



## Ordering off the Menu: Entrepreneurship Arab-Style

**In its search for capital Aramex became the first Arab-based company to list on Nasdaq. It was a mistake that became the making of the company.**

“I don’t know if anyone isn’t afraid of failing,” **Fadi Ghandour**, founder and recently departed CEO of transport and logistics company, Aramex International, surmises when asked about his reputation for being fearless. “Trying can lead to failure but there’s balance in being confident enough to say if I fail - if I fall - I will try again.”

Whether it’s new markets, new products, new partnerships or innovative ways to raise money, Ghandour has infused his staff with the mantra: don’t stick to the menu and don’t be afraid to try.

It’s the story of the early days of Aramex, (an acronym of Arab American Express). Created in 1982 as a small Jordanian courier service with big ideas, assisted by strong international partnerships and dogged determination, it became one of the leading logistics and transportation companies in the Middle East and South Asia.

Passionate about Arab entrepreneurship, Ghandour is also co-founder and director of MENA Venture Investments, a seed capital fund which provides capital, mentorship and technical expertise to start-ups, and a founding partner of Maktoob.com, the world’s largest Arab internet service recently acquired by Yahoo! But it’s his first company, Aramex which gained a reputation as the Middle East’s most successful entrepreneurial enterprise.

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“The first 15 years of [Aramex] we failed, we fell, we stood up. The doors closed, we kept knocking until they opened. We took wrong decisions, hired wrongly, everything you can imagine trying we tried.” And the end result, says Ghandour, is the company today with 12,000 people in 150 locations and expected 2013 revenue of US\$1 billion.

### “We owned nothing”

On any scale Aramex has done well out of the global economic crisis. Very well. With its asset-light, debt-free business model, the transport and logistics company is taking advantage of lower costs and prices, buying up businesses and stretching its reach to become the premier courier service linking the emerging and fast growing Asian and African economies.

But travelling asset-light has not always worked in its favour. When seeking capital from the Arab world in the late 1990s local investors were reluctant to put their money with the company.

“We tried to do a private placement but the Arab markets didn’t know how to value us,” Ghandour told INSEAD Knowledge after addressing an executive education programme at INSEAD’s Abu Dhabi campus.

“They wanted to see that we owned buildings and land and warehouses. We owned nothing. So we thought, if the Arab world doesn’t want to invest in us, we’ll go West.”

In 1998 the company became the first - and to date only - Arab-based company to list on the Nasdaq stock exchange with surprising results.

Suddenly it was the Arabs who were Aramex’s biggest supporters. “It was as if they thought ‘OK if Nasdaq accepts these guys they must be legitimate.’”

The listing had an impression on other players as well. Banks, clients, strategic partners all started to look at the company differently. “It was as if because we were listed on Nasdaq suddenly we were global players,” says Ghandour.

Despite the new-found respect, Aramex failed to get the capital it was after. The stock remained a microcap on a massive exchange, and from a region that was not looked upon positively by global investors. “Every skirmish that happened in the Middle East, every bomb that popped up here and there, they would think was going to affect our business. So our stock was stagnant, there was very little liquidity on it.”

Unable to get the value the company needed, Ghandour, in partnership with Abraaj Capital, bought back the company in 2002 and three years later listed on the Dubai Stock Exchange where it remains today.

“It was a case of a success that came from a failure,” says Ghandour. “We wouldn’t be here today and the company we are today if we hadn’t gone public on the Nasdaq.” Aramex became better run, more disciplined and able to meet the stringent transparency and disclosure rules required of public companies.

“It changed me as a person too,” he notes on a personal blog. “As a CEO, (and) as a disciplined manager. Nasdaq was the one single milestone. If it wasn’t for Nasdaq, everything that has happened since wouldn’t have happened.”

Taking a risk, like the Nasdaq listing, says Ghandour is key to entrepreneurial success whether it’s in the pursuit of fresh markets, a new business model or new products, you can’t be afraid to try.

### **Humble beginnings**

Ghandour was fresh out of university and working in a car rental shop when a family friend, Bill Kingston, came up with the idea of starting a courier company. Kingston had seen how successful United States’

courier companies like FedEx and Airborne Express had been convincing the American public they needed things delivered overnight rather than through the postal authorities. What FedEx and its ilk didn’t have, Kingston noted, was global reach. Overseas parcels were passed on to competitors. So, in what was an audacious move, Ghandour and Kingston convinced the big players to enter into partnerships. “That’s how we got to build our network and that’s where we learned the business,” says Ghandour.

Later, by striking a deal giving Airborne Express nine percent of Aramex, the Middle Eastern company gained access to international networks and the latest technology including tracking and tracing systems.

In the Middle East, Aramex’s biggest competitor remained the international carrier DHL and its biggest challenges were those faced by any start-up, being able to compete with the big players on price, recruitment of good staff and gaining customers’ confidence.

### **Copy, paste – innovate**

“I have a saying, you copy and paste and then you innovate,” says Ghandour.

“Aramex in its origins was copying what our competitors were doing, only we did it a bit cheaper. That’s the only way you can compete when you don’t have a powerful brand. But competing on prices doesn’t last long so we had to innovate. We started doing air freight, then we started doing sea freight, we started trucking and doing third party logistics. Today we are the biggest operator in intra-city and intra-country deliveries and the largest e-commerce operator delivering for e-commerce and enablers in the Arab world.” Its fastest growing product is its ‘shop and ship’ service, enabling people in the Arab region to shop in the West, giving them a delivery address in the United States or the United Kingdom and arranging to have goods shipped on to anywhere in the world.

### **“We were begging people to work for us”**

As a young start-up, Aramex also needed an innovative way to source and to keep its talent.

“In the beginning people didn’t want to work for us, they wanted to work for the big brands. We were begging people and still getting mostly middle-of-the-range recruits. So we started recruiting young, highly-educated people straight from universities and training them in-house. That’s why we have a fantastic team today, most of them have been here 20-25 years – they all had their first job with Aramex and never left.”

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## Thriving in a global downturn

With a growing customer base, on-line exposure, minimal debt and very few assets, when the global economic crisis hit in 2008, Aramex was in prime position. Despite a ten percent decline in revenue, the company's 2009 income jumped 25 percent, on falling costs.

"All the costs went down," Ghandour remembers. "Airlines came begging us for business. When the market is slow, rents are lower, everything you do is at a different price. So we were lucky in a sense."

Across the world it was a buyer's market and in 2010 with accumulated cash Aramex opened its purse and started to spend. It bought companies in East and South Africa, Bangladesh, Malaysia and created a hub in Singapore with plans to open up routes from China and Southeast Asia across to East Africa. "Competition in this space is still a bit behind so it's a niche opportunity."

Africa is of particular interest with its strong growth potential and similarities to the Middle East markets. "We bet on Africa two years ago, now you open magazines and you see all sorts of business opportunities there," says Ghandour. "It's really opening up; free trade agreements are happening, talent is available, transparency is happening, there's more governance and foreign investment laws that are attractive for people, like us."

Political instability remains a challenge, he concedes but not one that can't be overcome. "For us, risk is relative. We live in a region that has always been politically risky, so when we go to a country that has political risk we say, "It looks like home."

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