CRESCENT ENTERPRISES

Bi-Monthly News

Issue 13: March 2016

Operating across multiple core sectors of the global economy

OPERATIONAL NEWS - PRIVATE EQUITY - CORPORATE CITIZENSHIP - INDUSTRY EVENTS - CORPORATE INSIGHT

OPERATIONAL NEWS

GULFTAINER - GAMA AVIATION PLC

GULTAINER CONTAINER VOLUMES SET TO TRIPLE BY 2026

"Organic Growth & New Contracts Drive Performance"

Despite the worldwide challenges facing the global ports and logistics industry, Gulftainer has once again continued to break records across the board and reinforced its position as a leading maritime service provider. The company has recorded an overall growth of 4% across its global portfolio, with a 9% spike in container volumes from its Khorfakkan and Sharjah terminals, in addition to handling a record-breaking total volume of 19,561 TEUs for a single vessel during 2015.

While a majority of Gulftainer's success can be attributed to its current operations, which encompasses the Khorfakkan Container Terminal (KCT), the Sharjah Container Terminal (SCT) at Port Khalid and the Sharjah Inland Container Depot (SICD), as well as projects in Iraq (Umm Qasr), Saudi Arabia (Jeddah and Jubail), Brazil (Recife) and the US (Canaveral), the impressive performance is also a result of leveraging new contracts as well. With only one year into operations, Gulftainer USA has already extended its presence by launching the new weekly cargo service, 'Blue Stream Service', which will provide product delivery between North America, Central America and Europe. The service will also transport perishable goods between the regions, offering Florida direct access to new markets for the first time.

Gulftainer's focus remains fixed on a vision to become one of the world's top six container terminal operators within the next 10 years, a global footprint across 5 continents and 35 terminals by 2020, and handling 18 million TEUs.

On the heels of a successful year, Gulftainer has voiced its intent to triple volumes over the next decade across five continents. The company will continue to improve its output, efficiency and capability to handle larger ships at its current facilities, and expand its operations by investing further in infrastructure, as well as exploring Greenfield opportunities and potential M&A activities.

Gulftainer is a subsidiary of Crescent Enterprises.

GAMA AVIATION SECURES APPROVAL TO EXPAND SHARJAH OPERATIONS

"New Aviation Facility to Complement Impressive Regional Traffic Figures"

Gama Aviation (Gama) continues to showcase Sharjah as one of the leading airport destinations for private aviation travel, recently announcing it has secured approval to expand its FBO operations to both accommodate its growing clientele as well as maximize its position for a 7% market growth by 2024.

Research by Gama reveals that there are currently 95 large cabin business aircraft based in the UAE, which represents approximately 17% of the regional business aircraft fleet, a significant discovery of demand considering there has been a 26% increase in business jet deliveries to the region from 2010 to 2014. Additional analysis has also shown that 410 business aircraft are expected to be delivered within the next 10 years, suggesting a growing appeal and need for private aviation across the region.

Operating at Sharjah since 2006, Gama Aviation has been instrumental in expanding the airport's business aviation activity throughout the years.

With such optimistic figures, it is no surprise that Gama has pursued further development at its Sharjah FBO, where it has held operations since 2006. In 2015, the company acquired additional aircraft space, supplemented by an agreement to provide teams for maintenance, repair and operations, and now with formal approval will develop an entirely new hangar.

In addition to facility improvements, Gama has also placed its attention on addressing stakeholder needs. This past year Gama introduced cost saving benefits to its customers with a reduction in handling rates by 20% as a result of its increased size following its merger with Hangar8.

"Gama Aviation Increases Training Availability for its Pilots"

In an industry where upholding regulations and maintaining a breadth of knowledge and skill are imperative especially when it comes to safety, the availability and frequency of pilot training is at the forefront of interest for many private aviation companies. Gama Aviation has recognised this as a perfect opportunity to launch a platform that it will use to train its own roster of 450 pilots. Earlier this year, Gama signed a partnership agreement with CAE, the world's second largest business aviation training organisation, to meet the new interpretation of the European Aviation Safety Agency (EASA) part-FCL base training requirements, which came into effect in June of 2015.

Taking it one step further, Gama also established its own Civil Aviation Authority (CAA) Approved Training Organisation to meet the CAA requirement and as part of the partnership will provide training access for pilots in up to 30 different aircraft. The agreement will also facilitate more time for simulator training.

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Gama Aviation Plc is an affiliate of Crescent Enterprises.

PRIVATE EQUITY INVESTMENTS

HEDOSOPHIA MENA - TVM CAPITAL HEALTHCARE PARTNERS - SAMENA LIMESTONE HOLDINGS

CRESCENT INVESTMENTS WELCOMES HEDOSOPHIA MENA

"Unique Co-Investment Platform for Technology Field"

Crescent Investments is the division, which holds all of the private equity and other strategic investments of Crescent Enterprises. With a long-term view, its strategy is geared towards maintaining a balanced portfolio of alternative asset class investments, including private equity, venture capital and other structured investments.

Following in-depth evaluation of numerous opportunities within the technology space, Crescent Investments established Hedosophia MENA in 2015, along with Hedosophia, a UK-based firm that advises 7 of the top 10 most valuable privately held Internet companies, amongst others. Hedosophia MENA is a co-investment platform that provides its group of partners consisting of family firms, institutional investors and high net worth individuals in the MENA Region, the opportunity to participate in the most competitive and closed financing rounds of best-in-class technology companies around the world. The platform targets investments in companies with a strong track record, relatively de-risked through multiple financing rounds, backed by blue-chip venture funds, and with clear valuation benchmarks and good visibility on potential liquidity events. The platform's core strategy is to target investments that will not tie up investors' capital, and instead operate a short to medium-term vehicle with a typical holding period of one to three years. Along with generating significant short to mid-term returns, Hedosophia MENA serves as a valuable conduit between advanced technology ecosystems (similar to Silicon Valley) and growing innovation in the MENA Region. Over the last year, Hedosophia MENA hosted founders and senior management of technology majors such as Alibaba, Uber, ZocDoc and Jawbone, amongst others, here in the region to enable enhanced participation in the MENA markets by these leading global technology players while fostering knowledge creation within the region.

After several rounds of assessments, Hedosophia MENA made its first investment in October 2015, into Uber China, a subsidiary of Uber Global, the world's most valuable private technology company that connects riders with drivers in real time using a technology platform.

Crescent Investments is actively reviewing new opportunities, strategic partnerships and joint ventures within the MENA Region and in Sub-Saharan Africa and Developing Asia, across new industry verticals including FMCG, renewables and technology.

TVM CAPITAL HEALTHCARE PARTNERS

"Registers New US$300 mn Emerging Markets-Focused Fund"

Recent data on the region's population growth has indicated a significant increase in the elderly segment, and an increasingly lengthy list of medical issues and ailments that demand greater attention from healthcare providers - all of which are expected to climb progressively in the coming few years. Transforming the trends into opportunity, TVM Capital Healthcare Partners has announced its intentions to raise US$ 300mn for investment in a new emerging markets-focused fund under the Qualified Investor Fund regime established by the Dubai International Financial Centre.

The Fund, which will be known as TVM Healthcare III, will invest in up to 12 healthcare companies in the Middle East and North Africa, India, and Southeast Asia with a focus on growth capital investments. While concerns have been voiced for raising funds in the uncertainty of the emerging market space, TVM expects that such a state also provides attractive opportunities in sectors that pose long-term needs for society and a chance for the private and public sectors to complement one another.

TVM is no freshman when it comes to profitable investments in the healthcare space of the MENA Region. The company has raised two funds previously, including a US$ 120mn fund to provide specialised services in collaboration with western partners including Germany's Provita and Britain's Bourn Hall International, and since 2010, has invested in five companies. In 2015, TVM exited Provita International Medical Center through sale to London-listed NMC Health.

Crescent Enterprises is a Limited Partner of TVM Capital Healthcare Partners.

SAMENA LIMESTONE HOLDINGS

"RAK Ceramics Reveals a Year of Financial Growth"

RAK Ceramics has proven that a year focused on operational improvements, strategic initiatives to unlock shareholder value, and scaling down non-core businesses while concentrating on core operations of tiles, sanitary ware, table ware and faucets, makes for a very profitable return. Earlier this year, the company announced a recorded 10.2% increase in net profit at AED 310.3mn.

Despite the economic downturn of the region as a result of the drop in oil prices, RAK continued to focus on growing its 'core businesses' including the largest Capital Expenditure made in this area up at 85% from the year prior. Expansion of core business as well as the investment of technology for operational efficiency comprised a total of AED 305mn of expenditure. While plans remained fixed on exiting its non-core businesses, RAK made a conscious decision to first turnaround a majority of these companies to realize a greater profit upon sale.

RAK will also place a strong focus on acquisitions, bringing its current subsidiaries within the Group to strengthen its control and enforce alignment with the overall strategy. The company has also emphasized specific plans to turn around its Indian operations, sell RAK China and relaunch operations in Iran once sanctions have been lifted, all while also concentrating on its largest markets across the GCC, South Asia and Europe.

Crescent Enterprises is a Limited Partner of RAK Ceramics. In June of 2014, Samena Limestone Holdings, a subsidiary of Samena Capital, together with a consortium of investors, acquired 30.6% of Ras Al Khaimah Ceramics (RAK Ceramics) a US$ 1bn global conglomerate that supplies products to over 160 countries and has been officially recognized as the world's largest ceramics manufacturer.

CORPORATE CITIZENSHIP

CRESCENT ENTERPRISES JOURNEY OF CORPORATE CITIZENSHIP

"A New Approach to Giving"

As part of its business model, Crescent Enterprises plays a leading, proactive role in advocating for the implementation of good corporate citizenship on a global scale, and throughout the years of its engagement and support of numerous initiatives and campaigns, has experienced an impressive journey of development.

Since inception, the company has distinguished key community matters for which it seeks to advocate and provide solutions for ranging from the Social Entrepreneurship and Environment spaces, to the areas of Arts & Culture and Corporate Governance. Some of the company's more identifiable initiatives include: serving as a founding Gulf supporter of Education for Employment, forming a partnership with the Cherie Blaire Foundation for Women providing mentorship for female enterprise start-ups, and supporting the celebration of young artistic talent of the Middle East by launching the Middle East Theatre Academy.

Left to Right: Dubai Cares Nepal School, Middle East Theatre Academy, Education for Employment, Sharjah International Children's Film Festival and the Cherie Blaire Foundation for Women.

In addition to being a proud proponent of these initiatives, the company recognizes its ability to make an even larger social impact. With the leadership and help of its Corporate Citizenship Manager, Ola al Haj Hussin, Crescent Enterprises will pioneer a new way of 'giving.' The company will execute a unique programme based on the results of mapping out its stakeholders. With a three-pronged approach, the programme will respond to each stakeholder category for which it will influence and realize tangible value and positive change–focused on fostering an internal culture of empowerment as well as providing external mechanisms that will address and provide solutions beyond financial contribution for the root causes of community challenges. The programme is currently in the testing phase with a variety of initiatives and partners, after which it will be formally announced and introduced to our current, as well as, future partners in the corporate citizenship space.

BEE'AH

"Reducing our Corporate Environmental Footprint"

One of the greatest ways to protect the environment in which we live is to first understand how our day to day activities and habits could be impacting it negatively and how the slightest changes can make such a significant difference. That is why Crescent Enterprises has partnered with Bee'ah, the Middle East's leading and award-winning integrated environment and waste management company, to launch a pilot project that will provide the tools and guidance for our employees to reduce their environmental footprint.

Crescent Enterprises has rolled out the first component of the programme, which will focus on managing waste efficiently through a recycling initiative implemented across all common areas of the company's UAE headquarters. To ensure the programme's success, Bee'ah will also be holding an informational session to highlight methods for reducing, reusing, and recycling materials, as well as tips on how to implement green practices and behaviours at the workplace and home. A review of the programme's progress will be conducted at mid-year to analyse the impact as well as assess what areas require further improvement and understanding.

For more information on Bee'ah visit: beeah.ae

COLUMBIA BUSINESS SCHOOL

"Strengthening Economic and Academic Ties Between Two Nations"

As part of its efforts to promote the growth and success of future leaders and to strengthen economic and academic ties between nations, for a second consecutive year, Crescent Enterprises welcomed a class of 32 MBA student from the New York-based Columbia Business School during their recent educational trip to the UAE.

Crescent Enterprises welcomed 32 students from New York-based Columbia Business School as part of their global immersion programme. Senior Management introduced the students to the company's various subsidiaries and affiliate operations across the world, and Crescent Enterprises firm implementation of global best business practices.

As part of the student's Global Immersion course, Crescent Enterprises introduced the company's various subsidiaries and affiliate operations across the world, and its firm implementation of global best business practices, as well held an interactive session with senior management. The meet and learn session at Crescent offices was also followed by an exclusive tour of the Sharjah Container Terminal, managed by Gulftainer, the world's largest privately-owned, independent port operator based in the UAE.

Highlighting the importance of the collaboration with the Columbia Business School, Neeraj Agrawal stated: "We value our partnership with Columbia Business School as an excellent opportunity to meet with potential business leaders and thinkers. Apart from understanding the students' perspectives of the business environment in the Middle East and the challenges facing economies around the world, the interaction gave us an opportunity to share our exhaustive experience of four decades in transforming a home-grown entity into a world-renowned diversified conglomerate with global impact."

INITIATIVE SNAPSHOT

"How our Subsidiaries and Affiliates are making an Impact"

Beyond Crescent Enterprises' active leadership in Corporate Citizenship activities is the notable involvement and leadership that our subsidiaries and affiliates provide on a global scale, which we are proud to highlight for our readers.

Gama Aviation's 'Mount Kilimanjaro Challenge'

Employees of Gama Aviation took their advocacy to new heights by climbing Mount Kilimanjaro to raise money for the Tanzania hospital, Komboi, which lacks enough water to support 8,000 births a year. Women giving birth are required to collect the water themselves from an unclean river, which is also used for drinking, cooking and washing – coupled with the lack of sanitation required for the doctors who are performing these births. Together with WaterAid, the funds raised will go towards providing the hospital with toilets, showers, baths, hand washing sinks and hygiene education.

To learn more and further support the cause, click here.

'The Abraaj Group Art Prize'

In 2008, The Abraaj Group launched the 'Abraaj Group Art Prize' to bolster the region's arts ecosystem and award artistic development. What sets the initiative apart is that it is the only art prize of its kind that awards artists based on proposal, rather than completed work. This year's award was presented to artistic duo Basel Abbas and Ruanne Abou-Rahme, who work together across a range of sound, image, text, installation and performance practices. The artists' experience of their homeland, Palestine, plays a role in shaping their work for which they provide a critical vantage point.

To learn more about 'The Abraaj Group Art Prize', click here.

'Gulftainer Supports Sharjah International Children's Film Festival'

In support of educational ventures that emphasise Sharjah's reputation as a cultural hub, Gulftainer has provided its support to the Sharjah International Children's Film Festival (SICFF), the Middle East's dedicated event focused on enhancing the media literacy of children while fostering creativity and showcasing the very best in film-making. In addition to offering free viewings across the UAE, SICFF also provides hands-on workshops, a week-long advanced film camp for students, and a chance for international film-makers to present and be honoured for their work on a globally recognized scale through competition.

To learn more about 'SICFF', click here.

INDUSTRY EVENTS & REPORTS

UN HIGH-LEVEL PANEL - SUPER RETURN MIDDLE EAST - CORPORATE GOVERNANCE REPORT - GUIDE ON ANTI CORRUPTION

UN HIGH-LEVEL PANEL ON HUMANITRATION FINANCING

"Addressing the Widening Gap on Humanitarian Financing"

Prior to an extremely busy week of discussions on the most pressing global issues at the World Economic Forum Davos, was an equally prominent event held in Dubai for the United Nation's Secretary General's High-Level Panel on Humanitarian Financing to address and examine the growing humanitarian finance crisis and define concrete and actionable solutions to the widening gap.

Badr Jafar, a member of the High-Level Panel, was amongst those contributing new and collaborative solutions to the three identified fronts that are hampering the humanitarian system's ability to thrive; these include: shrinking the need for humanitarian aid, deepening and broadening responses, and improving the delivery of humanitarian assistance through increased cooperation and greater efficiency between all stakeholders.

Badr Jafar was appointed by UN Secretary General Ban Ki-moon to a nine-member committee tasked with addressing a growing humanitarian finance crisis.

There are several contributors to the widening gap, the first of which is the changing nature of what is considered a humanitarian crisis, and which today, is evenly divided between natural disasters and human conflict situations. According to reports almost 80% of humanitarian needs are caused by the latter, requiring an entirely new kind of support than that of what a hurricane might. Another distinguishable factor is that of the deficit between key private sector and humanitarian stakeholders due to a lack of trust and transparency in where funding is directed. Lastly, it is often unclear as to where and how to donate funds or to partner with organisations, resulting in missed opportunities of support.

The private sector has an important role to play in making progress against each of the obstacles outlined and the UN's development goals. Greater exchange of information and collaboration between businesses and their own governments will provide better guidance on ways to contribute, and in the areas that are most critical. Rebuilding trust amongst stakeholders will also be key when it comes to funding, removing uncertainties and unnecessary restrictions, as well as earmarking donations. To address the lack of understanding when it comes to how and to whom to contribute to, one of the most suitable solutions would be in the form of a universal hub that allows businesses to plug in to the humanitarian ecosystem where they can contribute their products, services, networks and capacities to scale rather than money. In addition, credible case studies that demonstrate the negative impact businesses will face from instability and crisis versus the benefits of investing in resilient communities, will encourage a mindset shift.

Upon conclusion of the session, the High-level Panel on Humanitarian Financing issued the report, 'Too Important to Fail,' outlining each of the key challenges and solutions to the growing gap of people in need of assistance and the insufficient resources to provide relief. The report will be used in the development of UN Secretary General Ban Ki-moon's vision for the future humanitarian agenda and taken to the World Health Summit in Istanbul, Turkey later this year, to ensure the development angle is integrated into humanitarian work moving forward.

To download the report, 'Too Important to Fail,' click here.

CRESCENT ENTERPRISES DELIVERS PRIVATE SECTOR PERSPECTIVE

"Neeraj Agrawal & Tushar Singhvi Participate at Super Return Middle East"

For the third consecutive year, Crescent Enterprises Executive Director, Neeraj Agrawal, and VP of Corporate Development and Investments, Tushar Singhvi, participated in Super Return Middle East, the largest private equity conference in the MENA Region, drawing on a global network of LPs and international industry titans.

As a panelist for the session "Understanding Family Offices," Neeraj covered points on how working with family firms can rebuild trust and raise capital when many of the LPs are not in favour of the risk of blind pool funds. The topic itself, Neeraj explained, is one of importance given that there is an estimation of more than US$1tn in assets set to be handed over to the third generation of the region's family businesses in the next 5 to10 years. It is also important to take into account that in today's business environment there is a significant shift in the way this new generation of owners will operate, as most are educated abroad with a financial understanding that perseveration and capital protection are critical to their success just as it is for any firm globally. When it comes to investment preferences of family offices, reports show that the case is often to diversify assets broadly, and invest on a more long-term basis in pursuit of wealth preservation in order to pass assets on to the next generation.

Executive Director of Crescent Enterprises, Neeraj Agrawal

Neeraj also partook in a session focused on the impact of oil prices on energy investments in the MENA Region. With an emphasis on the current volatility of the market, he explained that it has had an impact on both the public and private sectors. As a result of low revenues, energy projects worldwide have faced funding hurdles. Alternatively oil importing countries find themselves in a unique position to capitalize. For example, The IMF has reported that policy restructures to reduce energy subsidies, coupled with low oil prices will lead Jordan and Egypt to incur savings of up to 1.5% of GDP and 2% of GDP respectively in the short and medium term.

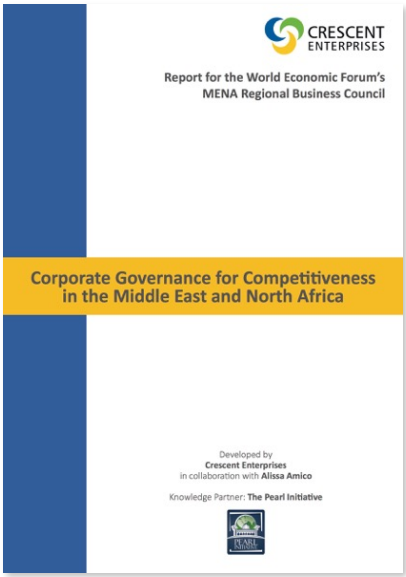
VP, Corporate Development and Investments, Tushar Singhvi

Tushar's perspective on the panel, "Rolling up your Sleeves to add Operational Value", focused on how market forces such as slowing economic growth and industry consolidation, were driving operational value creation to the forefront. Rising premiums that private equity firms are paying for companies, makes it difficult to deliver returns through multiple arbitrages. Furthermore, the days when private equity firms could create value primarily through financial engineering and leverage are long over. As a result, operational improvement – on both the cost and revenue sides of a business – has become the main source of value created by private equity. Tushar highlighted that private equity firms have been experimenting with a variety of models for operational value creation, some relying on external advisors, while the top firms hire industry and functional specialists, and have built full-fledged operating teams. The operational value creation ability of a firm is one of the most critical areas that Crescent Investments assesses while evaluating investments in private equity funds and hence the importance of tangible KPI metrics that demonstrate results of these operational value-add implementations. Tushar also provided a unique perspective on how Crescent Enterprises builds and enhances long-term sustainable value within its operating businesses.

In a second session, "Understanding Middle Eastern LPs," panelists discussed identifying what kinds of alternative investments are most attractive to Middle Eastern LPs today. Tushar explained that while private equity in the MENA region has experienced a period of contraction and consolidation, it remains to be an important asset class to enable overall diversification. Private equity investments have steadily increased from the lows of 2009, both in terms of volume and size, with an increasing focus on non-cyclical sectors such as FMCG, food and beverages, healthcare, and education. Tushar shared views on the range of alternative asset classes including private equity and venture capital; real estate and infrastructure linked investments; and hedge funds, highlighting that investors are increasingly looking for yield-generating investments to reduce the illiquidity risk. On Crescent Investments' strategy, Tushar explained that while the firm continues to invest in sector and geographic specific funds, the focus is directed more towards co-investments and direct investments.

CRESCENT ENTERPRISES ISSUES CORPORATE GOVERNANCE REPORT

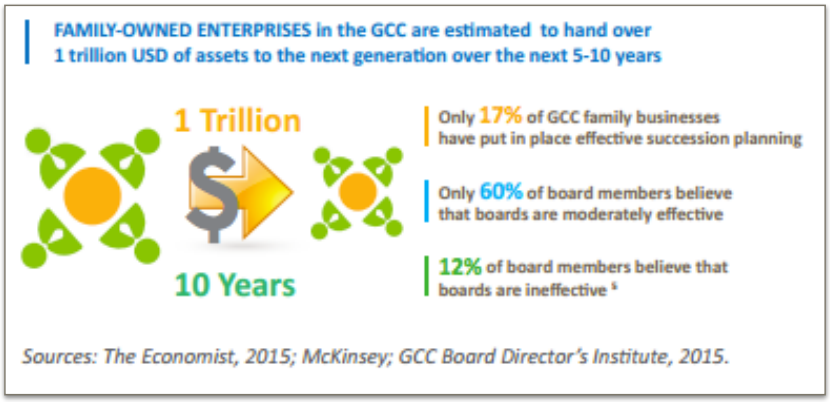
"Corporate Governance for Competitiveness in the Middle East and North Africa"



As a member of the World Economic Forum's Middle East and North Africa (MENA) Regional Business Council, Crescent Enterprises has been actively involved in the 'Actionable Policy Reforms Initiative', aimed at increasing competitiveness and improving the business climate in the MENA Region.

As part of this initiative, the Council developed a white paper outlining six priority areas of reform for the Region, including enhancing the efficiency of the labor market, modernizing bankruptcy and insolvency regulation, and simplifying the process of creating a company. The white paper was presented to the foremost political, business and other societal leaders shaping the global industry agendas at the World Economic Forum's Davos meeting earlier this year.

Crescent Enterprises in cooperation with the Pearl Initiative, led the efforts on one of the key pillars of the white paper, producing 'Corporate Governance for Competitiveness in the Middle East and North Africa,' a report comprising an in-depth analysis and policy recommendations aimed at enhancing corporate governance within privately-held firms, listed companies and state-owned enterprises in the MENA Region.



The document sheds light on the point that improving corporate governance policies is critical to the survival and continuous growth of family firms, a gap which still exists even while significant progress has been achieved in establishing governance frameworks for listed companies over the past decade. What makes this critical is that within the next 5-10 years, over US$1tn of assets in the hands of family firms are expected to pass from one generation to the next - a majority of which will be a second to third generation transition. Statistics show that this is where the greatest destruction of value has occurred in the past, with only 30% of family businesses surviving beyond the third generation.

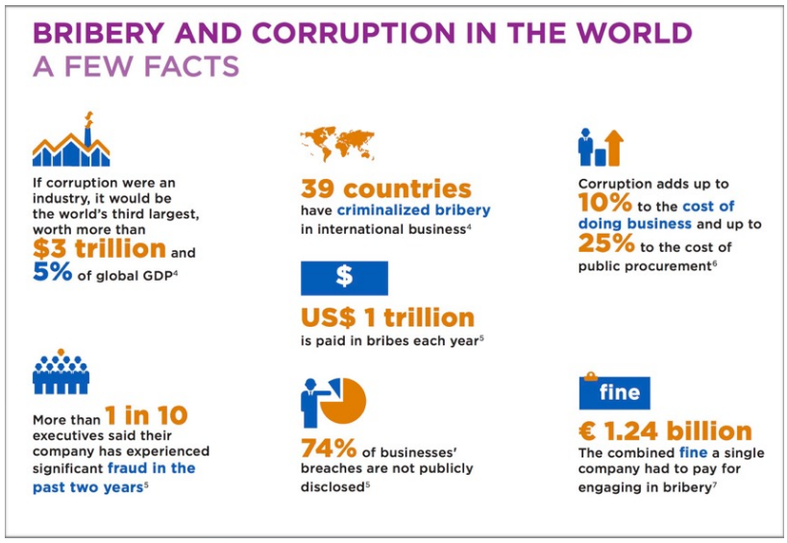
With this document serving as a basis, Crescent Enterprises will open the discussion on how to implement stronger corporate governance policies and policy reforms as a key preventative measure to mitigating the outlined risks of value destruction and related ramifications on employment and economic activity in the region. The policy document will also form part of the Arab World Competitiveness Report 2016.

To download 'Corporate Governance for Competitiveness in the Middle East and North Africa', click here.

PEARL INITIATIVE PROVIDES PRACTICAL GUIDE ON CORRUPTION

"At A Glance: Anti-Corruption Good Practice"

As part of its aim to positively influence and provide knowledge to the entire regional community on implementing higher standards in the areas of corporate governance, anti-corruption, and integrity, the Pearl Initiative released its latest report, 'At a Glance: Anti-Corruption Good Practice'. Directed towards business leaders and professionals, the report will serve as a guide to better understanding corruption in the Gulf Region, its impact on businesses and how to counter it. The guide includes relevant global and regional data on corruption, key definitions, CEO insights and anti-corruption good practice.



To download, 'At a Glance: Anti-Corruption Good Practice,' click here.

Crescent Enterprises is a Founding Partner of the Pearl Initiative.

CORPORATE INSIGHT

CEO PERSPECTIVE - ENTREPRENEURSHIP INSIGHT - HARVARD BUSINESS REVIEW

AVOIDING A MIDLIFE CORPORATE CRISIS

"Breaking Patterns and Perceptions to Spark Innovation"

There's an offbeat theory that middle-aged men tend to wear the same clothes, cut their hair the same way, and listen to the same music they did the last time they felt 'cool'. Oblivious to the latest trends, a lot of people remain wedded to a style they associate with the most exciting time of their lives. And frankly, why shouldn't they?

However, when middle-aged companies start doing the same thing, the consequences can be more severe. Even the world's most successful brands – once at the forefront of innovation and entrepreneurialism – can get stuck in the same old patterns of thinking, long after the caravan has moved on. These companies might still perceive themselves as being on the cutting edge, right until the moment they fall off it. This is pertinent to the Gulf Region right now, where a number of traditional industries ripe for disruption have been dominated by the same firms since the 1970s and 1980s.

So what is the solution to this corporate conundrum? How can medium and large companies – including family firms and incumbent market leaders – preserve or reignite the spark of entrepreneurialism that they had when they were younger?

Well, for one thing, the answer is not for a CEO to throw on a hoodie and start running their business out of a garage. After all, not even Facebook is likely to be the next Facebook. Rather than imitating others, a few timeless rules can help more mature firms remain competitive in what some might consider to be a young company's game:

1. Play To Your Strengths

How did Apple restore its reputation as one of the most innovative brands in the world? By excelling at something people already associated with it: stylish and intuitive design. The path to sustainable reinvention often begins where you already have access to the deepest reserves of skills, knowledge and expertise.

Entrepreneurialism without execution is worthless, too. In fact, for many established companies, their greatest strength over smaller rivals is a proven ability to scale up a good idea or promising innovation by manufacturing it reliably, marketing it effectively, and distributing it efficiently. Established companies are also generally more equipped to harness the power of big data to drive innovation and to test their technical and commercial hypotheses before rolling them out to market.

2. Team Up With High Calibre Partners

One of the greatest assets of any established company is the equity built into its brand. Among other things, it means other firms are far more open to collaborating on research and development – for both technical and marketing reasons – than they would be with a lesser known entity.

For example, golf brand Callaway unveiled its latest piece of state-of-the-art equipment in January 2016. Nothing unusual about that, except that its technical partner on the XR16 driver wasn't another sports company. It was aerospace giant Boeing, whose aviation engineers – more familiar with runways than fairways – had helped to improve the aerodynamics of the club head.

Another example announced during last year's National Innovation Week, UAE-based Aramex teamed up with InPost – the world's largest network of parcel lockers – to install automated, self-service parcel lockers across Dubai, allowing customers to receive and collect e-commerce and other packages in a more convenient way.

3. Seek Out New And Different Perspectives

All organisations, but particularly those in a more mature phase of their evolution, can benefit from new and more diverse voices in the boardroom and management. This should include women and young people, who are often more in tune with emerging technology and consumer trends. This is particularly important in a region with the demographics of the GCC, where the average age is 27 years. That's why the appointment last month of a Minister of State for Youth Affairs and establishment of a UAE Youth National Council was such a timely step forward for our Government.

It is critical that younger and more junior employees also feel that proposing new ideas isn't just accepted, but is actively encouraged. In a start-up consisting of less than five people, this can be as simple as raising a new idea across a desk. For a medium-sized or large company, with hundreds or thousands of employees, achieving the same outcome requires dedicated policies and a management culture – set at the top – that is conducive to entrepreneurialism and rewards it.

Having a strong purpose-driven mission can also help spur innovation by serving as a constant reminder to prospective talent and partners why the work you are doing really matters to both people and the planet. Research suggests that this is something Generation Y jobseekers increasingly expect from potential employers and the companies they purchase goods and services from.

4. Find The Right Ecosystem

In January of this year, G.E. announced it was moving its global headquarters to Boston. Why there? According to the company, it wanted to place itself in the middle of the city's 55 colleges and universities, including Harvard, MIT and Northeastern University. The City of Boston and the State of Massachusetts are also building a new innovation centre where G.E. employees and local researchers will collaborate.

The key to any successful innovation ecosystem is this kind of synergy between the public, private and academic sectors. That's why one of the chief competitive advantages of the new Sharjah Entrepreneurship Centre at the American University of Sharjah, known as Sheraa, is the access it offers to Sharjah University City, its 15 educational institutions and 20,000-strong diverse student population, and the local public and private sectors.

Established firms are generally in a better position than smaller rivals to place themselves at the heart of these kinds of environments, and to help shape them in meaningful ways. What it requires though is a recognition that the next great idea for your company might come from somebody that is currently outside of the business. You need to bring them (and their creativity) into your orbit.

This is almost conventional wisdom in the technology sector. For example, Microsoft has created an international network of state-of-the-art, branded innovation centres in partnership with government, educational institutions and private sector companies. There are over 100 of these centres in India alone, connecting the company with students, entrepreneurs and start-ups, and helping them to develop their skills and ideas.

5. Invest In People

The next time you read about an obscure tech start-up that has been acquired for some obscene valuation, think about what the buyer is really paying for. Increasingly, it isn't just the product or the underlying technology. Rather, companies making acquisitions today will often have more interest in the engineering talent behind the products than they do in the technology itself. They believe that the right talent can help fuel their own entrepreneurial ambitions and are prepared to pay top dollar to bring it in-house.

These companies know that human capital drives innovation more than any other factor. That's why in the Middle East and North Africa, where youth unemployment continues to be compounded by skills shortages, education must be viewed as an economic investment just as much as it is a social one. More than most, established companies have a vested interest in underwriting that investment and helping to build a workforce tailored to the current and emerging needs of employers. The impact of innovative social enterprises such as Education for Employment (EFE) – that provides youth with job-relevant training and connects them with employers – is also significant.

It is often said that the classic start-up philosophy – reportedly exemplified by a young Facebook – is to "move fast and break things." That's an exciting proposition, but it isn't the only way to do business. For more established firms, the goal should be to foster an entrepreneurial culture that is consistent with the organisation you are today, but that allows you to evolve into the company you want to be in the future. In other words, to age gracefully, while remaining young at heart.

As featured in The National on 6 March 2016

Crescent Enterprises CEO Badr Jafar continues to raise awareness on the Arab Region's most relevant challenges and opportunities including entrepreneurship, corporate governance, business sustainability, women in the workplace, and smart energy policy through his blog www.badrjafar.com.

INSIGHT: VP CE-VENTURES, SAMER CHOUCAIR

"Why a Downturn may be the Perfect Time to Launch a Start-Up or SME"

Some might assume that in a time of economic uncertainty and to some degree hardship, starting a business simply from an idea could quite possibly be one of the worst decisions someone could make. However, what if this is in fact the perfect opportunity to do just that? According to Samer Choucair, VP of CE-Ventures, the division within Crescent Enterprises serving as an incubator for ideas that are launched into socially conscious businesses, that seems to be the case.

VP, CE-Ventures, Samer Choucair

As the old adage goes, necessity is the mother of invention, which cannot ring any truer than in the case of start-ups during even the worst of downturns. Take some of the most famous examples in history, such as technology giants Cisco, HP, and Google, which have effectively proven that in times of economic downturns, innovation thrives and successful businesses are born. It is normal for such a bold statement to sound counter-intuitive, but the reality is that constraints and limiting situations, which may not otherwise exist, translate into better thought-out and foolproof businesses led by persevering entrepreneurs.

The current economic climate, driven by lower oil prices, likely points to a new normal that will last quite some time, and which I believe will result in improving efficiencies in our market. Our region traditionally suffers from extreme inefficiencies due to the abundance of cash and wealth or "easy money", which started being ironed out after the 2008 crisis, and will once again become a focus for businesses and governments alike, ultimately resulting in more efficient economies.

This efficiency optimization cascades all the way down to individual consumers of course, who, in instances of a downturn, will naturally have a stronger tendency to hold on to their money, and replace luxuries with necessities. This shift in consumer behavior, if understood correctly, could prove to be an opportunity for a new business to exploit. Take the fashion retail industry for example. While it is expected that high-end fashion retail will see a decline of 30-35%, the lower to mid-level fashion lines are seeing single-digit declines and in some cases even growth. The key here is to tackle lower spending by providing more value for money with the product or service offered.

The outcome of an economic adjustment will be more innovative products and services, healthier competition, and a less volatile market. Therefore, viewing a downturn as a deterrent to new business ideas is regressive for young markets such as those in the Middle East. In addition to the opportunities that arise, building a business during such a climate comes with a number of commercial benefits. For one, the falling demand for office space results in more affordable rents for a small business. Not to mention that entrepreneurs have greater access to a competitive talent pool, including like-minded enterprising professionals with the right skills to support the business goals. In addition, suppliers are more willing to negotiate and reduce margins, which further reduces overhead.

While benefits to starting a business during a downturn are certainly abundant, there are also some challenges that cannot be overlooked. The availability of consistent funding is usually perceived as the biggest challenge that a new entrepreneur is likely to face. What needs to be noted here, however, is that a strong business idea is one that has the capacity to sell itself to financiers. More often than not, the bigger focus is placed on the lack of SME funding, while in fact the more urgent need of the hour is to create a movement towards developing more efficient, innovative and sustainable business ideas.

Another challenge that small businesses face during a downturn is stronger competition. It is possible and very common for a start-up idea to manifest at the same time in slightly different forms. In such cases, the real differentiation that results in success can only be achieved in the implementation – giving people what they really want.

Finally, the downturn invariably affects consumer spending, and while this may mean a reduction in the cost of resources, it also affects the start-up itself. The key here is to tackle lower spending by providing more value for money with the product or service offered.

Whether it is a lack of funding, strong competition, or reduced consumer spending, the key to launching any successful start-up is for the entrepreneur to begin with an idea that they are not afraid to test. I myself have a number of guiding principles that I try to stick to at all times, and especially during the current economic climate:

- Seek out opportunities that provide real measurable efficiency improvements
- Cash is king, hold on to it tightly, and use it wisely
- Take your time finding the right team to help build your business
- Do not get emotional about your business or idea. Use tough times as a real gauge for the viability of your business; if you are able to sustain it now then it is bound to succeed when the economy improves, and if not, then let go and move on to the next opportunity
- Know when to say no to an opportunity and focus on a small set of the highest value ones at a time. It is very easy to fall victim to the excitement of going after an unsustainable number of opportunities all at once only to be met with failure. As an entrepreneur, the toughest decisions you make are what opportunities not to pursue!

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With this resource, executives will have access to information in the context of business and its related areas, with locally and regionally relevant topics that might otherwise be discussed in prominent Western publications. It is Crescent Enterprises' goal to fill this informational gap with a revered publication such as HBR.

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