ENERGISING FAMILY BUSINESSES

NEWSLETTER

STEWARDSHIP

THE BUSINESS IS LOANED TO US, NOT OURS TO SQUANDER

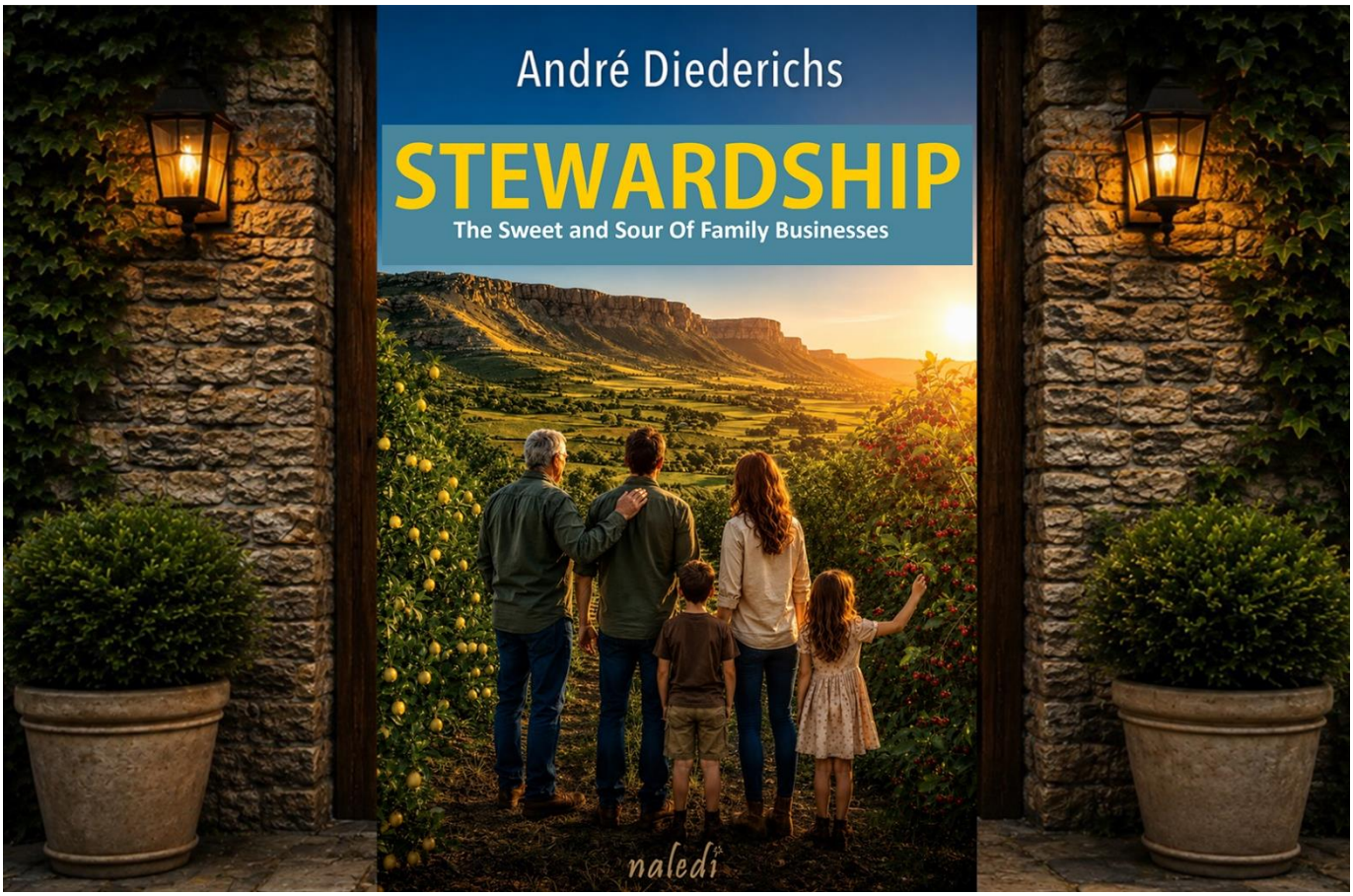
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FAMILY BUSINESS ASSOCIATION OF SOUTH AFRICA



STEWARDSHIP

Why no family business can survive from one generation to the next without true stewards.



How do you make difficult decisions without losing the people you love? How do you transfer a family business from one generation to the next without the business – or the family – falling apart?

These are the questions thousands of family businesses around the world wrestle with.

They are also the questions that force us to think about something far more important than profits, land, buildings and bank balances, namely

STEWARDSHIP

A family business may be built through hard work, grown through sound management and protected through careful planning. But without people who understand that they are responsible for more than their own interests, even the strongest business can eventually buckle under the weight of competing family interests, unspoken expectations and conflict.

And that is where stewardship comes in.

WHAT IS STEWARDSHIP?

Stewardship begins with a simple but profound thought: What has been entrusted to you is not necessarily yours to do with as you please. It is your responsibility to care for it, preserve it and grow it so that those who follow you can also benefit from it.

In a family business, this means that the current generation is not merely the owner of a business, but also its steward. They inherit something that has often been built over decades through sacrifice, perseverance and hard work. Their task is to build on that foundation and, wherever possible, pass the business on to the next generation in better condition than they received it.

This does not mean that the current generation has no right to fair remuneration, financial security or the fruits of its labour. Of course it does. Stewardship does not mean ignoring your own needs to benefit future generations.

Rather, it means that personal gain must never be the only measure by which decisions are made.

The steward therefore asks not only, “What do I get out of this?” but also, “What is right for the business, my family and the generations that will follow me?”

That is a very different way of thinking.

WHAT STEWARDSHIP IS NOT

Stewardship does not mean treating the family business as a personal playground where everyone makes up their own rules.

Nor does it mean believing that, because you are the eldest son, have worked there the longest, you automatically have the right to make every decision in your own favour.

And it certainly does not mean treating the family business like a cake over which everyone fights until the last crumbs are scattered across the floor!



A family business is not an ATM that must dispense money indefinitely because someone wants a new house, a more expensive vehicle or a more luxurious lifestyle. If the

financial health of the business is compromised in the process, everyone will eventually pay the price.

The difference lies in the attitude with which we make decisions.

The owner who thinks only of himself asks, "How can I get the most out of this?"

The steward asks, "How can I manage this responsibly so that it still has value tomorrow?"

Sometimes, that means taking less today so that the business can stand stronger tomorrow.

It also means that parents must teach their children more than how to inherit assets. They must teach them how to accept responsibility.



Inheriting a business without understanding the mindset of a steward is like receiving the keys to an aeroplane without knowing how to fly. The aircraft may look impressive, but the landing could be another story!

TWO BROTHERS, TWO WIVES AND ONE FARM – AND THEN THE QUESTIONS BEGIN!

Let us consider a situation that could unfold in many family businesses.



Two brothers farm together on the family farm. They have worked side by side since childhood, helped each other and weathered both good and difficult years. When a problem arises on the farm, they work together to solve it. If one has a difficult day, the other steps in to help. They sometimes disagree, as brothers do, but there is an underlying trust: they are in this together.

Then they get married.

Initially, everything goes well. The new wives become part of the family. There are visits, laughter and big plans for the future.



But over time, the questions begin.

"Why do we live in a smaller house than your brother?"

"Why does he drive a newer bakkie than you do?"

"Don't you work just as hard as he does?"

"And when are you two actually going to start providing for your own future?"

These are not necessarily unreasonable questions. Every couple wants to know where

they are heading and whether their hard work is building a future for them too.

The problem arises when these questions are not discussed openly with the family but are repeated behind closed doors until uncertainty turns into suspicion.

Suddenly, one brother begins to wonder whether the other is being favoured. A decision to buy a new tractor becomes a personal insult. A disagreement over remuneration becomes proof of unfair treatment. And the brothers who once stood on the same side of the fence begin to stand on opposite sides.

The irony is that the farm still needs to be ploughed, planted and harvested. The cattle are not going to wait until the family has sorted out its emotional issues!

What has changed? Often, it is not the love for the family but the expectations people bring to the business.

That is why it is important, from the outset, to distinguish between the family business as a source of income and the business as an asset that must be managed responsibly. The business must provide fair remuneration, clear rules and a sustainable future for those involved. But it cannot simply become an instrument through which every household tries to finance its preferred lifestyle.

The solution is not to exclude spouses who marry into the family, but to include them, inform them and involve them from the beginning in conversations about stewardship.

They need to understand how the business operates, what responsibilities come with it and why certain decisions are made. Equally, the family must listen to their concerns and ensure that remuneration, benefits and opportunities are handled according to fair, agreed-upon principles.

When everyone understands the bigger picture, there is less room for assumptions and more opportunity for trust.

"WELCOME TO THE FAMILY! HERE IS OUR CONSTITUTION."



I know of family businesses that encourage the future spouses of their children to read the family business constitution. Some even go so far as to ask these family members by marriage to sign an acknowledgement that they understand and are willing to respect its principles.

That may sound rather formal for a family accustomed to discussing everything over Sunday lunch. But there is a good reason for it.

Imagine a father sitting with his son and the young woman his son intends to marry.

He is excited about the wedding. He likes the young woman and sincerely hopes they will be happy together. Yet he cannot help thinking about his neighbour. There has been considerable drama on that farm since the neighbour's son got married. Every decision is questioned, every disagreement becomes a family dispute, and the business that was once a source of pride has turned into an emotional minefield.

The father decides that he does not want to follow the same path.

He gets up, walks to his office and returns with a document tucked under his arm.

"I would like us to talk about something important," he says.

The young woman looks at the document with some concern.

"Should I be worried?"

"Not at all," he replies. "You are going to marry my son, and I am delighted about that. But there is something you need to know before you officially become part of this family."

He places the document on the table.

"This is our family business constitution."

She looks at it.

"Is there an examination too?"

The father laughs. "No, but if you read it carefully, it could save you a great deal of heartache. And if you read it very carefully, it might even save your marriage!"

He explains that the constitution is not there to silence her voice or put her in her place. It is there to ensure that everyone understands how the business is managed, how decisions are made, how remuneration is determined and how conflict should be handled.

"You are welcome to ask questions, share ideas and express your opinions," he says. "But we try not to turn every family decision into a referendum. We already have enough meetings without someone drawing up an agenda for Sunday lunch!"

Then he becomes serious.

"The business that you and my son may one day help manage is not simply an asset you can use to advance your own interests. It is something that will be entrusted to you. You will enjoy its fruits, but you will also carry the responsibility of preserving and growing it."

He looks her in the eye.

"I do not expect you to understand everything today. I do expect you to be willing to learn, communicate honestly and keep the greater interests of the family and the business in mind. The same applies to my son."

He slides the document closer to her.

"We do things in a particular way here. Not because we believe we are always right, but because we have learnt that love alone cannot keep a family business going. We also need clear principles, fair rules and people who are willing to act responsibly."

The young woman smiles.

"I understand. I am marrying your son, not an unwritten contract full of surprises!"

"Exactly," he replies. "And if we get this right, you won't have to wonder every time whether your husband's brother gets a bigger tractor because he is the better brother. We want you to be able to talk to each other without turning every disagreement into a war."

Of course, no constitution can prevent every conflict. Paper cannot change people's hearts, and a signature will not instantly turn anyone into a steward.

But a good constitution creates clarity. It helps families have difficult conversations before problems spiral out of control. It protects relationships by clarifying expectations and ensuring that the same principles apply to everyone.

The aim is not to control people through rules, but to protect both the business and the family from the damage that uncertainty, unfairness and selfish expectations can cause.

THE WISDOM OF TWO FARMING FAMILIES

This principle is not merely a theory that sounds good on paper. It is a way of life deeply rooted in some of South Africa's established farming families.



Fanie van der Merwe of Boplaas 1743, the family business whose origins date back to 1743, explains how the principle has been passed down from generation to generation: "*The farm does not simply belong to the generation currently managing it. In a sense, it is borrowed from the children, the generations yet to come".*

That is a powerful thought. The current generation may work the land, develop it and manage the business, but it is not the final destination of the farm's story. It is one chapter in that story.

The question is therefore not only how much the farm is

worth today, but also the condition in which it will be handed over to the next generation. Is the soil healthy? Is the business financially sustainable? Have knowledge and experience been passed on? Have family relationships been protected? Has the next generation been prepared to accept responsibility?



Kalie Schoeman of Schoeman Boerdery shares the same sentiment and expresses it beautifully:

"The land does not belong to us. We are merely the stewards who must leave it in a better condition for our as-yet-unborn descendants."

These words remind us that stewardship extends far beyond the value of land or the size of a farming operation. It is about the attitude with which we care for what has been entrusted to us.

A steward thinks about land that must not be exhausted, but nurtured. About knowledge that must not disappear with the older generation, but be passed on. About a business that must not be weakened by short-sighted decisions, but must stand stronger when the next generation takes over.

And, perhaps most importantly of all, a steward thinks about children who must inherit not only assets, but also the values that made those assets worth preserving in the first place.

Stewardship begins long before the handover

One of the biggest mistakes family businesses make is to regard succession as an event rather than a process.

The conversation often begins only when Dad becomes tired, when Mum wants to retire or when a health crisis forces the family to make decisions in a hurry.

By then, it may already be too late to clarify expectations calmly, prepare successors properly and address potential conflict in good time.

True stewardship begins much earlier.

It begins when parents teach their children that responsibility matters more than entitlement. When the older generation is willing to transfer knowledge and authority gradually, rather than controlling every decision until the very last day. When the younger generation understands that new ideas are welcome, but that change must be accompanied by respect for the history and values of the business.

It begins when families talk openly about remuneration, ownership, employment opportunities, dividends, retirement and succession.

And it begins when everyone understands that equality is not always the same as fairness. A child who works full-time in the business has different responsibilities from a child who follows a career outside it. These differences must be managed according to transparent principles, not through guilt, assumptions or favouritism.

After all, a family business has two important assets to protect: the business itself and the family.

If we preserve the business but destroy the family, we have not truly succeeded. And if, in the name of peace, we avoid every difficult decision until the business is no longer sustainable, we have failed too.

The challenge is to preserve both.