

# A new way of thinking about family wealth

by André Diederichs and Gideon Maas

In normal conversation, the term 'family business' might be used to refer to family income, but is not often used to refer to family wealth or to the family's business. As a result of this narrow focus in so many family businesses, some members of the family are excluded from information related to the business. A phenomenon common to family business is that of entitlement where parents are expected to hand over the business to younger family members. This is often accompanied by a belief that the younger person is worse off in the family business and want to take over the business immediately or leave to start their own business. These situations are not unusual. However, if you communicate openly with family members, you will be in a better position to foresee such problems arising. You will then be able to deal with them and prevent family members from being driven apart.

The aim of every business entity is to turn inputs into outputs at a profit. Therefore, the input of each family member must be focused on achieving this outcome without harming family dynamics. For the family business to remain competitive, those involved in the business must be part of the productive stream and contribute to the business. You should not appoint family members to positions in the business if they are unable to make a contribution to growth and development of that business.



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People now tend to live longer and retire when they're older. In effect, family numbers are growing and placing more of a burden on a business than used to be the case. This is reinforced by the high unemployment rates in South Africa and the need to look after family members. Some families take the view that it wouldn't be a bad thing for their children to create their own future. This view may provide a short-term solution, but it can lead to a fractured family.

Providing support for family members can result in a dilemma of conflicting interests. To address this dilemma, you need to decide how you perceive the role of the business in relation to the family.

Should the family business create wealth only for selected members in the family who operate the business, or is the business a vehicle for creating wealth for the family as a whole?

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