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Effective Group Structures

Group structures are emerging as one of the key topics for owners and boards in the Gulf region. Much has been written about the application of good strategy and oversight at the helm of an organization but the reality is that complex group challenges are far wider and more complex in most corporations with subsidiary networks. The ability of parent companies to control or influence decision making within their subsidiaries depends on a number of factors such as the level and structure of ownership (wholly-owned, majority, minority), shareholder rights (e.g., number of board seats and who has the right to appoint the CEO), the nature of the relationship between the shareholders, the regulatory environment, their maturity and resources (large and long-established subsidiaries are often inclined to follow their own processes and systems), and the activities they conduct as well as the subsidiary's geographical and cultural proximity to the parent.

Subsidiaries are a common feature of modern-day business structures and as recent scandals, such as those involving the Swiss subsidiaries of global banks and the BP oil spill in the Gulf of Mexico (which occurred in a subsidiary seven layers below the parent company), clearly demonstrate that if group governance is not adequately addressed, it can have a disproportionate impact on the group as a whole in terms of tarnished reputation, drop in share price, litigation and changes in management. In some cases, the consequences may be even more extreme. One of the most famous examples of this, dating back decades, is Barings Bank where inadequate controls in its Singapore subsidiary allowed risky trading by one individual which ultimately led to the bank's collapse. The more recent bank crises have many elements of failed group governance.

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Monthly Business Updates



This "Family Governance Evaluation Tool" has been created on the basis of extensive work with family businesses in the GCC region. The survey tests an Owning Family Preparedness and

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Upon completion of the questionnaire, a summary of findings shall be sent to you, indicating your top priorities and key steps for a potential action plan.

Test Your Family Governance Readiness



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