



مركز السيدة خديجة بنت خويلد
Alsayedah Khadijah Bint Khwailid Center

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Leveraging an untapped talent pool

How to advance women's role in GCC family businesses







HRH Princess Adelah Bint Abdullah bin Abdulaziz **Chairwoman of the Board of Directors** **of Al Sayedah Khadijah Bint Khuwailid Center**

Al Sayedah Khadijah Bint Khuwailid Center at the Jeddah Chamber of Commerce and Industry specializes in conducting studies on working women in the private sector. The goal of this research is to overcome any difficulties women may face in this area by exploring ways to eliminate obstacles, with regard for the relevant applicable laws and regulations.

The Center's research on women's participation on the executive boards of family businesses tries to shed light on the reasons behind the lack of Saudi female involvement on these boards. It examines women's opportunities to participate in family businesses at the executive, planning, and strategic levels, and aims to reveal the factors affecting women's participation. These include culture and society, the wishes of the company's founder, women's own education and experience, and inherent family issues concerning partnerships.

The study underscores how important it is for women to play an active role in these companies. Family businesses are vital to the GCC1 countries' economies, but contemporary challenges impede the growth of small and medium-sized companies. These enterprises must mobilize all of their resources to keep up with the current pace of economic development. Our recommendations encourage the empowerment of women to help them reach leadership positions, by maximizing their own potential and those of their family's businesses.

My appreciation goes to all those involved in conducting this study as well as those who participated in it. This report allows us to bolster the economic role of women in our society and helps them achieve empowerment.



Dr. Basmah Omair
Executive Director of Al Sayedah
Khadijah Bint Khuwailid Center

The belief and support of the founder of a family business, or its director, in the role of women and the importance of their participation are crucial factors enabling women to obtain seats on the company's board of directors. All that the founder invests as moral or practical support — from providing education and appropriate training, to offering opportunities to gain work experience, to maintaining their decision making process — is reflected in building an individual daughter or sister's personality and in establishing a business culture and community environment inside and outside the company. This, in turn, will affect the company's productivity and sustainability and, consequently, national economic development.

International research has demonstrated that companies which involve women in their boards of directors and in decision making have achieved a high level of productivity compared to other companies. Involving women in decision making has created new dimensions which embody the economic integration between men and women.

Despite the fact that there are several important factors which reduce the participation of women, there are nevertheless positive social changes occurring in the Gulf region today helping them reach leadership positions. These positive changes include an increase in educational opportunities, foreign scholarships for female citizens in various fields, and state policies supporting the increase of women's participation in national economic development.


All these changes are making a contribution by equipping women with the ability to participate as active members on boards of directors and to develop family businesses. This is particularly important as family businesses represent an integral part of the Gulf region's job market.

The participation of women in family businesses may contribute to opening up new opportunities for women's employment in different areas within the company. Such changes on their own will contribute to raising the income of both the individual and the family — and by extension the community.

Al Sayedah Khadijah Bint Khuwailid Center collaborated with Strategy& to conduct this study by interviewing first, second, and third generations of the region's leading family companies to get a closer look at what is occurring inside companies and to learn more about the actual role of women in family businesses in the Gulf countries. The goal is to identify the effectiveness of women's participation, the obstacles they may encounter, and the means of removing these hindrances, so that women can achieve sustainable participation.

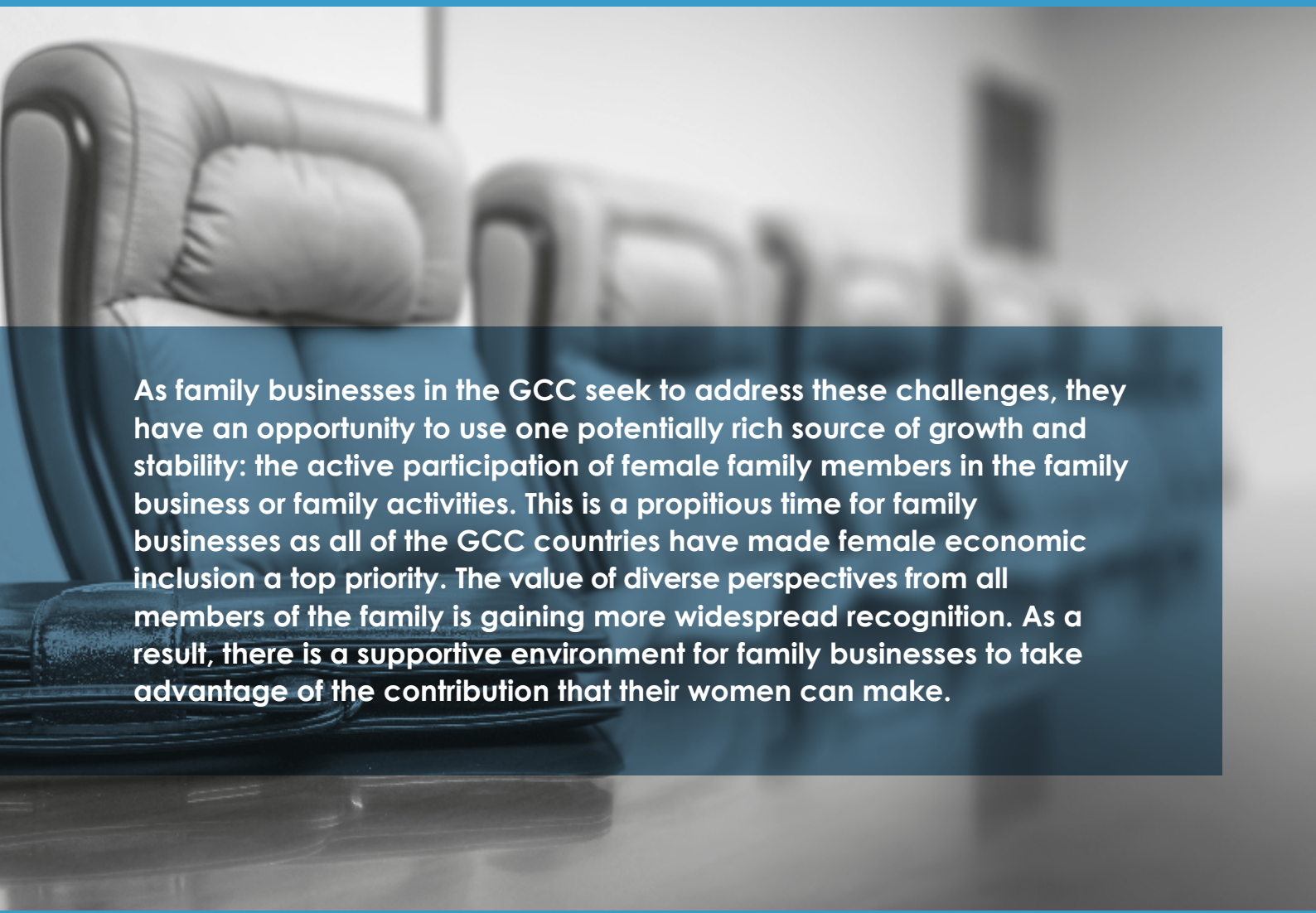
Women's growing

**role in
family businesses**



Family-owned businesses are a crucial part of the economy in the GCC, contributing to an estimated 80 percent of the region's non-oil GDP.² Many of these businesses are at a crossroads in their development: Established 50 to 60 years ago, during a time of strong macroeconomic growth and limited foreign competition, they are now facing the transition from the second to the third generation of ownership (that is, from the children to the grandchildren of the founders).

This is often accompanied by crises revolving around control, succession, and dilution of ownership among a large number of shareholders.



As family businesses in the GCC seek to address these challenges, they have an opportunity to use one potentially rich source of growth and stability: the active participation of female family members in the family business or family activities. This is a propitious time for family businesses as all of the GCC countries have made female economic inclusion a top priority. The value of diverse perspectives from all members of the family is gaining more widespread recognition. As a result, there is a supportive environment for family businesses to take advantage of the contribution that their women can make.

Women in the region have historically faced cultural obstacles to participation in family businesses similar to the challenges that women face all over the world; although issues of work–life balance and perceptions that women are not suited to senior roles may have been more pronounced in the GCC, the problems are similar. However, a number of social, cultural, and economic factors are breaking down these barriers. GCC family businesses are also looking at global best practices and finding that female family members are increasingly becoming a vital force within their foreign counterparts.

In the U.S., for example, over one-third of family firms are led by female CEOs, and half of them have hired at least one female family member in a full-time management position.³ On the governance side, 80 percent of U.S. family-owned businesses have at least one female board director.

Indeed, family businesses are mirroring larger trends in which women's leadership is vital to companies' success. For example, the percentage of women in senior management positions

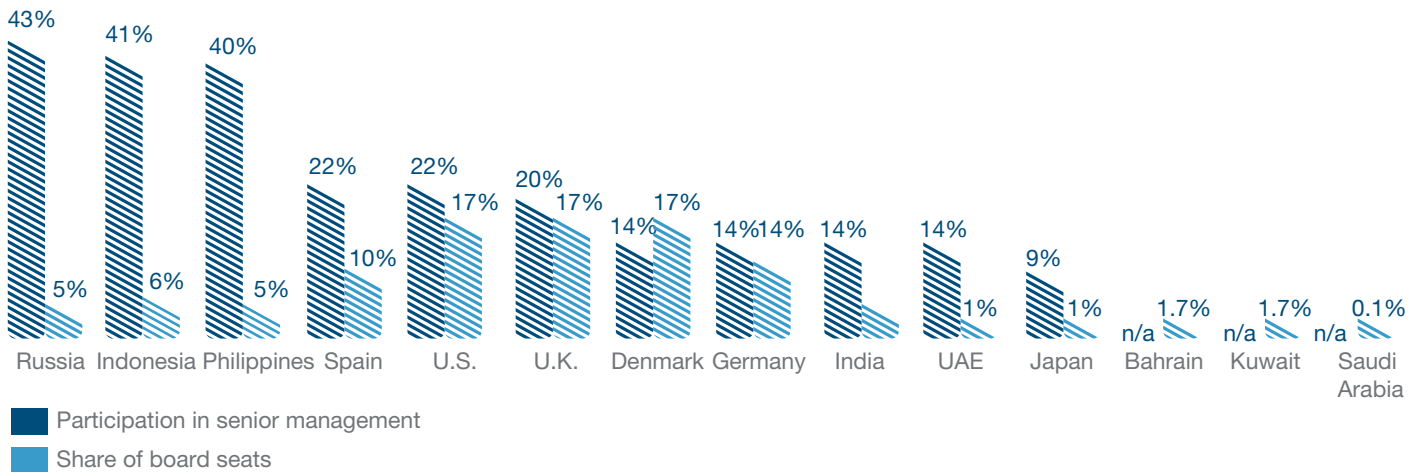
globally increased from 19 percent in 2004 to 24 percent in 2014. In particular, emerging markets offer an exceptional example of companies leveraging women's insight and experience. The rapid economic growth in these markets has created considerable opportunities for women to advance, which has resulted in relatively high female participation in senior executive positions: Women represent 43 percent of senior managers in Russia, 41 percent in Indonesia, and 40 percent in the Philippines — compared to 22 percent in the U.S., 14 percent in Germany, and 9 percent in Japan (see Exhibit 1, page 5).⁴

Advancements in governance have been less dramatic. Women's representation on the board of large public companies in industrialized countries increased from 9.7 percent in 2009 to 11.8 percent in 2013, and from 6.9 percent to 7.4 percent in emerging countries.⁵ The results suggest that emerging countries involve women significantly more in senior management positions than in governance positions, whereas industrialized countries favor more balanced yet less significant involvement. Specifically, the EU's consideration of a 40 percent female quota on boards, while still under discussion, is part of a recognition that more effort is needed to promote female participation at the highest levels of corporate life. A recent survey, for example, found that the ratio of women to men on the boards of Fortune 500 companies has stagnated at less than 17 percent.⁶

Exhibit 1

Women in emerging markets are leading the way in management and board roles

Percentage of Female Senior Managers in Listed and Privately Held Companies Compared with Percentage of Board Seats Held by Women in Large Public Companies, 2014



Source: Grant Thornton International Business Report; GMI Ratings; Catalyst.org

We believe a number of trends have contributed to women's growing leadership. Over the past two decades, including:

- changing social conditions, such as smaller family sizes and higher average age of marriage, which provide more time for women to extend their education and kick-start their professional career.
- Increasing women's efforts to acquire the skills that would make them eligible for a wider spectrum of roles in business.
- Growing social acceptance that encourages women to be more involved in the family business.



“ We believe a number of trends have contributed to **women’s growing leadership.** ”

The increased participation of women in the business can offer companies direct financial benefits.

For example, a recent study by Credit Suisse found that large companies with female board members outperformed companies with all-male boards.

In the past six years, companies with at least one female director on the board achieved net income growth that was 40 percent faster than companies with only male board members.

However,if GCC family businesses are to achieve the results they want by tapping into this vital resource, they need to better understand a number of factors:

- What barriers do women face to participating and succeeding in GCC family businesses?
- What roles are women playing successfully and how have these roles evolved over time?
- What initiatives would further involve women in family businesses?



Large companies with
female board members

out performed companies
with all-male boards

Methodology

Al Sayedah Khadijah Bint Khuwailid Center and Strategy& (formerly Booz & Company) launched a joint research project to investigate the role of women in family businesses across the GCC.

Publicly available data related to women's participation in GCC family businesses is limited. The research outlined in this document seeks to deepen the current pool of knowledge by understanding women's roles, identifying the main challenges they face, examining the trends related to their involvement, reviewing the social and economic changes that affect their involvement, and finally extracting lessons on best practices.

We have preferred this qualitative approach over quantifying the number of women active in family businesses to better identify the issues women face and the corresponding viable responses.

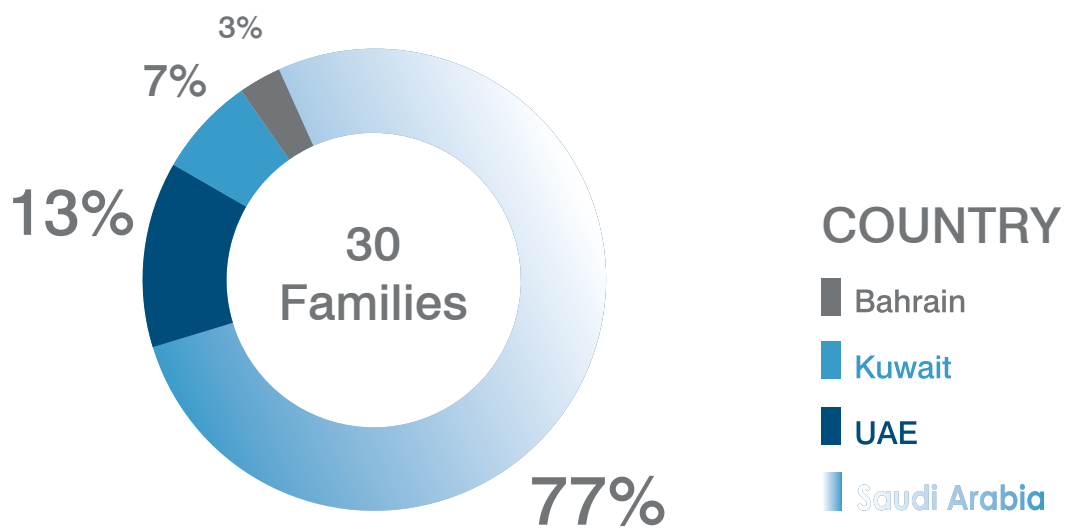
Our research is based on insights from extensive client work, publicly available information, and interviews that we conducted with stakeholders in 30 leading family businesses in the GCC in the past twelve months. Interviews often covered more than one family member to contrast different points of view. Our sample was drawn from large and medium-sized family firms in the region.

Although the interview sample focused predominantly on Saudi Arabia, it also included families from the United Arab Emirates (UAE), Bahrain, and Kuwait to draw wider regional conclusions. The interviews included both genders and several generations working in the family business (see Exhibit 2, page 7). The diversity of interview subjects generated a wide range of responses, from which we have drawn the most frequent observations in distilling our themes.

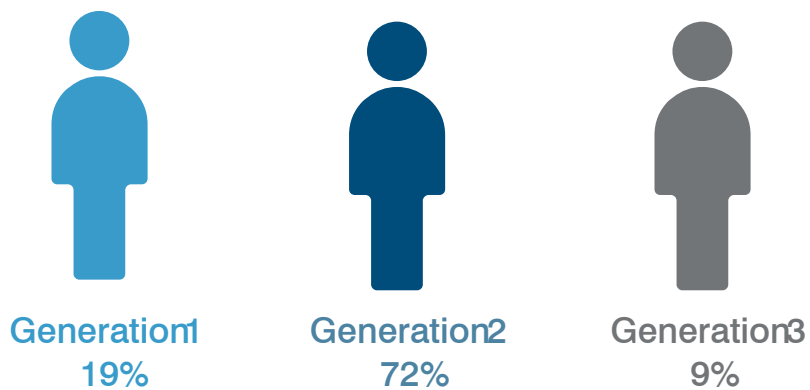
Exhibit 2

Interview statistics

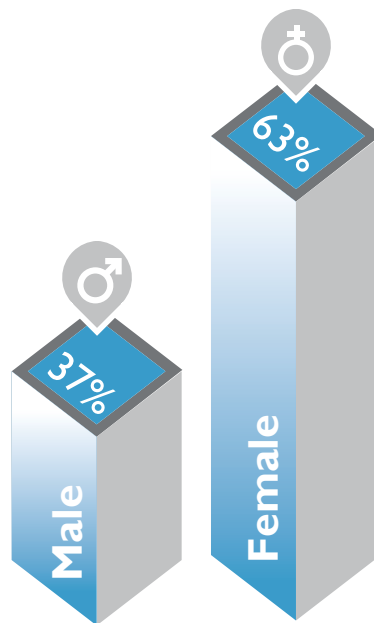
Interviews Conducted by Country:



Interviews Conducted by Generation:



Interviews Conducted by Gender:



Note: The founder of the business is generation 1, the founder's children are generation 2, and the founder's grandchildren are generation 3.

Source: Strategy& GCC family business survey, 2013–2014

Barriers to **participation**

To address the obstacles to women’s participation in family businesses, it is first necessary to understand the specific regional background that has created those obstacles. Historically, there have been well-known barriers:

- The cultural perceptions of a patriarchal society, namely that women need to focus on raising their children, leading to reluctance to involve female siblings or children in the business
- Misalignment between the requirements of the business and the extent of women’s education or training.
- Women’s lack of interest or motivation to be active in the family business
- Fierce competition within large families for a limited number of senior roles, in which women are at a disadvantage as they must develop comparable skills to their male siblings while taking on more family responsibilities.

However, our interviews show that male and female members of GCC family businesses disagree on the most important issues facing women today (see Exhibit 3, page 9). For example, more than half of the women interviewed said that they wish they were getting more support from male family members, including their fathers, husbands, and brothers, to engage in the family business. By contrast, only 17 percent of men mentioned lack of support as one of the challenges facing their female siblings. Fifty percent of male interviewees believe one of the top challenges for women in reaching senior management positions is the limited social acceptance in the region. Less than one-third of the women agreed with this statement.

“ Our interviews show that male and female members of GCC family businesses disagree on the most important issues facing women today. ”

Members of different generations within family businesses also have different perceptions about key barriers. According to interviewees who founded their family businesses, the main reason for not involving their daughters in the business was the limited fit with their company's industry. They believe women would face significant difficulties in male-dominated industries such as oil and gas, construction, or technology.

In contrast to first-generation family members, only 20 percent of second- or third-generation family members, both male and female, believe that the sector of operations would affect women's participation in the business.

For example, a second-generation female interviewee pointed out that several CEOs have made it to the Arabian Business magazine's 2014 list of the most powerful Arab women, including women leading companies in the construction, banking, or transportation sectors.⁸

These figures highlight the contrasting perspectives of — and perhaps the lack of communication between — men and women on the subject of female involvement in family businesses. In order for these companies to access their female talent pool there is an urgent need for male family members to understand women's aspirations and for female family members to calibrate the expectations of their fathers, uncles, and male siblings. To that end, it is helpful to look first at the areas where women are having an impact today and how their relation to the family business is changing.

In contrast to first-generation family members, only 20 percent of second- and third-generation family members believe that the sector of operations would have a negative affect on women's participation in the family business.

Case Study

The battle for an active role in the family business

For more than 10 years, Sara has been on her family business's board of directors.⁹ However, she has never been involved in board decisions. "My father is very protective and does not want to get me involved in the business," she said. Governance matters have been handled exclusively by male family members.

Sara's father, founder of a diversified business in the GCC, nominated all his sons and daughters as directors of the family group. Even though males and females were assigned similar positions, they were meant to play different roles: Males were to handle management and governance responsibilities, whereas females' involvement was limited to signing legal documents as required by their director title.

"My sister and I tried so hard to play an active role in the business," said Sara. "However, our father and brothers have always discouraged us from that." Social conservatism prompted male family members' concern with involving their sisters in the business. "My father and brothers had reservations about letting me deal with other men at work," noted Sara. In addition, her male family members perceive the role of females to be limited to the family: "My father thinks that I should spend time with my husband and children and not worry about business matters."

After several years of battling for active participation on the board, Sara diverted her interest to other matters. She joined the boards of various charity foundations, where she was able to add value and actively contribute to the community. In parallel to her philanthropic activities, Sara started a new venture in the retail field. She managed the company for a couple of years but then closed the business following pressure from her family.



After several years of battling for active participation on the board, Sara diverted her interest to other matters. She joined the boards of various charity foundations, where she was able to add value and actively contribute to the community.

Exhibit 3

The top three issues raised by interviewees varied considerably

Percentage of Interviews in Which Issues Below Were Mentioned as Among Top Three Issues to Be Addressed

	Female	Male	
Women's perceptions	Support from family members	56%	17%
	Transparency on decision making	19%	-
	Full-time dedication to own family (spouse and children)	31%	17%
	Interest in working in the family business	13%	-
Shared perceptions	Level of training and technical skills	50%	50%
Men's perceptions	Social acceptance	31%	50%
	Opportunities/sectoral fit	6%	50%

Source: Strategy& GCC family business survey, 2013–2014

Most male interviewees in the **second generation** agree that their female siblings are much more active in the business than they were 10 or 20 years ago, and employment in the family business is increasingly prevalent among women in the third generation.

Exhibit 4

Roles that women play in GCC family businesses

Core Business Activities



Contributor to daily business operations
35 percent of interviewees believe that a significant increase will occur in women's employment in their family businesses



Enforcer of corporate governance
According to the Pearl Initiative, 32 percent of family-owned firms in the GCC have mixed-gender boards (based on interviews with representatives from more than 100 family-owned firms)

Enabling Business Activities



Promoter of family culture and values
55 percent of interviewees believe that there will be a significant increase in women's role in developing a family's culture and disseminating its values



Paragons of philanthropy
50 percent of interviewees mentioned that women are leading their families' philanthropic activities

The evolving roles of women in GCC family businesses

Women's roles in family businesses tend to exist in two spheres: core business activities, such as management and corporate governance, and enabling business activities, such as promoting family values and preparing the next generation to join the business. Within each of these spheres, women are playing clearly defined roles (see Exhibit 4).

Core business activities: Contributor to daily business operations

Driven by cultural changes and the recent widespread drive to employ more women in the GCC, family firms are increasingly relying on women to take on more senior leadership roles. Most male interviewees in the second generation agree that their female siblings are much more active in the business than they were 10 or 20 years ago, and employment in the family business is increasingly prevalent among women in the third generation.

Among our interviewees, women tend to cluster in specific corporate functions such as human resources and marketing. Although these functions were historically considered support services having minimal impact on the business, several corporate and technological changes have made these services more strategic. This "functional revolution" (described in a 2013 Strategy& article entitled "How the functional revolution can promote women") provides opportunities for women to have more impact on the business and achieve senior management positions within their firms.

In addition, a few women have achieved CEO roles in the GCC, while even more are taking senior leadership roles as heads of substantial business units as well as functional heads.

Most have had two or more years of professional work experience outside the family firm, which has contributed to their business acumen and allowed them to bring an outside perspective to the business. About one-third have also sat on external boards and advisory councils prior to joining their own family boards.

Although most of these women have been asked to join the family firm's board of directors after having proven themselves outside the family firm, their brothers were expected to participate on the board with less experience.

Also, women on boards have had similar challenges in terms of struggling at first with financial literacy — the knowledge of financial matters needed to make informed judgments and decisions on the management of money.

One of our second-generation female interviewees noted, "The first couple of years on the board, I acted as a listener and learner and worked on my financial literacy skills." Another explained, "I did not have a financial background. That was my personal fear when I first joined the board...I now realize that I have a lot to add beyond financials. I was bringing in a new perspective on organizational structure, talent management, and social media."



One second-generation male family member noted, "Women often lack the right skills because they do not always have the opportunity to work in multinationals before joining the family business."

Core business activities

Enforcer of corporate governance

Women in the GCC have traditionally held seats on the boards of family-owned businesses. The Pearl Initiative, set up to improve corporate transparency and accountability in Arab countries, interviewed representatives from more than 100 family-owned firms in the GCC, and found that 32 percent had mixed-gender boards¹¹. As validated through our research, this gender diversity in family businesses is often driven by the founder's objective of restricting the company's board seats to family members, including his sons and daughters.

A strong and properly constituted board is essential for good governance. However, despite female family members' elections to boards, our research suggests that few women are actively participating or providing input during board meetings. As one of the second-generation female family executives said, "It takes more time and effort for a woman to prove herself and be trusted by her peers; this is both a challenge and an opportunity for us to prove ourselves."

In some cases, there is a question as to whether they have the necessary background. One second-generation male family member noted, "Women often lack the right skills because they do not always have the opportunity to work in multinationals before joining the family business." In fact, among the women we interviewed, those who have made it onto their family business's board tend to share similar experiences.

Indeed, many first-generation women act as the “family glue,” ensuring that family unity trumps any differences in opinion about the business.

Other important aspects of this role include organizing social events that offer opportunities for building relationships, as well as overseeing children's education to prepare them for roles in the business.

Additionally, some families have established family councils that manage family-related activities (see “Managing the family,” page 14). These activities were traditionally performed as part of the business but families in the region are recognizing the need to separate family and business governance structures. Second- and third- generation women frequently play an active role in these family councils. For instance, a prominent family in Saudi Arabia has recently created a family council that includes an education committee. The mandate of the committee is to advise young parents in the family on the best education options for their children; follow up and support third- generation university students; and organize educational retreats for family members. The committee is run entirely by female members of the family.



We call our grandmother the Chief Promotional Officer. She continues to bring the family together to ensure our unity.

Enabling business activities

Promoter of family culture and values

Our interviewees noted that one of the most critical roles that women play within family businesses stems from their role in the family itself. Both women who are directly involved in the family business and those who are not act within the family as the standard-bearers for family values and the linchpins of family relationships. The intertwined nature of the family and the business means that this influence is more important than it may sound: Women's strong commitment to the business and the family add tremendous value and can go so far as to affect the company's performance. For example, one female second-generation family member noted, "We call our grandmother the Chief Promotional Officer. She continues to bring the family together to ensure our unity."

Case Study

Proving herself in the family business

Samera, one of the second-generation family members we interviewed, is the head of human resources in her family's construction business in the GCC.¹² Samera is a clear example of how a woman can succeed in gaining her family's trust to take on a leadership role in the family business.

Although she had no work experience before starting with an entry-level role in HR, Samera was a fast learner who was able to quickly prove herself. Her acute sense of responsibility, attention to detail, and desire to overachieve allowed her to rise to head of the HR department in only four years.

"I had to prove myself to my family," she said. "I could not take my position for granted. I worked hard and continuously pushed myself to have greater results." Today, besides being a shareholder & senior manager, she is also a board member.

According to Samera, the primary factors that limit women's participation in family businesses are their limited financial literacy; the lack of incentives to seek full-time employment; and the legal constraints in some GCC countries that keep women from driving to work and require segregated work spaces, making it more difficult for companies to hire women.

Samera believes that strict regulations and limited social acceptance will continue to limit women's involvement in corporate governance. Nevertheless, she feels that GCC women are likely to take on more roles in enabling business activities in the next five years. As an example, her mother works for a charitable organization that empowers women and receives funds from the family business to sponsor an academy, which offers free training in retail, secretarial skills, accounting, and IT.

“ I had to prove myself to my family. I could not take my position for granted. **I worked hard** and continuously pushed myself to have greater results. ”

Managing the family

Many family businesses have found a need for activities that are more related to the family, and they ensure that they have their own governance structure. Women can and do play an active role in many of these activities, which include:

- Family councils to coordinate enabling business activities, convene the family assembly, and represent family members in dealing with family institutions (e.g., a charitable foundation) that are not related to the business.
- Family education and development to ensure that younger generations are provided with the educational tools and support (e.g., coaching, mentorship, career planning, and job placement) that will allow them to work in the family business or outside.
- Family communication and entertainment to build relationships and promote unity, with responsibility for family events and newsletters

Over **50 percent** of interviewees mentioned that women are leading their families' philanthropic activities, and more than **90 percent** expect women to take on even larger philanthropic roles in the coming years.

Enabling business activities

Paragons of philanthropy

Many GCC family businesses have philanthropic arms, which may consist of family foundations, corporate social responsibility efforts within the company, or both. Because those foundations that are separate from the business tend to bear the same name as the family and the business, they are intertwined in the public eye.

Regardless of how philanthropic efforts are structured, they are a popular arena for the participation of female family members. Over 50 percent of interviewees mentioned that women are leading their families' philanthropic activities, and more than 90 percent expect women to take on even larger philanthropic roles in the coming years.

Several GCC families have described their philanthropic activities as an ideal setting for women to be involved in the family.

They expect women to benefit from more flexible hours than full-time employment allows and believe that women can play a better role in developing and executing the right programs to support those in need, building on their social connections and emotional intelligence, without the need for extensive financial literacy.

Philanthropic activities are also viewed by family members as a good place for women who want to bring their talents to bear but do not see a good fit within the business, or have not been welcomed into a role. “When I realized that my involvement in the business was not possible, I decided to focus on charity,” one interviewee said.



When national economic trends became more supportive of women's employment, this reflected positively in our family business. Previously, we did not have the foresight to include nor develop female members of the family.

Although philanthropy remains at the heart of the families' values and beliefs, delegating large programs to specific individuals, whether male or female, allows the rest of the family to focus on running the business. Accordingly, and until women take on more active employment or board roles in the family firm, philanthropy remains an attractive and reasonable necessity. As one second-generation female interviewee noted, "My brothers and sisters are strongly attached to our father's values and this needs to be preserved through philanthropy."

How women can take their place in family businesses

Although the participation of women in family firms is a nascent trend in the GCC, we believe women will play more active roles in their family firms in the near future. Indeed, while about 30 percent of interviewees expect women to continue facing the same challenges in their families, more than 50 percent believe the severity of these challenges will decrease in the coming years, at least slightly.

Furthermore, when asked about their expectations for the future role of women in GCC businesses, male and female interviewees said unanimously that they expect higher levels of involvement:

- 35 percent believe that a significant increase will occur in women's employment in their family businesses (the rest expect the level of involvement to increase slightly or remain the same)
- 20 percent believe that there will be a significant increase in women's involvement at the governance or board level (the rest expect the level of involvement to increase slightly or remain the same)
- 55 percent believe that there will be a significant increase in women's role in developing a family's culture and disseminating its values (the rest expect the level of involvement to increase slightly or remain the same)

There are three important trends that can support any increase in women's participation in GCC family businesses:

1- The high level of female education

2- The gradual growth in women's labor participation and entrepreneurship

3- Family firms revisiting their governance and planning for succession.

Senior family members and, more important, the government, will need to undertake initiatives for these three trends to have the desired impact in terms of giving family businesses the competitive edge that comes from incorporating women.

For example, senior leaders within family businesses can undertake initiatives to accelerate these trends within their own families, offering support for women's responsibilities at home and access to growth opportunities in the business, and thus increase their company's likelihood of maximizing their female family talent.

Governments' support of women's employment is critical and has had a positive, if indirect, impact on promoting a more active role for women in their family businesses. For example, women are expected to take on more senior roles at an early stage of their careers, or become entrepreneurs who develop new ventures within or outside their family businesses. As a first-generation male family member explained, "When national economic trends became more supportive of women's employment, this reflected positively in our family business. Previously, we did not have the foresight to include nor develop female members of the family."

A high level of female education

Women in the GCC have succeeded in overcoming the gender gap in both primary and secondary schools. In the UAE, where schooling is government-funded to the bachelor's degree level, the gender gap in enrollment in secondary school is insignificant. Indeed, a 2009 UNICEF study found that 84 percent of girls in the country were enrolled in secondary school, compared with 82 percent of boys.¹³

In higher education, women outnumber men in percentage of graduates across the GCC countries, and they are beginning to venture into fields traditionally dominated by men. This will create better alignment with their family firms in the future. Contrary to stereotypes, women are increasingly choosing to pursue degrees in the sciences, business, law, and engineering fields. Their educational advancement is bolstered by scholarships to study abroad, which more women are receiving: For example, the King Abdullah Scholarship Program in Saudi Arabia launched in 2006 with fewer than 10,000 students. It sponsored 165,000 students for the 2012/2013 school year, and that number continues to grow. Even more impressive, over 20 percent of those students are women.

Governments can take these educational trends a step further by sponsoring and promoting training courses for women on topics such as financial literacy (see "Improving financial literacy," below) and "how to be a board member," which will inform them on their roles, responsibilities, and the corporate expectations of their performance.

Family business leaders can take advantage of these trends by ensuring that all members of the family supplement their formal education with the training that will prepare them for roles in the business. Female interviewees raised a need to continue focusing on developing their financial literacy and business acumen.

In particular, they expressed a desire for hands-on training and corporate internships. "Understanding the culture of the business is key in GCC family businesses. Our challenge is getting access to training, not education," commented one second-generation female interviewee in Saudi Arabia.



" Our challenge is getting access to training, not education."

Nearly 50 percent of female interviewees cited a lack of financial skills as one of their key challenges. ”

Gradual growth in labor participation and entrepreneurship

GCC countries have made significant steps in education for women, but participation in the labor force still lags behind developed countries at around 30 percent, compared to 70 to 80 percent for most Organisation for Economic Co-operation and Development (OECD) countries.¹⁴ More important, according to a recent study conducted by the International Labour Organization, wide disparities in female workforce participation within the GCC exist, with 18.2 percent of women in Saudi Arabia entering the workforce, 28.6 percent in Oman, 39.4 percent in Bahrain, 46.6 percent in the UAE, 43.4 percent in Kuwait, and 50.8 percent in Qatar.

Nonetheless, all GCC countries have placed the issue of greater female employment at the forefront of their national agendas. Programs by business associations and governments can be stepped up to get more women involved in business in general and family businesses in particular. For example, the government can make its critical role felt by supporting and endorsing the female presence on boards as part of its wider push for female economic inclusion. In Saudi Arabia, the ministry of labor could further encourage female participation by considering quotas for women on boards or in senior management positions.

Already in the UAE, the Dubai Business Women's Council, under the Chamber of Commerce and Industry, organizes opportunities for dialogues among businesswomen and the business community, conducts discussions about issues and recommendations to benefit businesswomen, offers training and support

In Saudi Arabia,

the ministry of labor could further encourage **female participation** by considering quotas for women on boards or in senior management positions.

programs to businesswomen, and represents and creates awareness for businesswomen's concerns in the local and global communities.

In Qatar, the Qatari Businesswomen Association was established to enhance women's contribution to economic activity. The Association has launched a number of important initiatives like Qatar International Businesswomen Forum and organized a number of activities, conferences, and programs that support Qatari women.

Such networking programs can be bolstered with formal mentoring and sponsor programs. These are important because they provide women with the support, encouragement, and guidance that are required for them to advance their careers. In particular, women who are engaged and empowered in the family business are a good influence, acting as role models for younger generations and advocates for the business within the family.

These initiatives, coupled with an increasingly encouraging stance on women's empowerment, are expected to contribute to sustainable growth in women's employment. Already, women represent 50 percent of the entrepreneurs in small and medium-sized enterprises in the MENA region, and manage approximately US\$385 billion of assets in the GCC countries. Senior members of the family can also encourage women's participation in the workforce in general and the family business in particular via mentoring, career coaching, and placements in other companies. They can encourage all members of the younger generations, particularly women, to seek professional experience outside the family business, whether through entrepreneurship or employment at another firm. For many aspiring women in family businesses, it will be important to gain four to five years of experience working in another company before joining the family business. One female interviewee explained, "I worked for six years outside the family business, which contributed to my business acumen and managerial skills. It gave me exposure to international best practices, the latest IT, and the importance of diversity in the workforce. This allowed me to see where my family firm was and where it could be, comparatively."



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Revisiting family firms' governance and planning for succession

In the next five to 10 years, a large number of GCC family businesses will be facing a transition to the third generation. Many families are looking today at how to manage the looming succession, addressing typically rigid ownership structures and putting in place adequate family and corporate governance frameworks.

Most of the families interviewed are either in the process of developing their family governance or starting to think about the process. For example, one of the second-generation male interviewees noted: "Our family is getting ready to welcome the third generation in the business. Accordingly, we need to ensure we have a clear mechanism to govern our different roles as family members, owners, and managers."

Although planning for succession is one of the most difficult, and most critical, challenges that family businesses face, it can also be

a great opportunity to draw from the entire talent pool, not just the family's men. As female family members become shareholders via inheritance, they tend to request a role in the governance and oversight of the business. Particularly in families with more female members, women even assume leadership roles. Several interviewed families have established a family council to lead these governance initiatives, with the participation of both men and women.

Enacting a governance model and planning for succession require a carefully designed transfer of values to the next generation. Women are necessary to this intentional transmission of family culture in two ways. First, women of the second and third generation must be recognized and mentored as strong contributors to the family's success. Second, they should be acknowledged for their role as the educators and influencers of future generations, and encouraged to take on roles as mentors themselves.

The transition to future generations of the family can therefore provide opportunities for women to take on more active roles within the family business. For example, one family that we interviewed has already developed its governance framework and set up a program to integrate more female family members across the organization. As a male first-generation family member said, "We have recently developed our family governance framework. Our family charter acknowledges that women will have the same opportunity for involvement in the business as men."

Improving financial literacy

Financial literacy has become an increasingly important skill, and perhaps nowhere is it more important than within a family business. Knowing the basics of credit and debt, how to read and challenge financial statements, or the fundamentals of investing are key skills in today's increasingly complex financial marketplace.

Incorporating a financial education program into the family business is important for succession planning. It offers all members of the second and third generations the tools to succeed in an increasingly complex business world, especially for women in the family: Nearly 50 percent of female interviewees cited a lack of financial skills as one of their key challenges.

In the initial stages of education, three areas should be addressed when developing a financial literacy program for family businesses:

- The basics of personal finance and managing personal wealth;
- The basics of business and corporate finance;
- How to segregate personal from business finances;

this can be done through an understanding of the value of setting dividend policies and ensuring the businesses are financially self-sustainable. However, such financial literacy education needs to go beyond the basics. Such training also needs to discuss personal and family wealth management.

Indeed, the sophistication that will be demanded of women in family businesses means that such courses should be offered at universities and business schools, as well as at government-sponsored training centers and possibly chambers of commerce.

Case Study

An inspiring set of sisters

Three sisters with director-level roles in their family's business demonstrate the impact that women can have in a family business, when given the opportunity.

Raja was the first sister to join Easa Saleh Al Gurg Group, the conglomerate that her father founded in the UAE, which operates in construction, consumer goods, and retail, among other sectors.¹⁵ When her father asked her to join the business, Raja, who studied English literature, already had a successful 10-year career in education and was headmistress of Zabeel Secondary School for Girls. To ensure the opportunity was a good fit for her career, she took on a few experimental roles before joining the company full time. Raja is now the group's managing director and an advocate for women's participation in the workforce. For example, she is president of the Dubai Business Women's Council. Raja was ranked 25th among the 100 most powerful Arab women in 2013 by Arabian Business magazine.

One woman whom she inspired was her sister Muna, who joined the company 12 years ago as a junior marketing executive and worked her way up to her current position as director of retail. Before joining the family business, Muna worked in advertising at Saatchi & Saatchi. She noted, "It is very important for family members to get experience outside the family business." Muna took steps to foster her own professional development and ensure that she could make strong contributions to the business. "I applied for an executive MBA at London Business School to boost my financial literacy," she said. "I also learned a lot in my first years on the board, which allows me to add more value now."

A third sister, Maryam, holds a director role as well. Maryam had worked for 17 years in the education field outside the group before joining the family business.

To empower women within the family group, the three sisters set up the Al Gurg Women's Empowerment Forum, which acts as a platform for women in the business to voice their opinion.

Besides their role in the group, the three sisters hold a number of other positions in companies outside the family business. They also devote time to support various initiatives of the Easa Saleh Al Gurg Charity Foundation.

Unusually, whereas the second-generation women in this family are deeply integrated in the company, women of the third generation have yet to express as much interest. Currently, there are three men from the third generation working in the family business and just one woman.

Muna acknowledges a few challenges facing women: a lack of work-life balance; social barriers to networking that reduce women's value to the firm; and a skills gap between men and women in terms of the business's needs. "We need a program that brings the third generation into the family business at a young age," she said. "However, we should not push women to join the family group. It should happen on a case-by-case basis, if and only if it fits with their individual personalities and goals." She noted, for instance, that she is mentoring one of her nieces in the areas of digital advertising and social media. Undoubtedly, she will follow in Muna's footsteps in inspiring more women in the family to carry on the legacy of the business.

Conclusion

Family businesses benefit from greater female participation when women are well-prepared for the role and properly integrated into the organization. Research shows that companies with at least one female director on the board achieved net income growth that was 40 percent faster than companies with only male board members.¹⁶ Indeed, women's participation has a positive impact on their families, businesses, and society at large.

In light of this broader impact, governments have a vested interest in promoting women's participation in family businesses. Governments should continue their efforts to empower more women to participate in national development and break down social obstacles to female involvement. Governments need to lead, support, incentivize, and educate about how women's inclusion in family firms can help these enterprises through generational transitions and in a more competitive external environment. They can also help to ensure that women have access to appropriate education and training with a focus on management and finance, and consider female quotas for businesses similar to existing nationalization quotas.

Those involved in family businesses also have an important role to play. Governance will be critical: As many families transition from the second to the third generation of leadership, they will need a clear mechanism to govern different roles as family members, owners, and managers. It is imperative for family members to engage in an honest and direct discussion of women's involvement in the business, led by the founder or the head of the business. Although women may face initial resistance, they should take the initiative to reach out to their fathers, uncles, or siblings; chart a career path according to their interests and capabilities; gain experience outside the family business that will allow them to bring in fresh perspectives; and identify the appropriate opportunities to support the family business. These men can encourage women to participate in the family business. Their support is essential for women family members to be accepted by the entire business — a support that provides women with confidence.

The increasing prevalence of women in family businesses, particularly among the younger generations, is a harbinger of things to come. It is essential for family businesses to channel their interest, energy, and enthusiasm into areas that will benefit the business.

Endnotes

- ¹ The GCC countries are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.
- ² PwC Family Business Survey 2012, "Family firm: A resilient model for the 21st century," October 2012 (<http://tinyurl.com/kwh9vs9>).
- ³ Raymond Institute/MassMutual, American Family Business Survey, 2003 (<http://tinyurl.com/kqh4dek>).
- ⁴ Dominic King and Francesca Lagerberg, "Women in business: from classroom to boardroom," Grant Thornton International Business Report 2014 (<http://tinyurl.com/kpe7vhw>).
- ⁵ GMI Ratings, "GMI Ratings' 2013 Women on Boards Survey" (<http://tinyurl.com/lodjroz>).
- ⁶ Matt Palmquist, "Female Directors and Their Impact on Strategic Change," strategy+business, May 12, 2014 (<http://www.strategy-business.com/blog/Female-Directors-and-Their-Impact-on-Strategic-Change>).
- ⁷ Credit Suisse Research Institute, "Gender diversity and corporate performance," August 2012 (https://www.credit-suisse.com/newsletter/doc/gender_diversity.pdf).
- ⁸ Arabian Business, "The World's 100 Most Powerful Arab Women," March 3, 2014 (<http://www.arabianbusiness.com/the-world-s-100-most-powerful-arab-women-541034.html>).
- ⁹ This name and some others have been disguised to ensure confidentiality.
- ¹⁰ Leila Hoteit and Mounira Jamjoom, "How the functional revolution can promote women," Forbes Middle East, March 2013 (<http://english.forbesmiddleeast.com/read.php?story=1028>).
- ¹¹ Tess De La Mare, "Woman on Boards of One-Third of Family Businesses in Gulf States," Campden FB, December 17, 2012 (<http://www.campdenfb.com/article/women-boards-one-third-family-businesses-gulf-states>).
- ¹² This name has been disguised to ensure confidentiality.
- ¹³ UNICEF, "United Arab Emirates," MENA Gender Equality Profile, Status of Girls and Women in the Middle East and North Africa, October 2011 (<http://www.unicef.org/gender/files/UAE-Gender-Eqaulity-Profile-2011.pdf>).
- ¹⁴ World Bank database using modeled International Labour Organization estimate (<http://data.worldbank.org/indicator/SL.TLF.ACTI.FE.ZS>).
- ¹⁵ This sidebar was developed based on an interview with the Al Gurg family and was reviewed by Muna Easa Al Gurg.
- ¹⁶ Credit Suisse Research Institute, "Gender diversity and corporate performance," August 2012 (https://www.credit-suisse.com/newsletter/doc/gender_diversity.pdf).

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