

Expert advice on how to grow a family business in South Africa

By Arnold February, issued by Business Partners Limited

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Family businesses make up a significant portion of SMEs in South Africa. While statistical data on the contribution of family businesses to GDP is not widely available, their centrality to economic growth is illustrated by the fact that approximately 60% of companies listed on the JSE were founded or are currently run by family units. Despite a unique set of challenges, family-run businesses can take decisive steps towards triggering a positive and sustainable growth path.



Arnold February

In the global business context, where purpose-driven leadership is being touted as the key to long-term success, family businesses have a unique opportunity to leverage their core values and gain a foothold in the market now more than ever.

This is the opinion of Arnold February, Regional Investment Manager, at small and medium enterprise financier, Business Partners Limited, who predicts that the foregrounding of 'purpose' in a family business will provide fertile ground for the emergence of value-driven entrepreneurship.

The intersection of family values and business practice

Recent research by Deloitte suggests that more consumers are interrogating the values of the brands and businesses they support, in search of ideals such as authenticity, relatability and integrity.

“Driven by the evolving consumer demands of younger generations, a fundamental market shift from the sole focus on profit, to a trifecta of ‘purpose, people’ and ‘planet,’ is evident both globally and abroad, and company values are the cornerstones of purpose,” says February.

It is for this reason that she emphasises the importance of communicating company values clearly; particularly in a family business, where trust and cohesion play such a pivotal role in the achievement of milestones. “Not only will the clear communication of values assist with driving an internal culture of mutual cooperation, but from a customer relations perspective, it is a powerful and persuasive tool for attracting and driving customer loyalty,” He explains.

Evidence in support of these claims can be found in PwC’s most recent African Family Business Survey, which found that for 80% of the South African family businesses who follow a clearly defined set of values, the vast majority claim that this has helped them mitigate the impact of the pandemic on their business operations. Furthermore, nearly four out of five respondents claim that having these values in a written and accessible form correlates strongly with long-term success.

Embracing change and the importance of agility

Expanding on her advice for family-owned businesses, February encourages entrepreneurs to view agility as a business imperative. ‘Tradition and heritage are fundamentals in family-run businesses, but rigidity and an inability to adapt to an evolving social and business environment can serve as a barrier to further growth,’ says February.

In an article entitled, ‘Sustaining a culture of continuous transformation in family business,’ KPMG Private Enterprise echoed these sentiments, arguing that a “proactive” rather than a “reactive” stance to sector developments is advised. In a roundtable involving a constituent of South African family business leaders, participants acknowledged the importance of

becoming “drivers of change,” rather than “passengers.”

For Botha, embracing change and implementing solid change management policies and practices should be a matter of priority for businesses, particularly given the rapid technological advancements that are transforming various industries.

Furthermore, taking an open-minded approach to changes within the industry as well as in the way that customers relate to both businesses and each other, is a vital component of becoming adaptable and ultimately, thriving during periods of disruption or uncertainty.

February asserts that while many may view change through the lens of digital transformation particularly now with the impact of the Fourth Industrial Revolution, she argues that this is only one contributor to business longevity. Providing further insight into this perspective, February urges family entrepreneurs to scrutinise and formalise their governance policies and structures wherever possible.

A renewed focus on governance

As he asserts, “The ‘G’ in ‘ESG’ is often neglected in family-run businesses and as a result, the human and social capital of those companies is not fully realised.”

In general, as the report by PwC suggests, South African family businesses are on a positive trajectory where the defining of roles and responsibilities are concerned, with almost 90% of respondents claiming that their leadership teams are strong and equipped with the data and tools they need to execute on their duties.

Governance, however, is a multi-faceted component in family businesses, and has a direct influence on whether communication systems support positive growth or lead to internal divisions and the breakdown of value systems.

As February concludes, a family business growth strategy needs to include aspects such as succession and business continuity planning. “In order for factors like the transfer of leadership and ownership from one generation to the next not to serve as disruptive forces, open discussion and contractual agreements need to be encouraged and facilitated. Family members need to see themselves not only as employees and team members but as custodians of their family’s legacy.”

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*Business Partners Ltd has had remarkable results within the SME segment.

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