

INVESTMENT

Altering the SME business landscape in the region

Kuwait-based Al Ritaj is poised to service the region's hitherto untapped small and medium sized enterprises space through localized investment strategies of international standards

In a globalized era marked by economic liberalization, privatization, lowering of barriers against foreign investment and World Trade Organization requirements, local and regional markets are undergoing significant changes engendering a transformation in the way business is conducted in contrast to a decade ago. The challenges are many, and often call for restructuring.

In Kuwait, up to 85% of small and medium sized enterprises (SMEs) are family businesses with individual-style management. Many lack the managerial and financial competencies to operate effectively in today's rapidly changing market. Furthermore, amongst the established firms, the reins of control are passing from the second generation to the third.

Here's where Al Ritaj Investment Company steps in with its expertise across a range of services from private equity and asset management to Islamic financial products and advisory. Established just over a year ago with a paid-up capital of KD 25 million (\$88.5 million), Al Ritaj conducted extensive research to identify and define the niche market of SMEs and restricts its potential client base to existing companies with a net value between KD 1 - 10 million (\$3.5 – 35.4 million).

Managing Director and CEO Jehad M. Al-Qabandi underlines that the company has tapped a space that holds high potential. "Most SMEs are overlooked by big investment companies as detailed financial information about unlisted family-owned businesses is lacking. The challenge also lies in defining such businesses in terms of size, and communicating an evaluation and subsequently our unique partnership strategy to owners who may have reservations about external intervention in their business."

However, backed by a highly professional team with extensive local, regional and international experience across a wide range of industries; a strong shareholder base comprising the most prestigious institutions in Kuwait; and a wide network of international technical partners, Al-Qabandi is confident that the company's partnership strategy will be welcomed by SMEs across Kuwait, the GCC and MENA.

"Our strategy is based on strengthening and developing the performance of the target company through a direct partnership position in the company," he explains. "Our business model follows Islamic Shariah. We do not aim to merely finance or acquire a company. We provide the requisite solutions – be it business plans, expansion, turnaround and restructuring plans, mergers and



JEHAD M. AL-QABANDI Managing Director and CEO of Al-Ritaj
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acquisitions - in addition to providing management, financial and operational improvements. We work with the owners of the business to change the legal status of the company to that of a shareholding one and exit when a targeted significant increase in its value is achieved and the expansion and turnaround plan has been met.”

The company lays high emphasis on HR to bring clients superlative service, synergizing the strengths of executives – mostly Arabs – who have been hitherto associated with international corporations across the U.S., Europe and the Middle East. “Key to our business is an ability to localize global practices to suit regional business cultures and sensibilities,” explains Al-Qabandi. “Such insights equip our investment team to enable entrepreneurs to envisage how the requisite business acumen and managerial support results in a win-win situation.”

The company has already made impressive inroads into the MENA market. “Besides Kuwait, we have secured projects in Saudi Arabia, Qatar and Bahrain,” adds Al-Qabandi. “We have also successfully clubbed together six pharmaceutical companies across Jordan, Egypt, Syria and Saudi Arabia into a holding company.” With a number of projects in the pipeline awaiting finalization, Al Ritaj aims to extend the success of its business model to the international market in the future.