



cutting through complexity

Family matters

**Financing Family
Business growth
through individual
investors**

COUNTRY COMMENTARY:
SOUTH AFRICA

kpmgfamilybusiness.com

South Africa

Relations between family businesses and HNWIs in South Africa are exceptionally strong, according to the survey.

Four out of five family businesses have already obtained direct investment from HNWIs – and all of them were positive about the experience. “They were easily approachable and their guidance throughout the undertaking was outstanding,” said the CEO of a Stellenbosch-based investment company.

The survey also found that family firms were not just looking for a silent partner. All respondents were prepared for investors to offer advice and expertise – even offering a seat in the boardroom in one case. “We will welcome new board members to share inputs and drive business decisions based on their knowledge and perception,” said the CEO of a Rustenberg engineering company.

In addition, the majority of those surveyed disagree that HNWIs would be overly involved in management decisions. “They would most probably not interfere with any business. They [only] get personally involved in examining flaws that can be rectified so that the business functions well,” says one CFO.

HNWIs are equally upbeat about family businesses. Three out of the five have previously invested and all those enjoyed the experience. Respondents mentioned strong returns, high-quality service and long-term goals as the key advantages to family business investment.

“We’ve had better dealings with family businesses,” said one HNWI. “They are pretty open in their views and functioning and we’ve not experienced any sort of conflicts.” This opinion was backed by one of their peers. “My experience has been great with family businesses. The owners give you the importance you have not expected and promote individual views on a decision. Family businesses look at the long term.”

However, respondents acknowledge that one obstacle persists – the emergence of a corporate culture clash. According to one HNWI: “Possibility of conflict is a fear factor which discourages companies from investing in family businesses. Most of the time, personal likes, dislikes and perceptions lead to conflicts and disruptions in the organization and its impact is visible on the investors and shareholders.”

Many HNWIs generated their wealth through the establishment, growth and ultimate exit of a family business. As a result, they very often have a great deal of insight to add to new family businesses – they can offer not only capital investment but also valuable wise counsel.

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