

Family businesses are the backbone of most countries' economies in the world

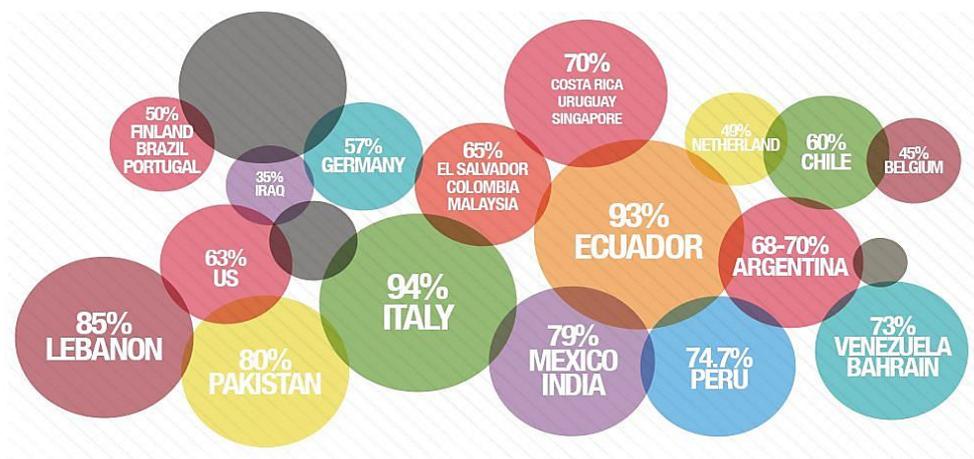
Do not throw the baby out with the bath water

A family business is managed and owned by a family (majority shareholding) and is preserved for future generations.

The involvement of family in the business is emotional (sentimental) AND financial (livelihood for the family over generations) and, therefore, family businesses are generally more sustainable than other businesses. STEWARDSHIP is thus a CORE VALUE and the reason why family businesses are successful.

Family businesses are a growing trend in the world and form the backbone of most countries' economies in the world. THEREFORE, FAMILY ENTERPRISES MUST BE PAMPERED AND PROTECTED BY GOVERNMENTS OF COUNTRIES.

The impact of family businesses is significant in almost every sector of the world economy. According to FABASA (Family Business Association of South Africa), 78% of the wealth in the United States belongs to family businesses and 75% of registered businesses in the United Kingdom are family businesses. It is estimated that the total economic impact of family businesses to global GDP is over 70 per cent.



Source: John Broons: Member of FFI (Family Firm Institute)

SOUTH AFRICA IS NO EXCEPTION. About 80% of registered businesses in South Africa are family businesses. Family businesses are especially significant in the AGRICULTURAL SECTOR. **Of the 570 million commercial farmers in the world, 500 million are family farmers! IN SOUTH AFRICA 96% OF COMMERCIAL FARMERS ARE FAMILY FARMERS!**

Important considerations:

Transformation in South Africa is essential to engage and empower more people, especially those who are traditionally excluded from the formal economy, to establish sustainably profitable businesses.

However, it is not in the country's interest, if transformation causes existing well-established family businesses to be harmed.

It is imperative that we create a healthy balance between political and economic aspirations. Think of a scale, if political considerations dominate economic considerations, the transformation will bring unintended negative consequences, as can be seen in Figure 1 below. Should the balance between politics and economics be maintained, the transformation will bring well-intended positive consequences, as can be seen in Figure 2 below.

Figure 1

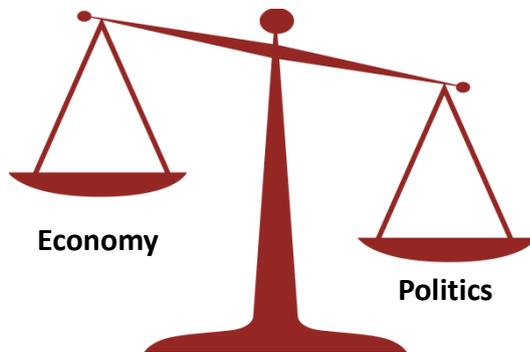
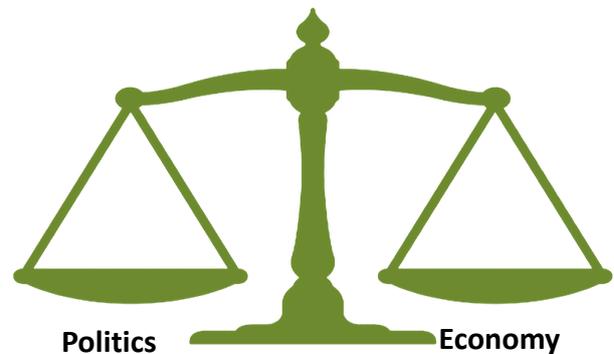


Figure 2



The answer to transformation in our country's interest is thus to follow an economic-political route that will ensure that more people in South Africa can become involved in the formal economy without compromising existing well-established family businesses.

Land reform and the threatening expropriation of land without compensation, where political considerations can exceed economic considerations, is the existing polemic in South Africa.

It is understandable that people, who previously could not be part of the formal economy, become impatient after 24 years of democracy but we must carefully manage the process to ensure agricultural growth, by more participants and not merely replacing existing established family farmers. The answer is that the cake must be enlarged to allow more people to share it.

Practical considerations

- Family farms are worldwide a successful model because it is established for future generations and is therefore carefully managed to create sustainability. It also creates long-term food security for the country. Should the family unit break down it will not benefit anyone and eventually, the business will fail and, consequently, the country's social and economic goals.
- The wise step is to utilize the leverage-momentum available to family farmers to accelerate transformation, for example, to use (buying) adjacent farms to empower and benefit farm workers and new entrants without breaking the family unit, and thereby losing the lever-effect. Empowerment initiatives such as AgriBEE should provide for such models to ensure empowerment is successful.

- True empowerment cannot be done by simply distributing land. Agriculture requires technical and business knowledge and new entrants must be assisted to sharpen their business skills. Existing established family farmers create the ideal platform for beneficiaries to gain access to rich knowledge to farm economically and create market access. Equipment can also be provided to new entrants in this way.
- The principles that make family farms successful can also be applied to beneficiaries. Principles such as stewardship, which will teach new entrants to think long-term and to do the right things today to create a sustainable family farm for their descendants. Daily liaison between established family farms and new entrants can ensure healthy agriculture in South Africa.
- Lastly, it is important that policy certainty is created soon to ensure a successful transformation. It is a natural instinct to protect what generations build through sweat, but family farmers must actively engage in transformation and empowerment of new entrants to ensure their own future and get rid of a *Fight, Fight or Freeze* approach.

South Africa's economy is already struggling and we must BEWARE not to let the heartbeat of our economy, namely family businesses, AND ESPECIALLY FAMILY FARMERS, stop beating through political considerations at the expense of sound economic policy. DO NOT THROUGH THE BABY OUT WITH THE BATH WATER!

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