

'Family firms should resolve issues before IPO'

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By Nasser Al Harthy



DOHA: Family-owned businesses should solve their organisational and succession issues before opening up to the public, according to John C Wilcox, Chairman of Sodali.

"Problems of a family-owned company such as succession planning, generational conflict and risk controls should be dealt with by the company voluntarily. If they are going to have an IPO, they should solve those problems before they go public," Wilcox said in an interview to The Peninsula.

Sodali is a member of Global Wealth Management (GWM) Group, an independent financial service partnership based in Geneva, with offices in London, Rome and Luxembourg.

The international consultancy provides expertise and services relating to shareholder transactions, corporate governance, board assessment and relations with institutional investors.

The firm's mission is to help align the interests of corporate boards, managers, owners and investors for long-term value creation.

John Wilcox (pictured), who was on a short visit to Doha pointed out that a family-company should not expect that the act of going public is going to be the solution.

"If they haven't solved those problems before they go public they won't be able to command a higher price for the shares because the risk profile will be higher. Outside investors are not as interested in investing in a company with poor governance as they would be in a company with good governance," he said.

He noted that very often family-owned companies see an IPO and going public as a solution to their organisational and succession problems and they think that having to operate as a listed company with strict set of rules will help them deal with those problems.

"I also am very concerned that life as a public company is very different from life as a private company. The pressures of the stock market for short-term earnings are extremely difficult and private companies are often in a much better position for a long-term growth, for re-investment in the company, for undertaking costs that will hurt short-term earnings, but will produce long-term growth," said Wilcox.

He said private companies are in a much better position to make those kinds of strategic decisions when they are not subject to the short-term pressures of shareholders and the stock market.

"We have a service in which we work with companies that are considering an IPO and part of our effort is to very thoroughly analyse with the company on what the consequences are, what the changes are likely to be, what kind of management style will be required in order to be absolutely sure that they are ready and interested in starting life as a public company," he said.

Asked whether by not opening up, family owned businesses would find it hard to get financing and thus ensuring their growth, Wilcox said: "Our point is that if they adopt the fundamentals of corporate governance voluntarily, which they can do as a private company just as much as they can do as a public company, they will be well positioned for growth. Governance practices can be adopted by companies voluntarily while still private and that makes them much more likely to be able to raise capital for growth."

Wilcox who was accompanied by Shawn E Mofidi, Managing Partner at GWM Group during his visit, said Qatar is an area of tremendous interest for the Group to expand and would be delighted to set up its operations here in Doha if the demand requires.

He said the visit to Qatar was intended to explore business opportunities to determine whether it would make sense for the Group to open an office in Doha.

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