacle has burdened developers' fiscal budgets, strained profitability and made it nearly impossible for them to provide low-income projects. A number of factors have led to the increase of land prices including the rise of construction materials, the cost of lands' public infrastructure and developers' high competitive bids on the lands offered by the government under the Public Private Partnership (PPP) scheme. Most developers solve this issue by passing the price hikes to customers in order to maintain their profit margins, while others have resorted to co-developments in order to share the burden of rising land costs. The challenge land purchases poses is that the bulk outflow is unmatched in timing with customers' installments. On the other hand, the pay-as-you go nature of co-development agreements is less cash hefty to real estate developers and puts them on equal footing with land bank owners.

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LACK OF DIVERSITY IN SERVICE MIX

Developers in Egypt largely focus on supplying residential projects despite their near red ocean status and the relatively lower supply of commercial real estate. This may be due to the fact that the formulas for residential projects are more predictable and reliable than others. For example, it is easier to gauge the demands and requirements of residential clients than ones seeking office spaces. Many commercial real estate projects are not informed by consumer requirements which, combined with the effects of the currency float, have led to high vacancy rates. Another noticeable shortcoming of the Egyptian real estate market is the low supply of mixed-use projects that integrate residential, commercial and retail offerings in one project to maximize customers' benefits. This format is particularly useful in creating a destination for a certain project even before the first resident settles in. This is also useful in bolstering real estate exports as it attracts foreigners who wish to have all amenities close at hand. Offering more choices in terms of residential units' price, quality and specifications while combining them with healthcare and wellness as well as commercial spaces promise to increase real estate exports to foreigners looking for an all-encompassing living experience.

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COMPETITION

Besides shifting market dynamics, other players in the real estate market are increasingly threatening the operations and success of developers in Egypt. Local companies currently face competition from foreign players and a new hybrid of landbank owners-turned-developers who are making great strides in the field.



(A) Competition from Land Bank Owners-Turned-Developers

These new hybrids have taken to developing their own projects using their existing land banks and to offering co-developments with other companies as well. Land bank owners possess a considerable edge over their developers counterparts as they do not face the same obstacles that come with trying to acquire land in economically challenging years. In order to effectively compete with the land bank owners, developers must either charge exorbitant prices for their units in order to acquire enough capital to purchase land or collaborate with them on projects in which each party contributes with the element in which they have a comparative advantage.

(B) Competition from Foreign Developers

Following the devaluation of the pound, the Egyptian market became an attractive investment target for foreign businesses due to the significantly reduced comparative costs. Gulf developers have shown the most interest in the Egyptian market as several notable developers such as Al Futtaim and Al Hokeir have in recent years launched mega retail projects, such as Mall of Egypt and Mall of Arabia, respectively, replicating their successful GCC models. Other retail investments in Egypt are done by Marakez- Alhokair Group, such as Mall of Tanta that is considered the first-of-its-kind shopping mall outside Cairo and Alexandria. Mall of Tanta is El Gharbia governorate's first internationally modeled mall featuring family entertainment, cinemas, ample parking spots as well as local and international retail outlets. Alhokair is also planning to continue investing and expanding into other Governorates in the near future, including Mansoura, to meet the growing demand on retail services in secondary cities.

Gulf developers are also venturing into the residential real estate sectors. Most notably, **Dubai's Emaar Misr for Development has the second-largest backlog of properties worth LE21.5bn (\$1.1bn) – and second only to Talaat Mostafa Group – of the top-seven largest developers, who together account for 54% of the market for construction of upper-middle class and luxury residential units by volume.** Another interesting move made by Gulf developers has been to shift their attention to tourist destinations on the Red Sea. In 2015, Dubai-based HMG Properties launched a luxury development in Sharm El Sheikh, with the CEO, Raed Bourjass, stating that "As Egypt becomes a magnet for foreign investments, the luxury residential sector is growing in cities such as Sharm El Sheikh. While tourism is the main economic driver of the city, we believe that in the years to come, real estate here will appreciate faster than any other city in the country".

SOLUTIONS

Sustaining the real estate companies' performance in the Egyptian market requires a three-pronged approach in order to navigate the changing dynamics of the market. The approach involves strategizing, securing a healthy cash-flow, and achieving organizational excellence.

STRATEGY

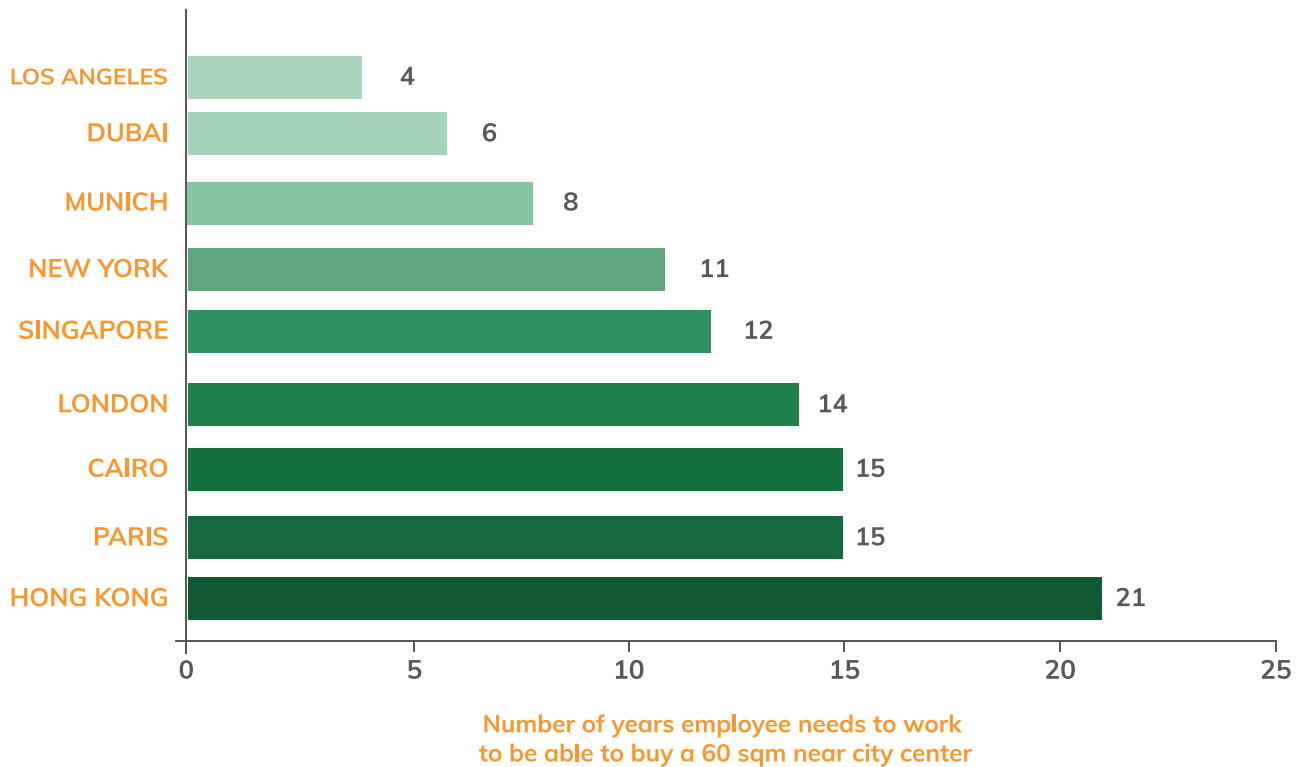
Strategizing involves exploring your product offerings, examining how they can be improved and tailored to customers' needs. On the other hand, strategizing includes diversification where developers can choose to invest in different sectors with different business models. **Developers need to consider tapping into the growth potential of the industrial, retail and residential sectors in which they can get recurring income rather than a one-shot sale.** This ensures a healthy cash flow and a sustainable business model. Diversification is not the only key; there are three other game-changing keys that shape today's real estate industry and should be thoroughly considered by developers. **They are mainly about offering smaller-sized units, providing mixed-use projects, and enhancing facility management.**



1. Smaller Sized Units

In order to capture the middle-income market, many developers began to offer smaller-sized units and studios as well. These units are often located in the same developments as higher-priced one. This indicates that the shared facilities offered and the infrastructure are of a high-quality, which is an attractive selling point to the middle class. **Using the median price-to-income ratio, Egyptians need around 15 years of salary to afford to buy a 60 sqm apartment, which is very high compared to countries with similar economic status.** This shows how attractive smaller-sized units are as they open up a large and untapped market segment who will no longer need to work all these years to afford an apartment in their city.

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2. Mixed-Use Projects

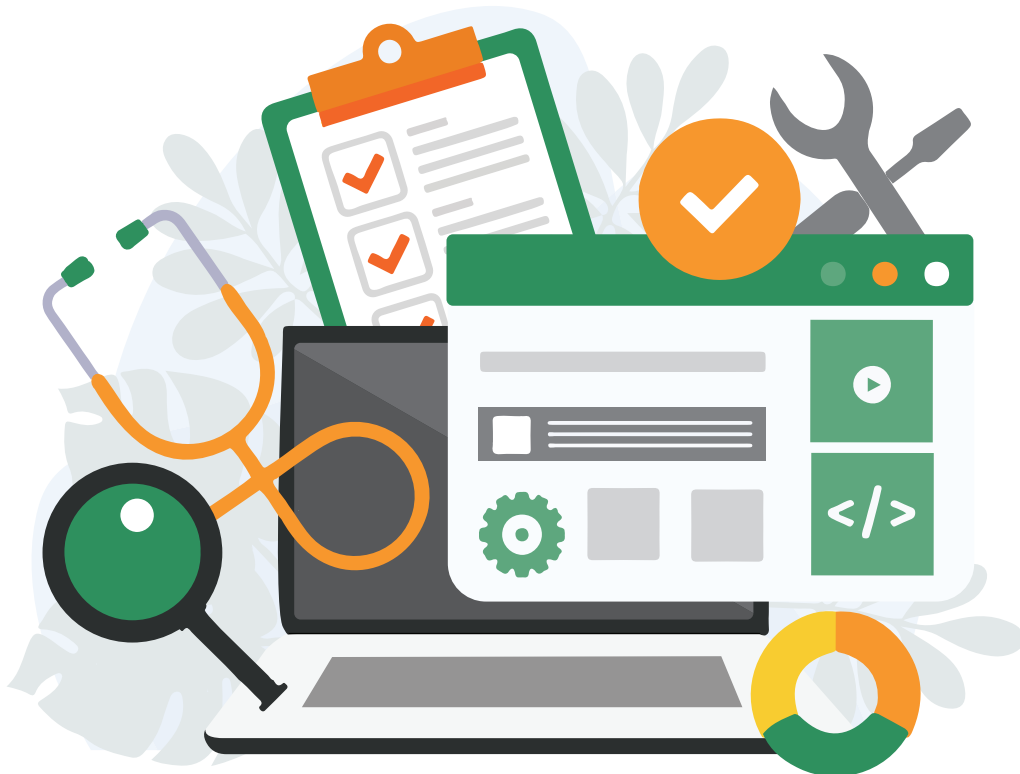
Global trends in real estate demonstrate a noticeable shift towards mixed-use facilities that combine elements of the residential, commercial and retail sectors. Mixed-use projects maximize convenience and accessibility to customers by capitalizing on the synergy of their various facilities. It is also worthy to note that mixed-use projects offer all requirements of modern-day life within walking distance. In a country as congested as Egypt, minimizing travel time for customers should be a core target. **This is of particular importance to foreigners who wish to reside in self-sufficient developments.** The most successful example of this model in Egypt is El Gouna, which was developed by Orascom Developments. This beach town encapsulates residential units, education institutions, office spaces, hotels and medical facilities. **Finally, mixed-use properties for sale allow an investor to diversify his portfolio.** If the local commercial market tanks, he still generates return from residential uses. If the hotel industry softens, he can still rely on cash flow from adjacent uses. **Mixed-use developments allow investors to minimize the total impact of a poorly performing asset on their overall investment portfolio, including the ability to counterbalance an unexpected loss.** In a down cycle, mixed-use developments are considered to be a relatively safe bet for investors.

Mixed-use developments allow investors to minimize the total impact of a poorly performing asset on their overall investment portfolio, including the ability to counterbalance an unexpected loss.

3. Facilities Management

In order to guarantee a project's longevity and success, developers must provide both an after-sale service and facility management. **Historically, facility management was mostly an in-house function, yet developers are starting to out-source it from other professional companies or spin-off this function to become a sister company.** Facilities management can reduce costs and optimize investments, improve operational utilization, availability and flexibility, address environmental standards and concerns, maintain regulatory compliance, enhance safety and reduce risk. Providing cleaning, maintenance and IT services raises property value and enhances the overall appeal of the development. Services of this nature are particularly important to foreigners who are looking to purchase real estate in Egypt, as facilities management elevates property to international standards. Furthermore, customer service that ensures timely delivery of units, fast response to inquiries and proper follow up improves the customer experience and fosters loyalty.

Facilities management can reduce costs and optimize investments, improve operational utilization, availability and flexibility, address environmental standards and concerns, maintain regulatory compliance, enhance safety and reduce risk.



FINANCING

Real estate developers must strive to enhance their liquidity in order to facilitate the acquisition of land-bank, stabilize prices for customers and launch highly demanded integrated projects that combine mixed-use facilities and optimal management.

1. Governance

The primary advantage of implementing strict governance practices for real estate developers is to facilitate the acquisition of finance. Corporate governance is about making your business works better while abiding by the rules. In order to achieve effective corporate governance, real estate developers should aim at establishing effective boards and effective control and risk environments. **Gaining and maintaining investors' confidence requires that real estate companies become more transparent and abide by strict regulations that prevent malpractice.** Real estate is different from other asset classes. Its immobility and long value chain, the multitude of involved parties, high investment stakes, long-term investment cycles and mostly lack of market transparency and market data necessitate that strict governance controls be upheld by developers.

The primary advantage of implementing strict governance practices for real estate developers is to facilitate the acquisition of finance.

2. Co-Development

A possible means for real estate developers to cut their costs is to partner with private or public land owners on joint agreements known as co-developments. These partnerships allow each party to capitalize on their respective advantage and to share revenues. Typically, the land owner provides the land at a discounted price or with flexible payment terms. **Jointly developed projects often allow developers to pay for land in installments rather than at the beginning of the project, meaning they are less reliant on off-plan sales revenues to fund construction.** An example is SODIC's New Heliopolis; co-development project with the Heliopolis Company for Housing and Development (HCHD), signed in December 2015. SODIC is building its mixed-use development on a portion of HCHD's land bank, and HCHD receives 30% of revenues from the housing units. **By making land more affordable and reducing the upfront costs of acquiring it, this model could encourage developers to move into the lower income market, where demand is great.**

Another form of Co-developments is represented in the joint-venture agreements between international real estate firms. Such Joint-ventures will add tremendous value to the real estate and retail industry sectors at large such as "Cairo Gate", which is a co-development project between Emaar Misr and Al Futtaim Group.





ORGANIZATIONAL EXCELLENCE

Organizational excellence is defined as the ongoing efforts to improve the internal framework of standards and processes to better meet or exceed business objectives. In real estate industry, the overall internal structure needs to be effective because most decisions across project development are done through collaboration and consensus rather than an upper hand decision. **To achieve operational excellence in real estate, developers need to empower their two core departments, which are Development and Finance.** Development department is one of the core functions responsible for the implementation of the strategy. It also leads in key anchor deals and decides on the applicability of each tenant as per the development strategy. For the finance department, it needs to be highly empowered and takes on a more strategic role of managing the liquidity through the best financing facilities.

Hanan Moselhy is a Former Director at LOGIC Consulting and currently working as HR Director at Hassan Allam Properties. The author would like to thank **Nadine Mousa**, Business Analyst at LOGIC Consulting, for her research assistance. The author also wishes to thank **Mohamed Ashour**, Chief Investment and Business Development officer at El Sewedy Industrial, and **Hossam Rezkana**, the Commercial Retail Division Director at Majid Al Futtaim, for their invaluable expert contributions to this article.

Developers are in for a bumpy road, which many will find difficult to navigate. Only those who are in line with international standards and assess both weak and strong signals in the market shall maintain their position at the forefront of the real-estate industry.

Stepping into your Customer's Shoes

EMBEDDING CUSTOMER-CENTRICITY INTO THE DNA OF YOUR BUSINESS!

by Heba El-Enna

LOGIC PRINCIPAL

There are many key terms and concepts in marketing that are being used interchangeably causing a great confusion in our minds. **We've noticed that the term "Customer Journey" is often confused for "Customer Lifecycle" or even "Customer Experience" and the list might go on.** Hence, we need to standardize our language around these three terms. First, we will start with **"Customer Lifecycle" which involves segmenting potential customers into variety of stages to map the customer's relationship with the company at each stage.** Customer lifecycle doesn't look at each step a customer takes but rather shows how we can communicate with the customer based on the stage they're in. Each business has its own customer lifecycle. Some companies, like automotive or real-estate companies, have long customer life cycles, i.e., customers are partially inactive and don't purchase on a frequent basis. Accordingly, companies focus on turning those one-time customers into long-time brand advocates, which will ultimately bring in more customers on the long-term. Others, like Foodservice companies, have short customer lifecycles in which the customer returns soon after each purchase.

By thoroughly evaluating customer lifecycle stages, companies will be able to personally engage with their customers while developing meaningful relationships, and thus increasing their "Customer Lifetime Value", i.e., customer's monetary worth over their lifecycle. Companies need to stay relevant and continue offering value to their customers at each stage to stop them from reaching the end of their journey and instead, repeat the cycle and continue being an active customer.

Moving into defining Customer Journey, we will need to zoom in on Customer Experience simultaneously. These two terms might have distinct differences but they still overlap. **The customer journey is the largest view of the customer experience.** Customer journey is a representation of customer interactions across all touch-points and channels throughout every stage of the customer lifecycle. On the other hand, customer experience is how customers feel about the whole journey; it is the customer's conscious and subconscious thoughts, feelings, reactions and attitudes. **Yet, what happens throughout the customer journey determines the customer experience.** Also, customers' previous experiences with company's touch points are actually what set their future expectations. They instinctively compare each new experience, positive or negative, with their previous ones and judge it accordingly.

The main difference between customer journey and customer experience lies in two words; "Do" and "Feel". Customer journey is what customers do at each stage of their customer lifecycle while the customer experience is how they feel about it. **The idea is to understand the customer experience in order to refine the customer journey, as different customers might go through the same journey, yet have different experiences.**



CUSTOMER
LIFECYCLE

CUSTOMER
EXPERIENCE

CUSTOMER
JOURNEY

WORKING YOUR WAY THROUGH A SOPHISTICATED CUSTOMER EXPERIENCE

Customer Experience is not only about Customer Service

Customer experience is not limited to customer service; it is about truly understanding your customer and their feelings towards every aspect of company's offerings from marketing, branding, packaging and product features to company's reputation. Customer experience actually represents the whole puzzle.

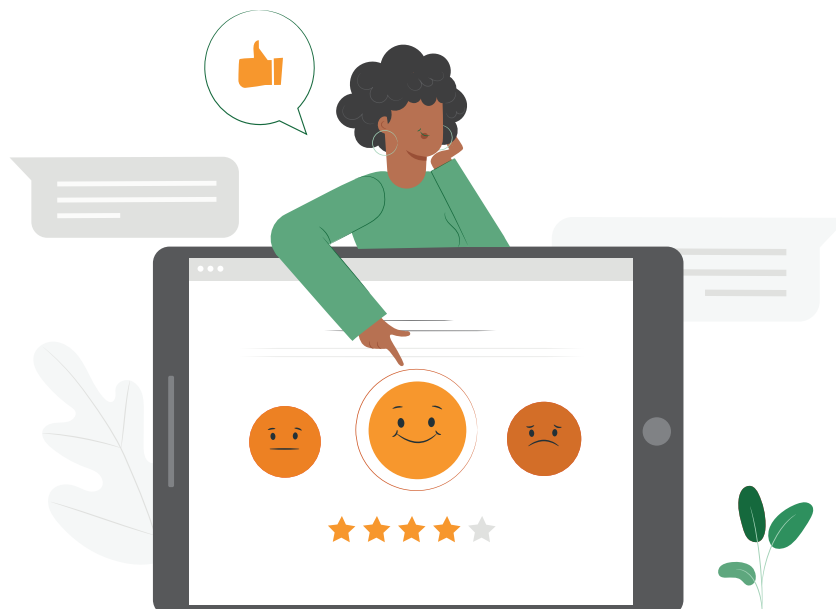


According to Adobe survey of around 3,000 companies in 2018, about one in five identified “optimizing the customer experience” as the most exciting opportunity in their organization. Thus, companies need to identify the problems within their customer journey and put a customer experience roadmap into practice to start taking their business to the next level.

1 *Align your Business around Customer Experience*

As customer experience becomes a bigger focus of corporate strategy, management will face the complexity of aligning their organization to a broad customer-experience transformation. **According to Ewan Duncan, rewiring a company to be focused on customer experience is typically a two- to four-year journey.** However, rallying around customers can bring any company together. **The first step is to align on what type of experience you want to deliver as not all executives have the same customer experience strategy.** For example, some think that fewer customer touch-points are better, while others believe that more interactions create more opportunities, add more value and build loyalty. Both can be correct, but it all depends on the journey construct.

Hence, having a convergent, end-to-end customer experience requires internal alignment of stakeholders around the overall customer experience strategy. Alignment has actually become increasingly essential with the growth of Omni-Channel experience. Companies can have superior mobile marketing, engaging social media platforms and a user-friendly website, but if they all don't work together, it's not Omni-Channel. **Thus, companies need to align their purpose across each channel and among its multidisciplinary teams to continue delivering exceptional customer experience.**



2 Take Direction from the Compass Model

Companies need to know their customers as individuals, and this entails understanding their needs, wants, perceptions and emotions. This will help them answer two main questions; “Who are we doing this for?” & “Why are we doing it this way?” One of the most successful approaches to customer experience is the “Compass Model” that reflects Walt Disney’s philosophy. The points of the compass shall help any company plan a customer-experience program by identifying their customers’ emotions, mindset, desires and needs. The compass shows:



- **North:** stands for “**Needs**” and the customer’s basic desires from the experience. This is the least any customer could expect from such product/service.

- **West:** stands for “**Wants**” and the underlying desires of customers, whether stated and recognized by them or not. It allows companies to differentiate themselves through offering an extra optional level of service.

- **South:** stands for “**Stereotypes**”, which represents any positive or negative sentiments that customers have about their experience. Customers actually expect from the company to fix any inefficiencies so that they can overcome any negative impressions.

- **East:** stands for “**Emotions**” that customers have or are likely to experience. Here, it is about how you can make your customers feel satisfied with their experience, i.e., how you can make them feel the emotions they’re expecting.

Thus, by bringing the customer’s perspective into focus, companies can successfully deliver on the most relevant and memorable customer experience.

3 Master your Touch Points

By the emergence of an increasingly educated customer along with the explosion of product choices and digital channels, companies find difficulty in capturing all touch points and purchasing factors. **Spending equally and aggressively on all touch points might not be the right thing to do, companies need to think wisely and spend on the most influential ones.** Not all touch-points are controlled by the company itself, i.e., “Brand-owned touch points”, as a matter of fact, **“two-thirds of the touch points during the active-evaluation phase involve customer-driven marketing activities, such as Internet reviews and word-of-mouth recommendations, according to McKinsey.** Hence, categorizing touch points and determining the extent of which they can be controlled will certainly help any company in delivering better customer experience. **Knowing your touch-points is only half the battle through; you need to understand the impact of each touch-point on your customer sentiments to continuously enhance their customer experience.**



4

Unlock Value From Data



Companies can analyze their customer database to design personalized customer experience improvement plan. **With advanced analytics, companies can identify some trends in their customers' demographics, behaviors and purchase habits to identify their pain-points and increase their satisfaction accordingly.** They can determine foot traffic patterns and identify the most effective promotions and selling techniques that will appeal to them. **According to McKinsey Global Institute, data-driven organizations that use customer analytics are 23 times more likely to acquire customers.** Thus, by using data, companies can paint a more realistic picture of who the target is and deliver more relevant messages and experiences. **Companies are now adopting many technologies including artificial intelligence, chat-bots and Omni-Channel to collect data across different channels customers are interacting with. This helps them in creating a 360-customer view while truly comprehending their customers to deliver better experiences.**

Data-driven organizations that use customer analytics are 23 times more likely to acquire customers.

FIVE STEPS TO CUSTOMER EXPERIENCE OPTIMIZATION



Align your business
around Customer
Experience



Take direction from
the Compass Model

5 Integrate Design Thinking



It is not a surprise that customers are always looking for what's new rather than sticking to the traditional, which might seem as a challenge for many companies. **However, the key lies in creating a radical design through applying design-thinking methodologies and conducting design boot camps. Instead of trying to fix inefficiencies along the customer journey, companies should try to reshape how the journey works.** All observations and information gathered on customers' pain and love points can help in bridging the gap between customers' needs and their experience. **Companies should conduct redesign workshops in which they portray the customer journey to obtain a more concrete look and feel of what their customers actually experience.**

With this methodology, a great number of ideas can be generated, selected and evaluated by cross-functional teams. **These teams actually work through two main phases: divergent and convergent thinking.** Divergent thinking is the phase that allows them to come up with ideas without considering boundaries or constraints, while convergent thinking allows them to critically analyze these concepts and decide on which ones are worth taking forward. **Any new designs that resulted from this workshop should be evaluated against customer needs and preferences and restructured based on continuous customer feedback.** During the journey design process, multiple concepts and new journey steps can be explored at once. **By embedding design thinking in the organization, management can form a new vision of how customers might perceive their redesigned services/products and hence increasing the likelihood of delivering better experiences.**



Master your
Touchpoints



Unlock Value from
Data



Integrate Design
Thinking

HAS YOUR TOP LINE IMPROVED?

For companies to know if their investments in optimizing their customer experience are paying off, they need to define metrics that are aligned with core business objectives and customer experience goals. They need to measure aspects that are most important to their customers, and hence draw actionable insights from.

1. Net Promoter Score

Most companies use the “Net Promoter Score” or NPS to measure their customer experience. It reflects customer satisfaction by asking a single question “Would you recommend this company to a friend or relative?” **On a numeric score from 0-10, customers are categorized into promoters, passives or detractors.** NPS score indicates three main aspects; customer satisfaction with the overall customer experience, type of your customer and their loyalty degree.

Based on NPS score, companies should identify their detractors, promoters and passives while prioritizing improvements with the biggest wins first. A Promoter can be the best advocate and the loyal customer who is highly likely to refer company’s products and influence other potential customers. **According to McKinsey, 20-50% of a company’s revenue is driven by referrals.** Hence, companies should maintain high customer satisfaction of their promoters. A Detractor can be the worst threat as he/she might take away current and potential sales and is more likely to share negative word-of-mouth. **According to PwC, one in three customers will stop doing business with a brand after just one negative experience.** Thus, companies should identify a detractor and work on improving their experience to minimize a domino effect of bad referrals. A Passive can be any company’s greatest uncertainty and may adversely influence other current and potential customers. A Passive could be a potential promoter or detractor based on how quickly the company responds to satisfy them. **By understanding your customer well, you can deliver the optimal customer experience and hence have a higher NPS, a greater customer loyalty and more revenue.**

2. Customer Satisfaction Score

CSAT is a basic measurement of short-term customer satisfaction with a product or service. It’s used to determine the satisfaction level of customers at key touch-points, for example, purchasing moment or a customer service call. **CSAT provides real insights on different points within the customer journey to help you constantly analyze your customer satisfaction standards. Although CSAT doesn’t give the full picture of customer satisfaction; it helps in identifying the key improvement areas.** This metric can actually be adjusted to be more specific to a certain customer interaction, for example “Did we answer your question today? Or “How did our Agent do today?” Once you’ve got answers from these questions, keep refining the customer experience to meet your customer expectations and maintain their satisfaction.

3. Customer Effort Score

Increasing your customer satisfaction isn’t about impressing your customers; but rather about making it easier to get their job done. **Effort is actually the leading driver to customer loyalty.** So instead of asking how satisfied the customer was, you need to ask them how effortless was their experience. It is measured by asking a single question of **“To what extent does the company make it easy to handle the issue?”** Thus, this customer experience survey metric enables organizations to account for the ease of using a product/service, finding the needed information or getting a problem fixed. **This metric may help companies detecting bottlenecks in the customer experience itself while creating an effortless experience.** According to Gartner, reducing customer effort, can improve positive word of mouth in which NPS could be 65 points higher for top-performing low-effort companies than for high-effort companies. A study published in Harvard Business Review found that a good Customer Effort Score is one of the strongest predictors of future purchase behavior: 94% of customers who reported low effort said they would likely purchase a product again. **Hence, companies should work on uncovering high-effort pain points in their customer interactions to improve their customer experience.**

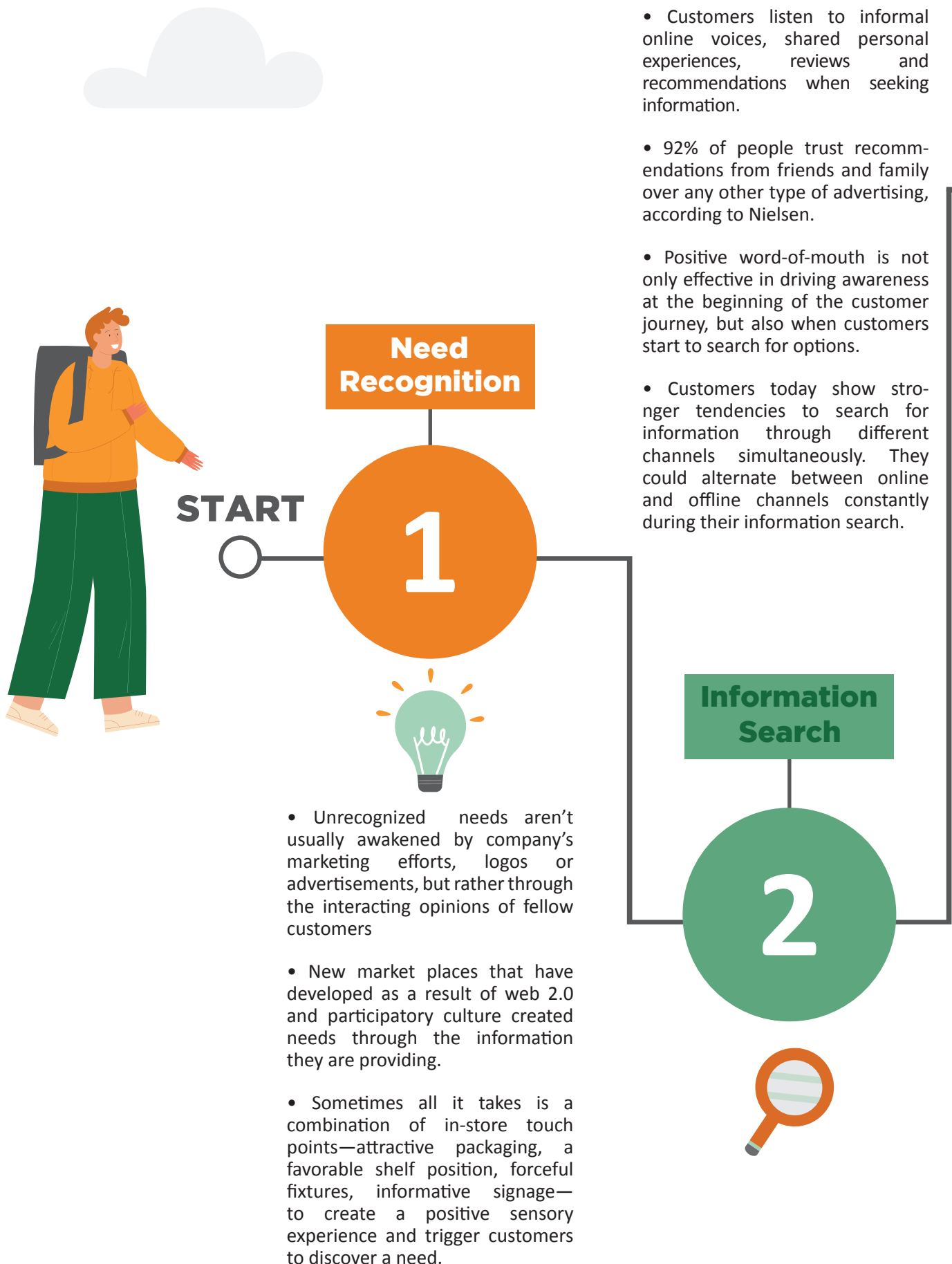


PASSIVE



DETRACTOR

THE CUSTOMER DECISION JOURNEY



3

Evaluation of Alternatives



- This stage determines whether the customer journey will continue or not.

- Customer satisfaction actually increases as they add more alternatives until the number of alternatives reaches point of satisfaction where customers had reasonable number of options.

- After having all alternatives, customers prefer to visit the physical store only to anchor their options and reassure themselves of the final alternatives they are considering to buy.

- According to McKinsey, 40% of customers change their minds because of something they see, learn, or do at a physical store.

- This is the stage where customers want it simple and easy.

- Companies should encourage customers to purchase immediately rather than defer purchases for later. This might be done through the provision of easy credit or payment terms, limited-time offers or advertising messages with strong call-to-action.

- Customers seek expert guidance, especially at purchase stage. Hence, salesperson behaviors still have the greatest impact on customers' final purchase decision.



Purchase

4



5

FINISH

Post - Purchase

- Focusing on customer retention and advocacy is actually much profitable for companies than gaining new customers. It can cost anywhere between five to 25 times more to acquire a new customer than to retain an existing customer, according to Harvard Business Review.

- Repeat customers spend an average of 67% more than new customers, according to Bain.

- A positive customer experience at this stage helps in creating awareness just like at the beginning of the customer decision journey.

The Governance Guide for Family Businesses

A FAMILY CONSTITUTION PROVIDES A VALUABLE ROAD MAP FOR FUTURE GENERATIONS.

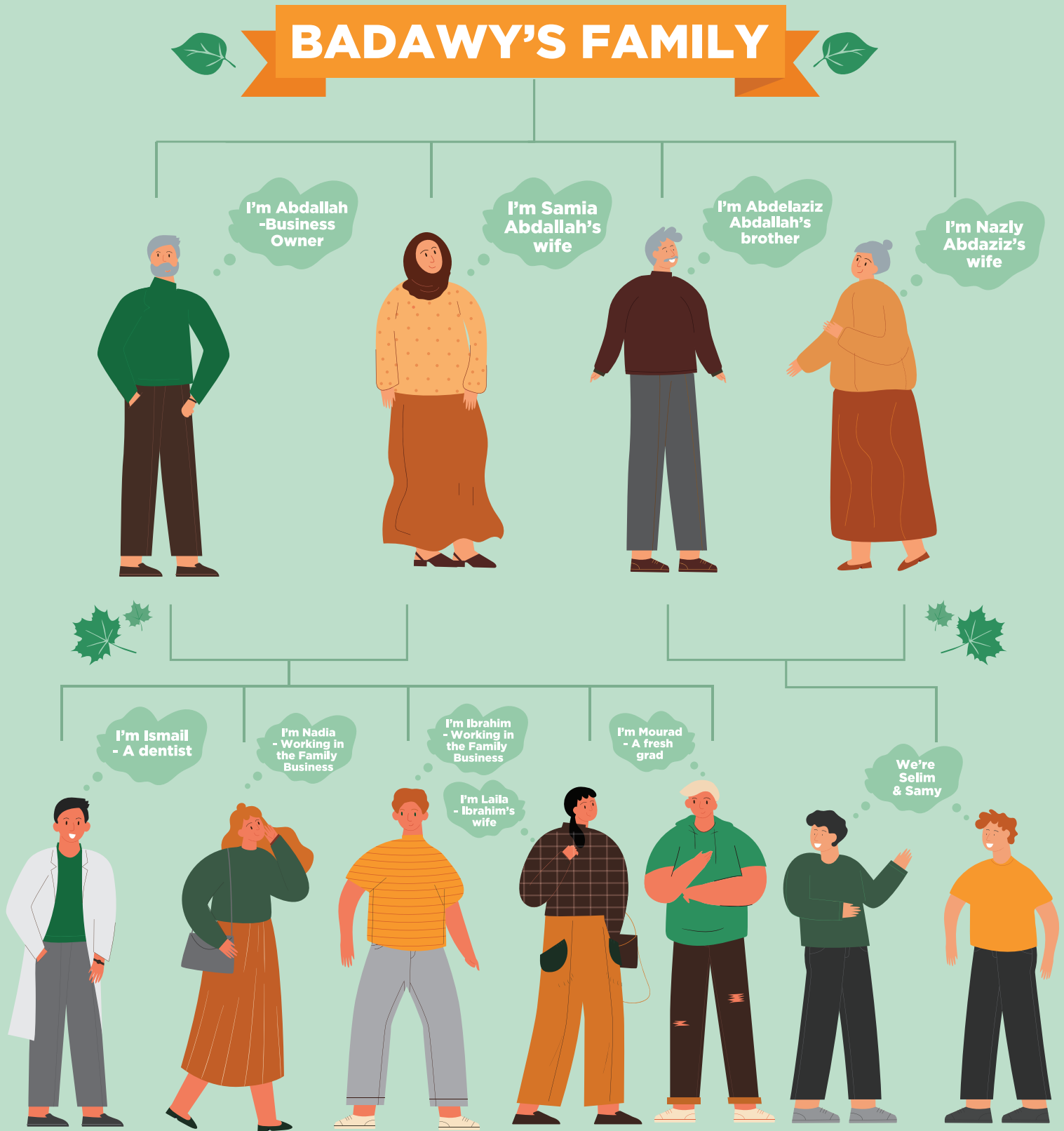
by Maha Maalouf

LOGIC SENIOR PARTNER

Although family businesses are the dominant form of business all over the world, yet only few of them are able to survive over generations; with only 30% survive into second generation, 12% into third generation and only 3% are still viable into the fourth generation. At the same time, family businesses contribute to around 70% to 90% of global annual GDP and can outperform publicly listed non-family businesses. Most of family businesses still have a far greater overlap between the family and the business, with no set of rules or policies governing such relationship. As part of the family governance system, family businesses need to draft a Family Constitution to bring governance into the family aspects that intertwine with the business aspects, hence ensure business sustainability and protect the family relationships. A Family Constitution is a written and morally binding agreement among family members that articulates a set of principles and policies regarding how the family member will manage the business as an owner or employee or even both. It also serves as a key reference in ensuring a smooth intergenerational transition. The Chapters of a Family Constitution are more or less the same, however the content is fully dependent on the family philosophy; usually flavored by the founder of the business, the nature of the business and the different interests of the family members. Some successful families have adopted these principles and understood the need to establish a Family Constitution, but many still don't see it as a priority.

In this article, the importance of a Family Constitution will be depicted through a hypothetical case study on “The Badawy’s”, a Family Business working in the Textile and Retail of Ready Made Garments. Each challenge, faced by the family patriarch, will be addressed through a relevant chapter in the Family Constitution.

It was 10:00 P.M. on a Friday evening and Abdallah Badawy was still sitting around the table with all his family members, yet, his mind was preoccupied by a chain of thoughts. Abdallah was seriously reflecting on all the discussions that surfaced today during their Friday family gathering, and all the different opinions that were suggested by family members on business-related issues. However, he had only questions, with no clear answers: How can I secure the survival and sustainability of the business? Who would be my successor? How can I deal with the contrasting ideologies of my daughter? What about the business disputes between my children, and their different personalities and ideas? Is it better to let my younger son join the business right after graduation, or is he better off working outside of the business for a couple of years? Indeed, Abdallah was experiencing a tough time and at a crossroads in his quest to decide the fate of his company. Thinking about the decision he took today, he felt nervous yet overflowing with excitement with the prospect of how his long thought resolution will mark the beginning of an entirely new epoch in the business starting next Sunday. However, Abdallah couldn't clear up his mind and kept asking himself; how did I overlook such challenges? Is it too late to sustain growth and harmony in my business as well as my family? Yet his decision put his worries to some rest.



THE BADAWEY GROUP
Textiles & Garments
Since 1949



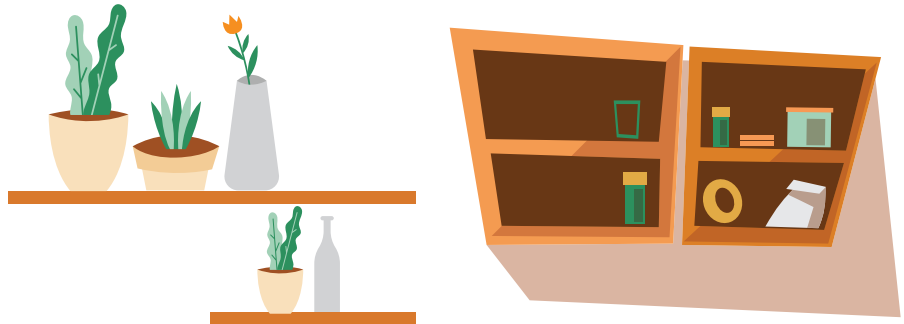
BACKGROUND ON BADAWEY'S FAMILY BUSINESS

Badawy Group, based in Egypt, started in 1949 as a small business in the textile industry. The business started small and its growth was not an easy journey. Led by Abdallah Badawy, after his father's death, the company kept moving forward and grew into several business divisions. Abdallah, the family patriarch, currently in charge of managing the business, had expanded his business into selling ready-made garments, especially since the entry of new players in the Egyptian textile market. As the eldest of a large family, Abdallah had cared for his younger brother, Abdelaziz. In 2012, Abdelaziz's business did not survive the after-effect of the Egyptian revolution and was about to go bankrupt. To support his brother, Abdallah decided to cease his participation in the retail business by turning over the entire management responsibility of the retail outlets to Abdelaziz. Also, Abdallah saw how Abdelaziz was an energetic and visionary businessperson, so he offered him a 30% equity stake.

Over the years, Badawy Group was transformed into a nationally trusted brand name in the field of textile and ready-made garments with local customers across Cairo and Delta. The Badawy family has always been renowned for their values, discipline and integrity in the business arena, and Abdallah made sure that their values will last well beyond the second generation. All family members view the company as an integral part of the family heritage as well as the main source of financial security. Like any family patriarch, Abdallah has always been striving to develop a sense of connectedness among the family members while sustaining a successful business, especially with two of his children being recently involved in the business. Yet, he was always equally hammered with puzzling thoughts about the future of the family business.

CHALLENGES AHEAD

11:30am



Earlier that day, Abdallah's Family Friday Breakfast was entirely different. With all being gathered around the table, Mourad started to express his interest in joining the family business. As being an engineering graduate from the University of Minnesota, Mourad believes that his education can transform the business through applying the latest operational techniques. However, he was concerned about which position he would be appointed to? How much will he earn as a salary? Will he be privileged for being a family member?

Also, Ibrahim -Abdallah's son who is an executive in the company- took this opportunity and expressed his wish that Laila, his wife, takes a seat in the management of the company, as she is now having much time on her hands with the kids starting their primary school. He pointed out that she has a real aptitude for client relationships and business development, and that she is keen to get involved in the family business. Abdallah was cognizant of the fact that if he offered both Mourad and Laila a job, it will be more because of emotional reasons as compared to rationality.



Should I hire Mourad in the business or let him explore other career opportunities first? If I hired him, how will he be compensated?

Will I hire Laila just because my son suggested? Will I create a job for her? Will hiring her affect Ismail's performance and impact his decisions in the business?

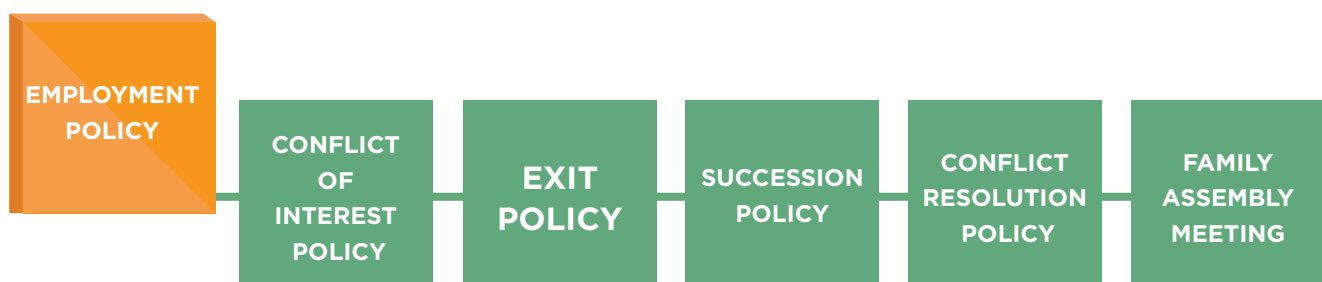
Abdallah discovered that he doesn't have a system or policy in place for employing family members. This made him worried about giving one of them a job they're not suited to or unfairly discriminate between family members and non-family members. At this point, Ismail, Abdallah's son, interrupted Abdallah's thoughts by saying:

"The best solution to this problem is to develop a 'Family Employment Policy' to confront and iron out uncomfortable, but potentially problematic issues.

You need to ensure that employment decisions are based on structure and not on emotional or personal issues".

Employment Policy

- 1 Are family members required to gain experience from outside the family business first?
- 2 If they didn't find an opportunity in another company, will they be allowed to join the business after a certain job search period?
- 3 Will employment be based on what the family wants or what the business needs?
- 4 Are the Spouses of family members allowed to work in the business?
- 5 How are family members going to be compensated?
- 6 To whom should family members report to? (e.g. To family members OR Non-family members)?



01:00pm



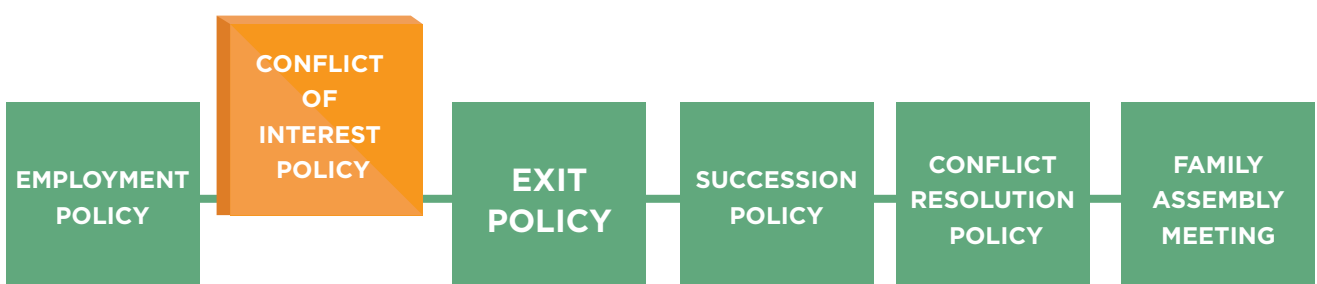
After this long breakfast, things were not calm. Yet, Ismail thought that his father was open to discussion about any family-related issues. Ismail started by saying “Given that I’m not an executive in our company, I’m thinking of partnering up with my friend in his retail business specializing in selling ready-made garments. I will not be involved in any management decisions; I will only be a silent partner with a 20% equity stake”. Abdallah looked rightly worried with many thoughts went rushing all at once. He is now unsure of Ismail’s status with respect to being in a conflict of interest situation. Even though Ismail is not employed in the family business, he still owns 10% of shares and having equity in a business, related to the family business, may cause a conflict of interest.

Abdallah actually does not have any provisions governing conflict of interest. At that moment, Nadia attempted to settle her father’s nerves by saying;

“We were lucky that the business has survived seven decades of growth without adopting any formal governance practices. I think you should not continue in the same manner but instead draft a ‘Conflict of Interest policy’ to manage and prevent all potential situations that could have a negative impact on the business performance and possibly turbulence amongst ourselves.”

Conflict of Interest Policy

- 1** The employment of family members in other active businesses related, directly or indirectly, to the family business.
- 2** Investment in companies operating in related business or sector.



02:00pm



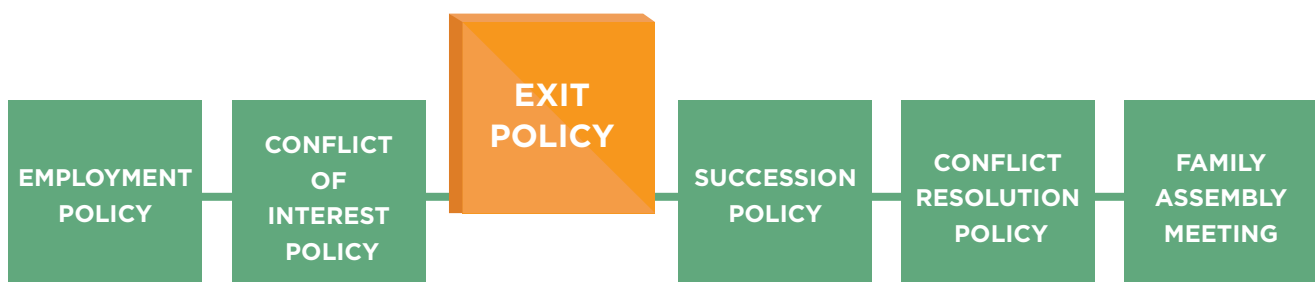
After finishing this intense discussion, things got more complicated when Abdelaziz, Abdallah's younger brother, and his family arrived. Abdelaziz looked quite nervous and asked Abdallah to have a private talk. Abdelaziz told his brother that he decided to immigrate to Canada with his family and needs to exit the business and sell his shares due to his dire need of cash to finance this decision. He also added, that he would appreciate it if he could take his cash within a 6-month period. Abdallah tried to discourage him from exiting the business to avoid any emotional or financial distress accompanied by such decision. However, Abdelaziz ended the discussion by saying;

"I understand all your concerns, but I'm left with no choice and I need your assistance, as this is for the well-being of my family after long months of discussions with them".

Abdallah did not actually think of what will happen if a family member sought exit? Who is going to purchase the shares of this departed family member? What if there are no funds to buy these shares, do they have to accept an outsider? Abdallah should have been aware that exiting the family business is a sensitive issue that should be dealt with appropriately. Mechanisms and procedures should be planned ahead to deal with or circumvent such issues. **Abdallah now realized that he should have had a pre-defined policy to identify the right exit route of any family member and the right way forward, i.e 'Exit Policy'.**

Exit Policy

- 1 If other family members do not buy the shares, can the departing family member offer the shares to non-family members?
- 2 If there are no funds to buy shares from the departing family member, what procedures to be followed to facilitate the process?
- 3 What is the fair value of the company's share price?
- 4 What if the departing family member owns the majority of voting rights? Will this require different exit procedures?
- 5 Will the departing family member get his money as a lump sum or over installments?



03:30pm



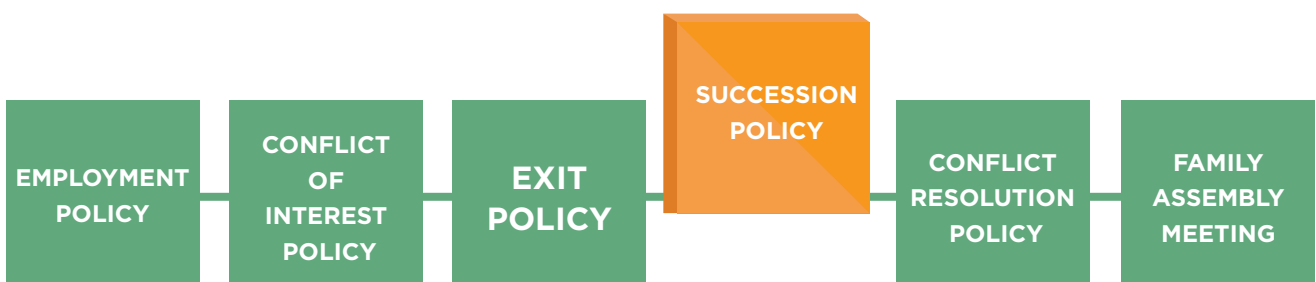
The conversation between Abdelaziz and Abdallah didn't come to an end. **Abdallah started to express his anxiety about the continuity of the business especially with him getting older and facing some health problems. Abdallah was not actually planning for this and didn't groom any of his children to take over as a leader right away.** He actually believes that none of his children is qualified enough to lead the business at the moment. Abdallah started to complain about how Ibrahim is frequently late to work, doesn't attend meetings when expected and reluctant to learn new things. He also pointed out that Nadia is not ready to step into management, although she is passionate about her work and persistently works through large projects assigned to her. As the conversation goes on, Abdallah realized the importance of being around during the transition phase, as he would like to see his legacy passed over to the next generations, and hence protect his family and the business from any misaligned decisions.

“Even if I'm ready to step down, who will be my successor?”

Abdallah is certainly going to face a heated debate and intense family sensitivities in selecting a successor. After discussing all possible solutions with his brother on how to manage this looming transition point effectively, he eventually decided on developing, implementing and communicating a well-structured 'Succession Policy', which includes clear succession criteria.

Succession Policy

- 1 Will the next CEO be a family member or a non-family member?
- 2 What are the criteria of choosing your successors (qualifications and merit or age and seniority)?
- 3 What are the development requirements for the family's next CEO?
- 4 What is the timeline for the succession?
- 5 How are you going to communicate your succession plan to family managers, and employees?
- 6 Role of current CEO (founder of the business) during and after the succession process.



05:00pm



AN HOUR LATER, IBRAHIM JOINED THEM...





Editor's Note:

Such Inter-generational conflicts are very common in family businesses and may lead to communication gaps. Such conflicts could be resolved by simply thinking multi-generationally; the older generations need to balance between valuing the processes of the past, and seizing the opportunities the next generations see for the future. However, when introducing new business approaches, younger generations need to approach the older ones with tact and a strong business case. They should also take sufficient time in educating the older generations on the new approaches while respecting their resistance as being normal. Once the older generation is fully aware and able to accept their ideas, an informed decision could be taken by consensus. In a nutshell, younger generations need to prove to their predecessors that they are taking calculated and smart risks.

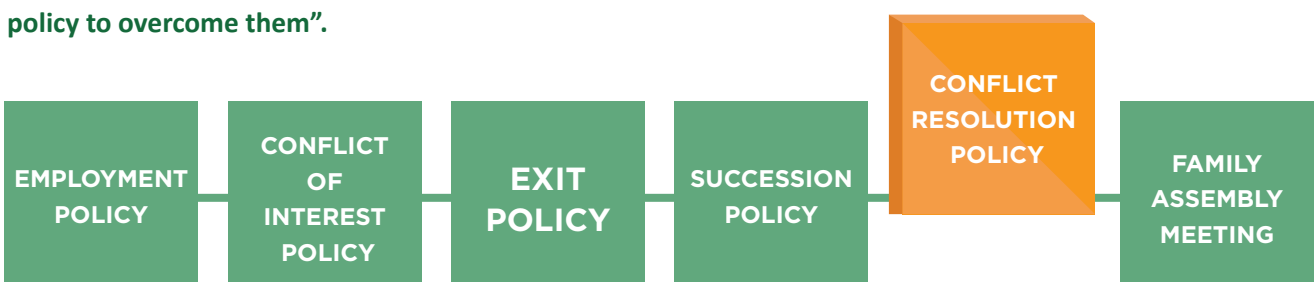
At sunset and over a cup of tea, Nadia joined in the conversation between her father and Uncle to discuss how her constant pursuit of innovation is resisted by her father. Despite the fact that Abdallah is aware of the importance of deploying new technology in today's digital world, he hasn't fully accepted such transformation. He was naturally resistant to change and that's why he wasn't open to introducing ERP to the business and changing the business model. Nadia discussed with her Uncle that she did everything to facilitate such investment decision from meeting with expert service providers in Oracle and SAP to negotiating prices, but all her efforts were in vain. After some discussions, Abdallah started to entertain Nadia's idea again and promised her that he would reconsider his decision, yet she needs to call for another meeting with the service providers to re-evaluate the investment.

An hour later, Ibrahim joined in to discuss with his father the on-going disagreements between him and Nadia and their conflicting opinions on the future direction of the company. He said, "My team and I want to pursue a more aggressive growth strategy, and reposition our brand in the market. While Nadia, as being the head of the finance department, is always not as keen as we are to take on that degree of risk". Ibrahim believes that Nadia's objections are not actually justified and she is just trying to prove that he is an ineffective manager. As the discussion continues, Abdallah started to think about the unsettled conflicts he had to bear and how it can be a really difficult situation when family ties are involved.

Although Abdallah let himself calm down before saying anything to Ibrahim or making a decision, he realized that he had no idea of which way to go. While Abdallah being drowned in distressing thoughts, Abdelaziz decided to share his thoughts by saying, "Even though conflicts occur, it is necessary to find a way to solve the conflict amongst family members in business-related matters". He then added, **"Having a 'Conflict Resolution Policy' is essential to maintain harmony at both fronts; family and business. To develop such policy, we just need to identify the potential areas of conflict and draft a policy to overcome them".**

Conflict Resolution Policy

- 1 Divergent thoughts and opinions between family members in the business context.**



07:00pm



Editor's Note:

Despite the importance of Family Business Meetings, they are not intended to replace regular business meetings or board meetings, but rather complement them. Family Assembly Meetings are informal meetings intended to address the interactions between the family members and the business.

By 7:00 P.M. the circle around Abdallah and Abdelaziz started to grow, as the rest of the family members joined them one-by-one. The moment Abdallah found everyone around him, it gave him a sense of fulfilment and happiness despite all the challenges that surfaced throughout the day. He felt an urging desire to discuss the importance of the healthiness and harmony of The Badawy's Family, and that no conflict, it be personal or business, should affect their relationship across generations. That's when Samia, Abdallah's wife, suggested to develop a constitution to reinforce the family's heritage by outlining the Badawy's philosophies designed to orchestrate family matters that intertwine with business matters. The whole family started entertaining the idea, and asked questions to further understand; What would the constitution include? How would they benefit from it? And what is their particular role in ensuring the sustainability of both the business and the family over generations?

Family Assembly Meeting

- 1 Reviewing the Family Constitution and its key policies, and make amendments if needed.
- 2 Organizing educational events for younger generations to teach them about the business.
- 3 Discussing the unique needs and challenges facing the family members in the family context.
- 4 Incorporating some fun; including games and activities to build cohesion and strengthen the bonds between family members.

As the discussion continues, Samia added; "A key success factor for the implementation of a Family Constitution is having a periodical Family Assembly Meeting. I noticed that Abdallah is always trying to call for random meetings to ask the family members about their concerns or needs; however, since they were never well planned way ahead, not all family members were always able to attend to his requests. So, I believe the Family Constitution will help us have pre-planned family meetings that shall ensure a continuous communication process among the family members in relation to the family business".

Abdallah got so excited with the idea, and started thinking of some guidelines to make this family meeting successful, for example; Who should attend it? What is a good frequency of the Family Meetings? At which age should family members be allowed to vote on family policies etc..

EMPLOYMENT
POLICYCONFLICT
OF
INTEREST
POLICYEXIT
POLICYSUCCESSION
POLICYCONFLICT
RESOLUTION
POLICYFAMILY
ASSEMBLY
MEETING

09:00pm



FAMILY CONSTITUTION

Abdallah decided to announce these key decisions to his family members at the end of the day. He started by saying; “Today was quite a day, plenty of challenges surfaced that could have a negative impact, not only on our family, which is far more valuable than anything else, but also on our family business, which ensures the welfare of all us. You all know that families are like branches on a tree; we all grow in different directions, yet our roots remain as one, and we all have shared obligation to protect the Badawy Family roots across generations. Having said that, and in response to all these issues, I decided to hire an external expert to put a Family Constitution in place and define ‘the rules of the road’ while aligning the vision of the senior generation with the current and next generations. It is time for a real transition, from a ‘Family Business’ to a ‘Business Family’. I’m actually eager to witness the outcomes of this transformation while meeting the expectations of all family members. I also want you all to rest assured that our family business will always be in good hands and will continue to flourish over generations”.

Abdallah’s heart-felt message landed so deeply on each and every family member and made them all think on how to take part in this transformational family initiative. Each and every Badawy’s family member went home that day with plenty of thoughts for a better future for their family business and aspirations for their family legacy.



L O G I C

C O N S U L T I N G

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