



FABASA

What we neglect to do today is the pain our children will bear tomorrow

Legacy is not what I did for myself. It's what I'm doing for the next generation.

Vitor Belfort

Avoid Conflict Through a Family Business Constitution

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FAMILY BUSINESS TIPS

To avoid conflict, a family business needs to maintain a healthy balance between the interests of the Business & the Family. If not, the Cain & Abel story will continue...

The BEST PRACTICE to Avoid Conflict is to create a FAMILY BUSINESS CONSTITUTION.

The overall objective of a Family Business Constitution is to ensure a Healthy Business and Harmony in the Family.

Think of a Family Business as a Weighing Scale with Two Buckets. In the one Bucket is the Family & and in the other Bucket is the Business. If those buckets hang uneven conflict will follow.

TWO THINGS TO AVOID

1. If the Family Business Owner solely focuses on the success of the businesses to the detriment of the family, chances are good that the children, as potential successors, will avoid becoming involved with the business and rather seek opportunities elsewhere.
2. The opposite is also true. If a Family Business Owner, solely focuses on keeping the children, as potential successors, happy to the detriment of the business, the business will fail.

The solution is to create a Family Business Constitution that ensures a Healthy Business while Maintaining Family Harmony.



Clear Vision

The Constitution starts with a vision. To ensure a healthy balance between the interests of the business and the family, the family and business vision must be integrated. It is wise to involve the existing and the incoming generation in the composition of the vision and ensure that a consensus is reached on the vision.

Values

The average lifespan of businesses in the world is 25 years. In my Afrikaans book, *Leierskapswaardes: Wysheid uit die Planteryk*, loosely translated as *Leadership Values: Wisdom from the Plant Kingdom*, I communicated with family businesses who survived for several centuries to find out how they survived for so many generations.

The oldest business I communicated with was Kongo Gumi from Japan. This family business was founded in 578 A.D.! Boplaas 1743 is the oldest family business in South Africa.

The answer to their longevity is simply VALUES. Values that they instil in their children from generation to generation. It dictates how they do business and is non-negotiable.

The Constitution is the compass of values and guidelines that determine the family and business enterprise's code of conduct. Decisions that family businesses make are based on their understanding of values which are then judged as ethical or unethical in the market. The essence of ethics is the choice between right and wrong. Choices between right and wrong are based on what the family business and/or community believes is right or wrong. Right or wrong is again based on the family business or community's value system.

It is important that a family business reaches a consensus on

inherent values and that the values they agree on are then applied consistently and become the yardstick against which all decisions and behaviour are judged. Values must be a personal conviction for you to ensure they are maintained. For example, society may prescribe that it creates less tension not to base values on a specific faith, while you may believe that your faith forms the central basis for your personal value system.

OTHER ASPECTS

The Constitution addresses several other aspects, such as Rules for Succession (Leadership Transition), and Rules for Ownership. Employee Policy and Remuneration, Communication Policy etc.

CONCLUSION

Fairness, in a Family Business is Vital to Avoid Conflict.

C.J. Langenhoven rightly said: "Nothing is ever finally settled that is not fairly settled."

Fairness, like many other important life lessons, must be learned. A life lesson has a peculiar and annoying way of repeating itself until it is learned and applied.

There is nothing that can make people disgruntled and revolt more than the feeling that they are being treated unfairly. It is the undertone of almost all revolutions we have experienced in the world and it can also cause a revolution within a family business if a healthy balance is

not maintained between the interests of the business and the interests of the family.



A Lack of Fairness can also lead to unhealthy sibling rivalry.

Says Professor Shelley Farrington from NMMU: "The 'baggage' that brothers and sisters bring to the workplace, as a result of having grown up together, is probably the biggest challenge they face.

Feelings of envy, preconceived ideas about one another and misunderstandings from childhood can interfere with their business relationships.

For example, children assume certain roles in families and as a result obtain certain labels, such as the 'black sheep' or the 'oldest'."

Don't neglect to create a FAMILY BUSINESS CONSTITUTION.

It is the MOST PRECIOUS LEGACY you can leave behind to ensure the Family Business will be sustained throughout the generations.

REMEMBER: What you neglect to do today is the pain your children will bear tomorrow

For assistance with a Professional Family Business Constitution contact FABASA at info@fabasa.co.za or phone 082 453 3288

