

## BUSINESS

# Family companies drive economy

## NMMU-based Family Business Unit assisting companies throughout SA

"WHAT we are seeing with our clients is that it is family businesses which are driving the South African economy," KPMG Family Business South Africa head Alan Barr said.

The South African unit, which is part of KPMG's Global Family Business Centre of Excellence, is based in Port Elizabeth.

This is because of the existence of the country's only university-based Family Business Research Unit at Nelson Mandela Metropolitan University (NMMU), and because of the high number of successful family businesses in the Eastern Cape.

According to Barr, KPMG works closely with the NMMU Family Business Unit (FBU) to identify and meet the many challenges facing family businesses across the country and farther afield.

KPMG provides these businesses with access to best practices in terms of how they deal with the unique challenges they face, instead of travelling abroad for the same insight.

The Family Firm Institute of Boston in the US estimates that 30% of family-owned businesses survive to the second generation, while only 12% survive to the third generation and a mere 3% to the fourth generation and beyond.

Research undertaken by the NMMU FBU is helping to identify the main challenges facing family businesses in South Africa, according to unit director Prof Elmarie Venter.

Findings are shared at regular family business forums and conferences hosted by KPMG and the NMMU FBU.

The consulting firm and the FBU also work together where necessary to assist family-owned and run businesses, according to Barr. "It is a collaborative relationship," he says.

Around the world the experience is that healthy family businesses are needed to create sustainable jobs and create wealth.

They face a number of unique challenges.

A survey of 100 South African family businesses by PwC found that about 26% of respondents were apprehensive about the transfer of the business to the next generation, stating that they would not have the required skills and aptitude to own and run the company.

Another 22% foresaw that there would be conflict between the family and those managing the company.

However, Venter said, the FBU is helping family businesses across the country to overcome the challenges through short courses and the training of family business practitioners.

Owners can also have a free one-hour introductory consultation at the FBU. Despite the challenges of both the economy and managing family-run businesses, they continue to flourish.

Prof Venter says family businesses in the Eastern Cape and the rest of the country that are growing are doing so because they are innovating and embracing the King Code of Governance principles.

Instead of seeing them as a burden, they see them as a guide to doing business properly.

## WHAT IS FAMILY BUSINESS? THE LOWDOWN

YOU know you are in a FAMILY BUSINESS when:

- The family sees their business as a family business;
- Family ownership in the main operating business is above 50% (voting share);

● The family is active in the business, and not only a passive shareholder or investor;

● At least two generations are involved in ownership and/or management of the business;

● The next generation of family members wants to go into the business.



**CLOSE KNIT:** The head of the Family Business Unit at Nelson Mandela Metropolitan University, Prof Elmarie Venter is joined by, from left, KPMG Eastern Cape managing partner Alan Barr, Coca-Cola Sabco chairman Phil Gutsche, KPMG global head of family businesses Christophe Bernard, and Tavcor Motor Company CEO Alan Taverner. The Gutsche and Taverner families both run successful family businesses in the metro and beyond

## A GLOBAL STEP-UP

NELSON Mandela Metropolitan University's Family Business Unit is the first in Africa to become an affiliate of the global Successful Transgenerational Entrepreneurship Practices (STEP) project.

Funding for the affiliation is being provided by Gutsche Family Investments, best-known for its ownership of Coca-Cola Sabco. Currently, the NMMU FBU is the only unit of its kind in Africa.

"The STEP project provides the opportunity to put the Eastern Cape, South Africa and Africa on the map in terms of the field of family business," the unit's director, Professor Elmarie Venter says.



## FAMILY BUSINESSES ARE THE BEDROCK OF ECONOMIES AROUND THE GLOBE

### ACCORDING TO A RANGE OF SOURCES:

- Family businesses make up **70%** of all businesses in Africa and **65%** of companies in South Africa.
- Family businesses account for **80%** of all businesses in the US and are responsible for nearly **50%** of gross domestic product (GDP).

- Family businesses in Europe represent between **60%** and **70%** of all small- and medium-sized enterprises (SMEs), and contribute between **45%** and **65%** to the continent's gross national product (GNP).

In Germany, for example, family businesses represent **79%** of all businesses and employ **44%** of the working population.

## FAMILY BUSINESS IS ALSO BIG BUSINESS

### ACCORDING TO THE ECONOMIST:

- Family businesses make up **19%** of companies in the Fortune Global 500, which tracks the world's largest firms by sales.

- About **85%** of US \$1-billion-plus (R14-billion-plus) businesses in South-East Asia are family-run, about **75%** in Latin America, **67%** in India and about **65%** in the Middle East. In sub-Saharan Africa, the percentage is about **35%**.



## NURTURING ENTREPRENEURSHIP

A COMMON challenge facing family businesses is to rekindle the spirit of the entrepreneurship of the founders.

This is one of the findings of a two-year study by scholars from 35 institutions across Africa, Europe, Latin America, Asia and North America.

"Families are the dominant form of business organisation worldwide and play a leading role in both social and economic wealth creation," STEP (Successful Transgenerational Entrepreneurship Practices) Project's academic director, and faculty director for the Institute for Family Entrepreneurship at Babson College in Massachusetts, US, Matt Allen said.

"Our survey validates the growing need for owners to develop and pass on entrepreneurial mindsets that will build new practices and solutions for the next generation," he said.

Entrepreneurship is needed to ensure that family businesses continue to expand to absorb a growing number of family members, NMMU Family Business Unit director Professor Elmarie Venter said.

"The number of family members the business supports grows with every generation," she said.

"They need to transfer the entrepreneurial spirit of the founders to ensure the business creates wealth faster than the family grows."

In July, Venter presented a summer school on entrepreneurship theory and practice in Utrecht, the Netherlands, to students from 15 countries.

"To a decade of successful collaboration and commitment to deliver top quality talent and rounded future leaders in our business community.

Thank you NMMU and congratulations!  
We look forward to many more."