

INTERVIEW WITH ABIR LEHETA



Eng. Abir Leheta

Chairman & CEO, Egytrans
Interview by Alec Aaltonen

Egytrans is an Egypt-based provider of integrated transport and related services such as freight forwarding, project logistics and warehousing. The company was established in 1973 and it started as a family business until it became listed on the Egyptian stock exchange in 1998. Alec Aaltonen spoke to Eng. Abir Leheta, the Chairman and CEO, about the company's transformation.

Your father set up Egytrans in 1973 and your own brother became involved in the business early on while you were growing up. What are your first memories of the company?

I think I always associated the company with the passion both my father and brother had for the business. The way they were discussing the business, even over dinner table, was always passionate. There was this desire for the business and what it can become. I think I always wanted to be part of this.

Was family involvement in the business encouraged?

Encouraged? Yes, definitely. But it was by no means mandatory. My brother and I joined the company, while my other two siblings didn't, although my sister did become a board member in

the company, but this was at a much later stage.

When did you become involved in the business?

After graduating in computer science, I joined a software company which was developing an information management system for Egytrans. This software was designed to improve the company's operational efficiency and through developing this platform, I got to know the company and its operations very well. About two years later, in 1996, I joined Egytrans and my role initially was on the IT side, but subsequently I managed quality and organizational development before moving into strategic planning and implementation.

Egytrans is well-known in Egypt for its early adoption of good governance practices. Could you describe the company's governance journey?

The journey really started with my brother, Hussam who was the CEO at the time, attending a workshop on the topic of managing boards, which was held in Sweden. He became convinced that governance is the key to the growth of the company.

When he came back, he asked for my help in drafting a letter to our father, who was the Chairman, which set out the roles different people play in governance. For example, what is the role of the shareholder vs the board vs management. But much of this letter focused on what is the role of the Chairman vs the CEO. We had separated the roles of the Chairman and CEO, but my father as the founder of the company was not accustomed to such delineations.

How was this received by your father?

Hussam was the driver of good governance but I would say it was my father who had set up a culture in which it was easy for governance to take root. His mindset was that we wanted to be the best. We wanted to be the ones bringing new best practices to Egypt. For example, we were the

first services company in Egypt to be ISO 9001 certified, the same with implementation of the Integrated Management System combining ISO 9001, ISO 14001 and OHSAS 18001. We were also the first company in the world to achieve ISO 10002 certification. This mindset was also evident in many of the new services we started offering as well as in corporate governance.

When the Egyptian Institute of Directors started providing the Director Development course, Hussam was in the very first intake of participants. Afterwards, he started sending people from the company to the course, including the board members, the company secretary and others. I believe I was in the third intake. We still encourage and provide an opportunity for all our new board members to join the course.

We also invited the International Finance Corporate (IFC) to benchmark our governance practices against international standards, as a result of which we added independent directors to our board. I believe we were one of the first ones to do so in Egypt. A couple of years ago, we had the IFC re-assess our practices in our effort to continuously improve our practices.

In other words, the family values were such that it was relatively easy for your brother to advance governance in the organization. What are your family values and have they been translated into corporate values and culture?

I don't think we ever consciously set about identifying our family values. But this is a great question, and looking back, I think you see family values visible on the corporate side too.

Our family taught us that life is about choices and that we should make the right choices and then do those things in the right way and with passion. I would say these are the principles we adhere to on the corporate side. Do the right things right.

Secondly, we believe in the value of working collaboratively and building partnerships. On the corporate side, I think this is evident with

our partnership with our employees. Even today, when the family owns mere 12 percent of the company, I would argue that our approach to our employees is more akin to a family business than a pure corporation. We want them to know that the company has their back when they go through difficult personal circumstances and that we are there to support them. As a result of this, we have employees who have been with us for decades.

Our corporate values are integrity, innovation, learning and personal growth, and building partnerships, which I believe are all congruent in one way or another with the family's original values.

Let us turn to the IPO. What was the driver behind the IPO and did you, as is often the case with family businesses, struggle with the demands of the listing requirements?

The driver for the IPO was clear: we had bigger dreams for the business that we could achieve on our own. As I mentioned earlier, we have always believed in the value of partnerships, and the IPO provided an opportunity to create win-win partnerships.

As for the disclosure requirements, these can be difficult in the beginning as there are many deadlines to adhere to but it eventually becomes simply a part of how you do things. Another challenge is that none of our competitors in Egypt are listed so they are able to see all of the information we share with the public while they have no such disclosure requirements.

But judging by the level of your public disclosure, you have not been holding back.

That is correct. In fact, we have won numerous awards for our disclosure practices over the years. Disclosure and transparency are important pillars if you want to build successful partnerships with your stakeholders.

We recently did a review of our disclosure practices and I guess you can tell that our annual reports

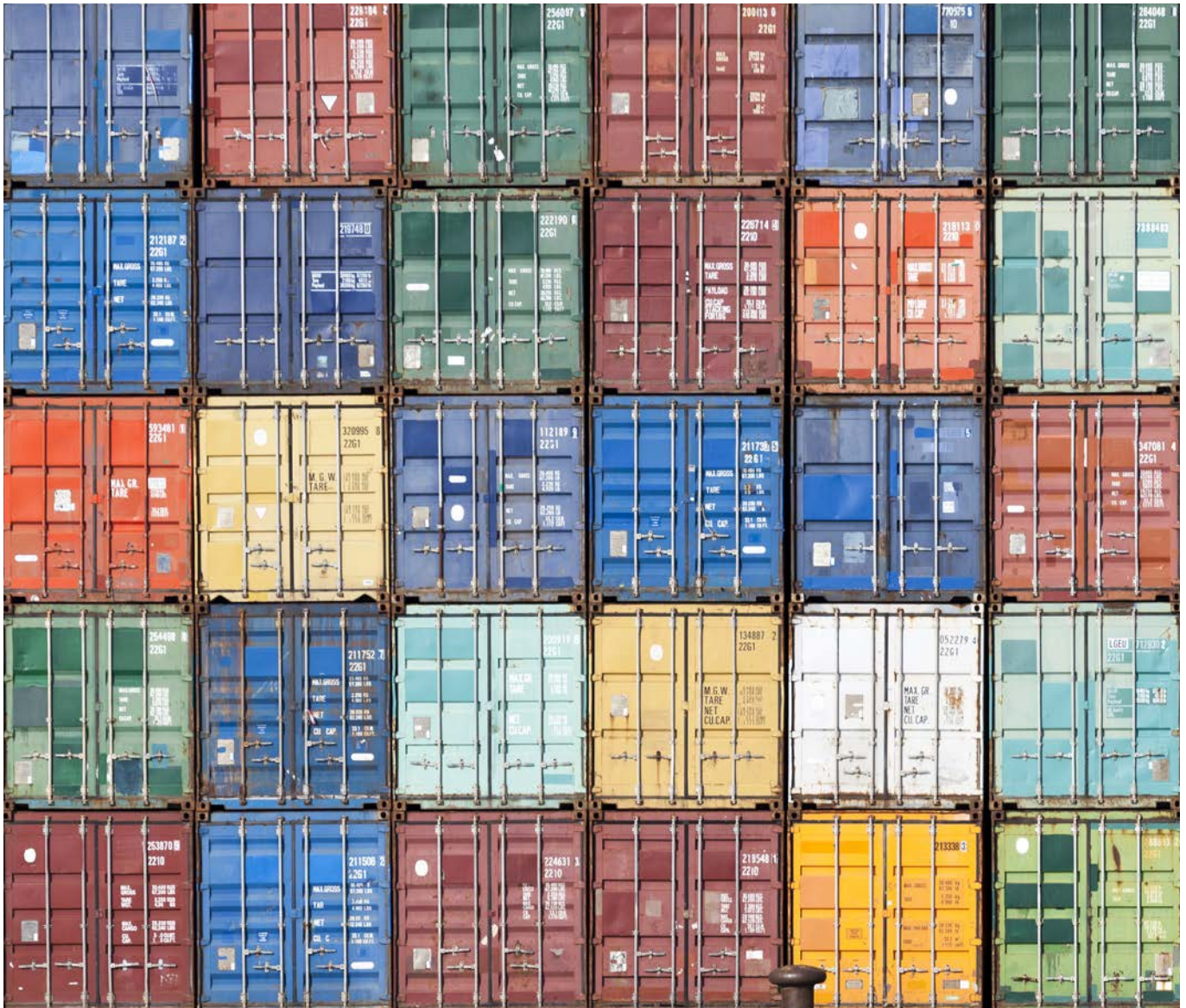
are getting longer, we are providing more and more disclosure, both financial and non-financial. And as these reports are becoming longer, it is becoming harder to tell a unified, compelling story of our business. We want to continue expanding our disclosure in a smarter way in order to give our minority shareholders in particular a deeper insight into what is happening in their company. This is what we have been working on and I'm very happy with the results.

Every year, we try to improve at least one aspect in our shareholder communication. Last year we upgraded the report we present to our shareholders at the AGM. This is something which is mandated by the regulators and usually this follows a set format covering the financial results. We felt that this report could be expanded to provide a more comprehensive view of the business, and this now forms a 30 minute visual presentation to our shareholders at the AGM. This year we are also performing a complete overhaul of our annual report, streamlining it, deepening the information provided and upgrading the visual design to reflect our corporate personality as a growing and forward-moving company.

As a consequence of the IPO, the company now has the state as major owner. How well does state ownership combine with family ownership?

State ownership can sometimes introduce a level of bureaucracy, and yes, we are subject to state audit as are many wholly or partially state-owned entities in Egypt. However, in our case, I think our goals and our approach are very much aligned. Firstly, the National Investment Bank of Egypt is a long-term investor who have been with us since the IPO. Secondly, our corporate purpose is aligned with their goals. I mentioned earlier that Egytrans always wanted to bring new best practices to the country and if we do our job well, we serve the Egyptian economy by contributing to the country's competitiveness and indirectly to the quality of life in Egypt.

I really think the onus is on us to engage with the state. This is to understand their needs but also



to keep them engaged on our vision – what we want to do with the business in terms of purpose, vision and strategy. And when they understand the company’s vision, this also gets reflected on their nominee directors, in terms of their caliber and skill sets, and the company benefits from this.

What are the characteristics you most value in a board member? How have they added value to Egytrans?

Having the right people in the boardroom makes a big difference. After the IPO, most of the board members were non-family and when we started appointing independent directors, the family membership on the board was reduced to two

seats by 2008-2009. As such, you want directors who bring real value to the business, so you need directors who have integrity, who bring strategic thinking, and who add value through their knowledge and experience as well as relationships. But fundamentally, you want directors who are willing to engage openly and deeply in the difficult, transformative discussions that lead to real growth.

I think Egytrans has benefited from the board as it has focused on true corporate governance – it has helped in strengthening systems, managing risks, focusing on growth and sustainability, engaging creatively in vision and strategy-building, as well as by providing oversight.

Let us discuss the topic of succession planning, which is typically a great challenge for many family businesses. How did you manage the transitions?

When my father passed away in 1999, my brother was already the CEO while my father was the Chairman. Hussam had achieved this position after 15 years in the company, during which he amassed a huge amount of experience so he was the natural choice. Therefore, this was a relatively easy succession.

When Hussam passed away suddenly in 2015 after a short illness, the transition was not as easy. Yes, I had been working for the company for a long time, but the succession decision could have moved in more than one potential direction. Not least because the family no longer controlled the ownership of the company.

However, the entire board of directors as well as the major shareholders of the company asked me to step in due to my long experience in the company, their trust in the family's management of the company and their desire for stability and continuity. I became the Chairman and CEO, but we did restructure the business in order to create a General Manager position responsible for the commercial and operational management of the company and together we have been able to form a strong leadership team.

I think this difficult succession process was made much smoother because of the support and collaboration of all stakeholders - management, employees, board, and shareholders. In fact, the company was able to go on and achieve record performance in 2016 and 2017. I attribute this to loyalty of the company team and the strong base that had been built over the years and had become a part of the company DNA.

How do you see the family involvement in the business in the future?

The business is a huge priority for the family - it is our legacy and also the foundation of our

financial stability. But I'm not sure it is meaningful to speak of the company as a family business anymore. After all, I'm the only family member in an executive position in the company.

The family's priority is to see the company managed professionally with good governance practices which safeguard its sustainability and enable it to grow and flourish while retaining its values that have made it a success. This is regardless of whether the family continues to have an active role in executive management. We will continue to serve the company for as long as this role is needed and valued.

Looking at your company's history, what do you think are the key takeaways for other business owners?

My advice is that you need to build trust. You can do that by demonstrating integrity and transparency and a willingness to forge partnerships. Secondly, you need to insist on strong systems that do not depend on specific individuals so that you make the company sustainable for the long term. Thirdly, have a deep sense of purpose then focus on excellence and building competitive advantage.

