

Generational conflict in family businesses

Family businesses contribute 6% to the South African economy and are the largest employers. "This is not only true of South Africa but around the world," says Ahmed Seedat of Vector Consulting.



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Japanese family businesses span 200 to 300 years and in South Africa, some are in third or fourth generation stages. This is where the challenges are.

"There must be a generational and cultural fit," Seedat says. The Born-free generation have a different education to people growing up in the 60s, 70s and 80s. This leads to a clash in culture and mindsets.

Clashes

Another conflict may arise when a family member marries. The new partner may not be accepted or deemed to be of the same social standing or cultural mould. The choice of a spouse may even turn the family against the individual.

“Some family business can be ultra-conservative not allowing the member to follow their passion. This can stifle the growth of the individual and may cause younger members to break away,” Seedat says. “This requires adaptive leadership to apply not only emotional intelligence but cultural intelligence too.”

Exit strategy

Family and generational conflicts impact business structure. This can be a problem when there is no exit strategy, for example, in the case of second-generation siblings or no charter or policy about how to bring the sons and daughters into the business. An unexpected exit can weaken the capital structure.

Succession planning is key. This rests with the management. Many make the mistake thinking that trusts and wills suffice in the event of the death of the primary.

Seedat points out, “Trusts and wills are not a formal shareholder agreement and the business is a different legal entity. If this is not in place it could be a free for all and the business will suffer.”

Vision

Successful companies have a shared vision. For example, Pick n Pay, Dischem, Cape Union Mart. Raymond Ackerman (Pick n Pay) worked with the assets and people around him. He put systems in place to improve the business. He improved human capital through education and training schools – he built champions.

Seedat says a high level of corporate social investment is important. Many family businesses owe their success to the social entrepreneurship and community involvement around them such as schools, churches and social services.

Ultimately, success is about communication – clear and explicit. Seedat says, “When jealousy and other emotions cloud perception it leads to division, dysfunction and denial. Rather be mindful and find common ground to move the business forward.”

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